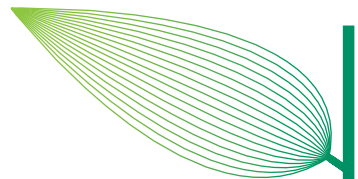




# Vinda International Holdings Limited

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

維達30周年 為家加滿FUN



商界展關懷  
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香港社會服務聯會頒發

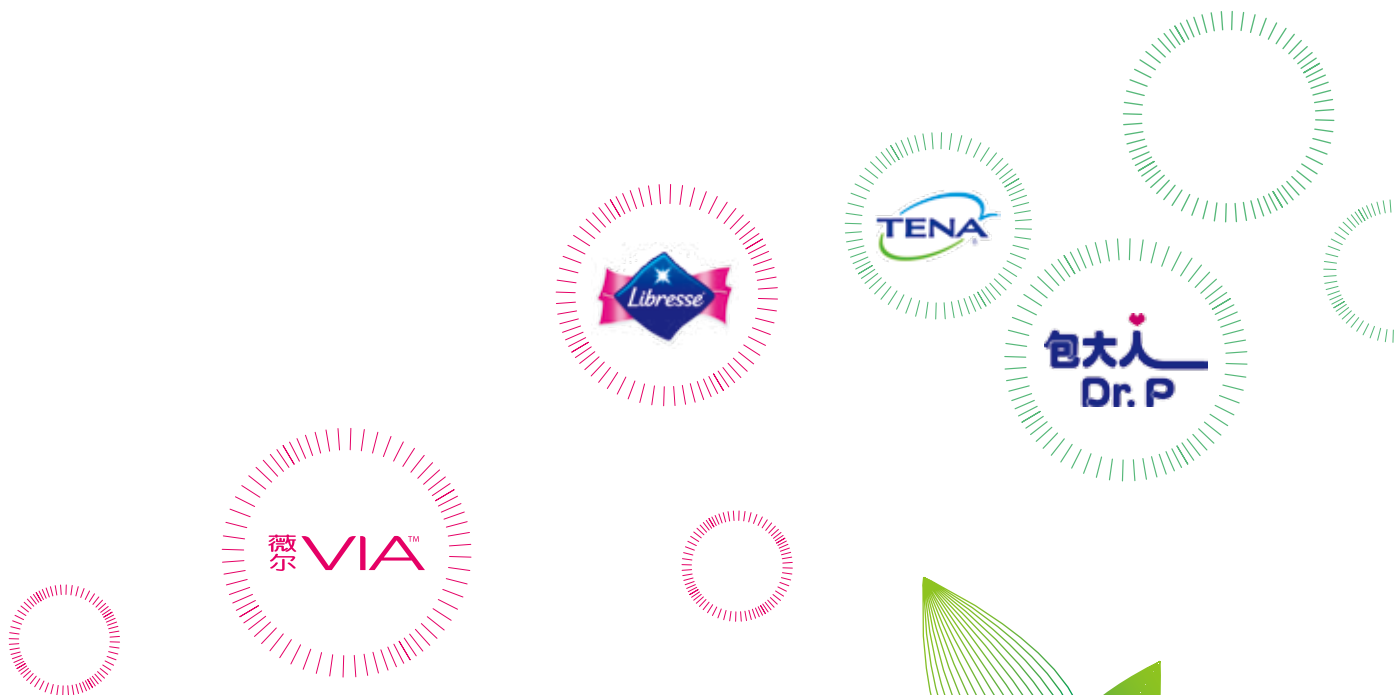
HEALTHY LIFESTYLE  
STARTS FROM  
Annual Report 2014

# VINDA



維達30周年  
為家加滿FUN





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# CORPORATE INFORMATION

## Directors

### Executive Directors

Mr. LI Chao Wang (Chairman)  
Ms. YU Yi Fang (Vice Chairman)  
Ms. ZHANG Dong Fang (Chief Executive Officer)  
Mr. DONG Yi Ping (Chief Technology Officer)

### Non-Executive Directors

Mr. Jan Christer JOHANSSON (Vice Chairman)  
Mr. Jan Lennart PERSSON  
Mr. Johann Christoph MICHALSKI  
Mr. Ulf Olof Lennart SODERSTROM

## Independent Non-Executive Directors

Mr. KAM Robert  
Mr. HUI Chin Tong, Godfrey  
Mr. TSUI King Fai  
Mr. WONG Kwai Huen, Albert

## Alternate Directors

Ms. LI Jielin (alternate to Mr. LI, Ms. YU and Mr. DONG)  
Mr. CHIU Bun (alternate to Mr. MICHALSKI and Mr. SODERSTROM)  
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. PERSSON)

## Audit Committee

Mr. KAM Robert (Committee Chairman)  
Mr. Jan Lennart PERSSON  
Mr. TSUI King Fai  
Mr. WONG Kwai Huen, Albert

## Remuneration Committee

Mr. TSUI King Fai (Committee Chairman)  
Mr. Ulf Olof Lennart SODERSTROM  
Mr. HUI Chin Tong, Godfrey

## Nomination Committee

Mr. HUI Chin Tong, Godfrey (Committee Chairman)  
Mr. LI Chao Wang  
Mr. Jan Christer JOHANSSON  
Mr. KAM Robert  
Mr. WONG Kwai Huen, Albert

## Risk Management Committee

Mr. Jan Lennart PERSSON (Committee Chairman)  
Ms. YU Yi Fang  
Ms. ZHANG Dong Fang  
Mr. Ulf Olof Lennart SODERSTROM  
Mr. TSUI King Fai

## Authorised Representatives

Ms. ZHANG Dong Fang  
Ms. TAN Yi Yi

## Company Secretary

Ms. TAN Yi Yi, ACCA

## Auditors

PricewaterhouseCoopers

## Legal Advisers to the Company

Stevenson, Wong & Co. (as to Hong Kong law)  
Conyers Dill & Pearman (as to Cayman Islands law)

## Registered Office

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



### Principal Place of Business in Hong Kong

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

### Place of Listing and Stock Code

The Stock Exchange of Hong Kong Limited  
Stock Code: 3331

### Principal Share Registrar and Transfer Office

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

### Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre, 183 Queen's Road East  
Wanchai, Hong Kong

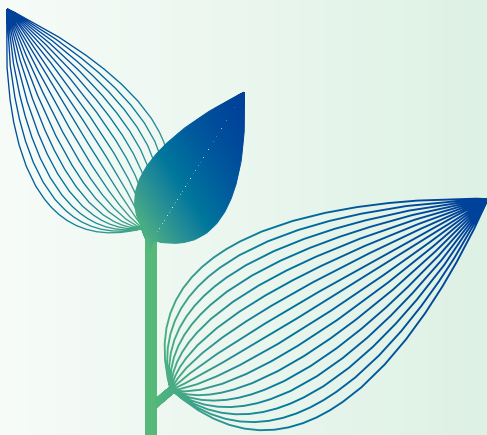
### Principal Bankers

Australia and New Zealand Banking Group Limited  
Bank of China (Hong Kong) Limited  
China Construction Bank Corporation  
China Construction Bank (Asia) Corporation Limited  
Hang Seng Bank Limited  
The Hong Kong and Shanghai Banking  
Corporation Limited  
The Royal Bank of Scotland plc (Hong Kong Branch)

### Website

<http://www.vindapaper.com>  
<http://www.hkexnews.hk>





# HOUSEHOLD PAPER ● ● ● ● ●



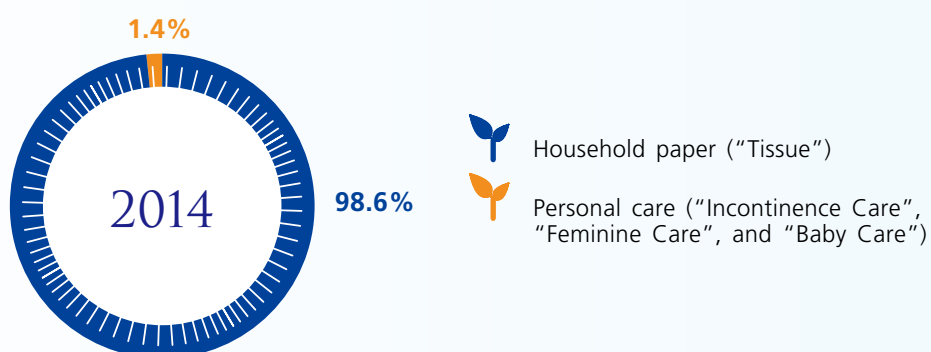
# FINANCIAL HIGHLIGHTS

	2014	2013
Gross profit margin (%)	<b>30.2%</b>	29.0%
Net profit margin (%)	<b>7.4%</b>	8.0%
Earnings per share (HK\$) — basic	<b>59.4 cents</b>	54.3 cents
Dividend per share (HK\$)	<b>16.0 cents</b>	15.6 cents
— interim dividend (paid) (HK\$)	<b>4.0 cents</b>	4.8 cents
— final dividend (proposed) (HK\$)	<b>12.0 cents</b>	10.8 cents
Finished goods turnover	<b>40 days</b>	37 days
Debtors turnover	<b>47 days</b>	48 days
Creditors turnover	<b>83 days</b>	70 days
Current ratio (times)	<b>1.08</b>	1.26
Gearing ratio (%) <sup>1</sup>	<b>87.9%</b>	58.9%
Net gearing ratio (%) <sup>2</sup>	<b>73.7%</b>	44.0%

#### Notes:

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

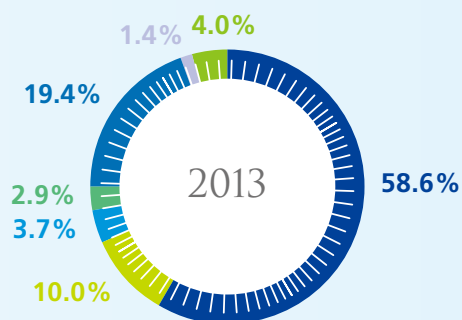
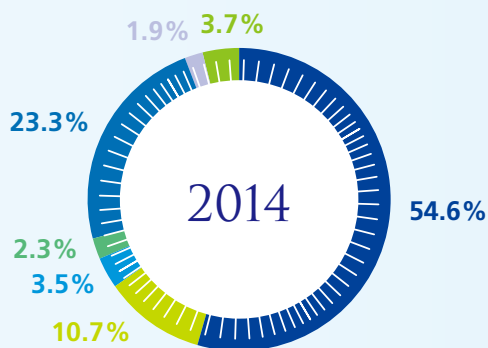
## Turnover by Categories





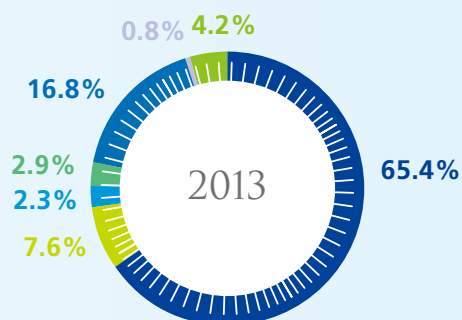
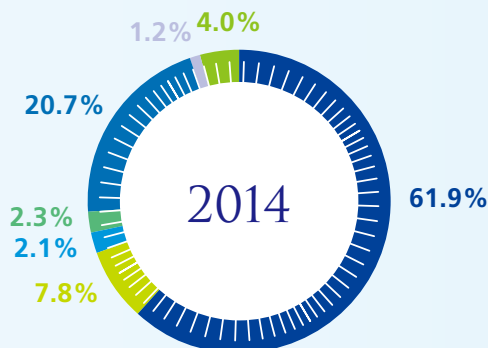


### Sales Turnover by Household Paper Categories



- Toilet Roll
- Hanky
- Box Tissue
- Paper Napkin
- Softpack
- Wet wipe
- Others

### Sales Volume by Household Paper Categories



- Toilet Roll
- Hanky
- Box Tissue
- Paper Napkin
- Softpack
- Wet wipe
- Others



# FEMININE CARE ● ● ● ● ●



薇尔 VIA™



# CHAIRMAN'S STATEMENT

We will stay alert and be confident about overcoming difficulties as we strive for a greater market share and scale new heights in a centralized management system, economies of scale, diversification and internationalization with the solid ground of our influential brands.

## Chairman's Statement

On behalf of the Board of Directors (the "Board") of Vinda International Holdings Limited ("Vinda International" or the "Company", which together with its subsidiaries is referred to as the "Group"), I am pleased to present the Group's annual report for the year ended 31 December 2014.

2014 was a challenging year as China's economy, retail consumer market and household paper industry have all shifted down from rapid to steady growth. The Group's profitability has been put to the test as it is navigating the country's household paper market with the tailwind of growing and inelastic demand and against the headwind of periodic overcapacity in the industry. The market conditions, which have prompted the industry to step up its efforts to promote sales, were complicated by rapidly rising labor costs and the weakening Renminbi.

During the year, the Group stood up to the challenges, with its revenue increasing by 17.5% to HK\$7,985.2 million (2013: HK\$6,798.0 million) and gross profit rising by 22.2% to HK\$2,408.7 million (2013: HK\$1,971.7 million). Profit attributable to equity holders increased by 9.3% to HK\$593.5 million (2013: HK\$542.9 million), and basic earnings per share were 59.4 HK cents (2013: 54.3 HK cents). As a token of gratitude for shareholders' long-term support, the Board proposed payment of a final dividend of 12.0 HK cents per share for the financial year ended 31 December 2014.

CHAIRMAN'S  
STATEMENT

**Mr. Li Chao Wang**  
*Chairman*

Vinda International will soon mark its thirtieth anniversary, and I, as the founder, always believe in raising the standards of household hygiene by providing quality household paper and developing the Group into an enterprise with presence in international markets. Vinda has been unwavering in its dedication to its household paper business regardless of the ups and downs in China's economy, the households' ever higher requirements concerning the quality of consumer goods and the impact of technological advance on the industry. In the course of its development, the Group has transformed its strategy — it started with the goal of building a strong and sizable business through expansion of paper production capacity, and now focuses on upgrading its business and reinforcing its foothold in the market with its brand and technologies. Specifically, the move was aimed at consolidating the steady growth of Vinda's household paper business and at diversifying into three personal care businesses, namely those of incontinence care, feminine care and baby care. In 2014, we integrated Vinda Personal Care Holdings Limited ("Vinda Personal Care", formerly known as V-Care Holdings Limited) and Svenska Cellulosa Aktiebolaget's ("SCA") operations in Hong Kong, mainland China and Macau with the aim of consolidating all the resources under the umbrella of Vinda. Such a measure will further the development of the Group's multi-category and multi-brand business and will secure a foothold for its three personal care businesses in the market.

## CHAIRMAN'S STATEMENT

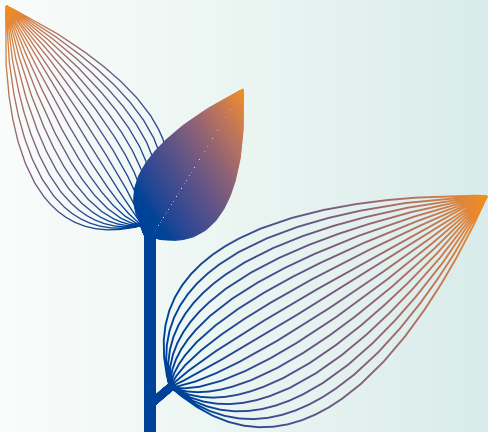
We are optimistic about China's hygiene product industry because we believe Vinda's future growth will be sped up by the country's on-going urbanization, aging population, environmental protection policy and its policy of allowing a couple to have two children if either member of that couple is the only offspring. We continue to gear up for the opportunities by optimizing the product mix, building up sales channels, improving the product quality, promoting personal care products as well as upgrading our business. We will stay alert and be confident about overcoming difficulties as we strive for a greater market share and scale new heights in a centralized management system, economies of scale, diversification and internationalization with the solid ground of our influential brands.

**LI Chao Wang**

*Chairman*

Hong Kong

29 January 2015



# INCONTINENCE CARE ● ● ● ● ●

# CEO REPORT

Vinda has been working hard for three decades, and now has every condition to internationalize its business and diversify into personal care and hygiene products.

## Chief Executive Officer's Report

In the past thirty years, Vinda Group has been dedicated to building its household paper business under the Vinda brand. In 2014, China's retail consumption growth decelerated from a double-digit rate in the past to a single-digit rate. In particular the growth in demand for household paper failed to match that in production capacity. Furthermore the operating environment of the Group was complicated by the fluctuations in the exchange rate of Renminbi.

Nevertheless, the Group has built up its core competitiveness by persevering in innovation, and by diversifying into the business of personal care products despite the current overcapacity in household paper industry. Such a move paves the way for enhanced profitability for the long term. During the year under review, the Group teamed up with SCA, which is the leading global hygiene and forest products company, to integrate the two companies' businesses in mainland China, Hong Kong and Macau. This is a significant initiative to further the Group's development and enable it to fulfill its mission: to let people enjoy quality hygiene products.

## Managing four product categories

The Group used to follow a single-brand management but has now decided to manage its four major product categories for household paper, incontinence care, feminine care and baby care under ten brands, namely *Vinda*, *Tempo*, *Tork*, *Babyfit*, *Libero*, *Sealer*, *VIA*, *Libresse*, *TENA* and *Dr.P.* Although this seems a daunting task, we will endeavor to rationalize the multi-brand product category management by establishing a leading brand for each of the product categories. This will allow consumers the choice.





**Donna, D.F. ZHANG**  
*Chief Executive Officer*

The Group will remain oriented to and focused on the needs of consumers as it has been in the past thirty years regardless of whether it is managing a single product category or various product categories. It will develop quality hygiene products that cater for consumers' preferences and consumption habits in Greater China based on the findings of its studies and research. In view of the varying degrees of maturity of different product categories and the varying degrees of awareness and reputation of different brands in the region, the Group will evaluate the market potential of its brands in the short to medium term. It will allocate resources for developing new businesses and will raise their proportions in sales and their market shares without compromising the profitability of its core businesses. In the long run we will build on our market leadership in household paper and adult incontinence products as well as continue to develop leading brands for baby diapers and sanitary napkins.

### Four kinds of synergies

With the approval granted by the independent shareholders in September 2014, the Group and SCA have set about integrating and optimizing their resources. We expect that the integration of the two companies' businesses will yield value and synergies which will be fully reflected in the areas of distribution, procurement, production and finance:

For distribution, Vinda has a strong and well-developed sales network. It will leverage its competitive advantage in sales and distribution by combining its own strong sales force, a wide network of more than 300,000 points of sales and a varied portfolio of quality products. We expect that the synergy will first be achieved in the Group's network of more than 1,000 first rate distributors, especially when it comes to the distribution of the

*Tempo* and *Tork* products. The efficiency of better resources management on logistics cost and the in store impact at supermarkets and hypermarkets is also expected to be enhanced as we assign store promoters there. We will leverage SCA's specialized sales channel for incontinence care to sell our own incontinence care products and promote household paper. Such a move will lead to synergies across different product categories and brands.

As to procurement, the Group and SCA have together become one large buyer of raw materials because their combined tissue paper production capacity is the largest of its kind in the world. The two companies attach great importance to both the quality of raw materials and sustainability, and ensure that the paper supply and quality meet our highest quality and environmental standards. Both the Group and SCA will try to achieve synergy in such aspects as procurement cost control, sharing of market intelligence, sustainable development and the use of suppliers' after-sales services.

With regard to production, all of the Group's nine household paper production bases are equipped with first-class logistic infrastructure which meet international standards on hygiene and are noted in the industry for their high efficiency in production and the consistent quality of their products. By combing the Group's innovative spirit and SCA's technologies and strong research and development capabilities, the Group has the indisputable ability to produce high-end branded and high value-added products. In the medium to long term, the Group will use its advanced baby diaper production lines in mainland China, purchase incontinence care and feminine care production facilities as well as localize the production of our international hygiene products at lower cost to the benefit of both consumers and to promote the well being of mankind.

The Group has been enhancing its transparency and corporate governance, and this is especially the case since SCA has become the controlling shareholder of the Group. The Group has been further stepping up efforts to adopt best practices in corporate governance and aligning the company goals with value creation for all shareholders. This has also broadened the available channels for the Group to raise capital and has reduced its financing cost to a certain extent, helping improve its financial management. We believe that the integration of the businesses of both the Group and SCA will enlarge the overall scale of operation and will boost the Group's financial strength and fund-raising capability.

## Four opportunities in the future

Vinda has been working hard for three decades, and now has every condition to internationalize its business and diversify into personal care and hygiene products. It will forge ahead with the processes. We firmly believe that China's hygiene product market is still full of opportunities because of four major developments, namely the country's ongoing urbanization that will increase per capita consumption of household paper and will boost demand for quality products; the relaxation of the one-child policy that will stimulate demand for baby diapers; the country's quickly aging population that will generate huge demand for hygiene products for adult incontinence products; and the increasingly stringent environmental regulations that might favor the development of large and sustainable hygiene product suppliers. All these will speed up Vinda's long-term development.

The year 2015 marks the beginning of the Group's seventh five-year plan, and we have all geared up for developing the Group into a multi-category and multi-brand hygiene product enterprise. We usher in the new era of hygiene products with a new global vision in order to further the Group's development. With its unique advantages, Vinda Group will continue to make great strides in its down to earth and steady business expansion like it did in the past thirty years, and will remain in the forefront of the industry.

**ZHANG Dong Fang**

*Chief Executive Officer*

Hong Kong

29 January 2015

# MANAGEMENT DISCUSSION AND ANALYSIS



## Business Review

In 2014 (the “Year”), China’s retail sales slowed down as the central government adopted measures to rebalance the economy by promoting prudence and encouraging private consumption. The market for fast-moving consumer goods remained weak and the growth rate in the household paper (“Tissue”) market decelerated somewhat. Nevertheless the Group achieved good results in increasing market share, optimizing product portfolio and diversifying its businesses despite intense competition.

During the Year, the Group’s turnover rose by 17.5% to HK\$7,985.2 million, of which the core business of household paper (“Tissue”) accounted for 98.6% while the businesses of incontinence care, feminine care and baby care (“Personal Care”) accounted for a combined 1.4%. The slightly lower cost of wood pulp and optimization of product mix boosted the gross profit by 22.2% to HK\$2,408.7 million and increased the gross profit margin by 1.2 percentage points to 30.2%.

The Group stepped up efforts to strengthen its market share, with increased activity and cost in sales and marketing in view of the intense competitive activity which resulted from the temporary imbalance between production and demand in the industry cycle. Together with the approximately HK\$40.9 million gain on the fair value remeasurement of the pre-existing holding related to the acquisition of Vinda Personal Care, the operating profit of the Group reached HK\$822.3 million, representing a 15.4% year-on-year increase. Operating margin remained stable at 10.3%.

The Group’s total borrowings (including loans taken out from a connected person) grew by HK\$1,727.4 million during the Year reflecting the impact of funding capital investments and acquisitions, and which resulted in an increase in the overall financing cost.

The fluctuations in the exchange rates between Renminbi and Hong Kong and US dollars resulted in a total foreign exchange loss of HK\$17.9 million in 2014 (against the foreign exchange gain of HK\$62.4 million in 2013), where HK\$1.0 million resulted from finance loans (against the foreign exchange gain of HK\$44.0 million in 2013). The Group recorded HK\$593.5 million in profit attributable to the shareholders, which grew by 9.3% versus 2013.

The board of directors proposed payment of a final dividend of HK\$0.12 per share for the year ended 31 December 2014.





### Household Paper (“Tissue”)

The Group’s core business of household paper continued to gain market share during the Year. Organic growth and new revenue contribution from Tempo boosted the income of the Group’s household paper business by 16.2% to HK\$7,870.0 million, with sales volume up by 15.3% to 555,685.0 tons. By product categories, roll and non-roll products respectively accounted for 54.6% and 45.4% of the total sales. Notably, higher-margin products such as softpack, hanky and wet wipe posted significant sales growths of 39.6%, 24.6% and 63.0% respectively as a result of the optimization of the product mix.

### Personal Care

For 2014, the Group’s personal care business recorded turnover of HK\$115.2 million. The fledgling business is still small and requires significant investment in brand-building and in making products widely available in distribution channels, and as such, it has yet to improve its overall profitability from the present level to a normal sustainable level. For example in August, the Group upgraded its Babyfit baby diaper products and marketed them with a new concept of “differentiated day and night diapers” to attract a new generation of mothers as customers.

## Four Categories of Daily Hygiene Products

The Group previously focused on developing its household paper business but began diversifying into personal care two years ago. Since the start of the fourth quarter of 2014, the Group has been integrating the operations of Vinda Personal Care and SCA in mainland China, Hong Kong and Macau, laying the foundations for its diverse business portfolio that comprises household paper, incontinence care, feminine care and baby care products.

### Household Paper (“Tissue”)

During the Year, Vinda kept a consistently excellent product quality and continued with a series of branding campaigns to maintain and increase the brand share in the face of increased promotional pressure caused by the weaker market situation combined with the temporary overcapacity in the industry. For instance, the Group sponsored a most viewed variety show “Fashion Kids” (《潮童天下》) produced by Dragon Television, held its creative “Vinda Tissue-made Wedding Gown Show for Families” and conducted “Ultra Strong National Bus Tour — The Second Season”, thus enhancing Vinda’s brand, reputation and customer loyalty. In international consumer panel Kantar Worldpanel’s “Brand Footprint 2014” that rates fast-moving consumer goods brands in China, Vinda improved its ranking by six places to 19th from previous year.

In the future the Group will actively promote the high-end product Tempo nationwide, but particularly in Tier 1 cities, with a view to improving its product mix and profit margin significantly.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Personal Care

During the Year, the Group acquired the franchise for a number of well-known personal care and hygiene product brands of SCA and set up a working group to ensure success in integration and managing the businesses and brands. In order to manage the multi-brand business well the Group will rationalize the positioning of each brand according to its niche and market potential. It will also adopt a branding strategy for sustainable development based on consumer preferences. The Group aims to build a leading international brand for each of its personal care and hygiene product businesses by leveraging SCA's technologies and research and development capabilities and adapting to the consumption habits in mainland China. It will also fully use its existing sales network to increase its sales and profitability.

### Develop Online Sales and Specialized Distribution Channels for Niche Markets

In 2014 revenues from the traditional distributors, modern hypermarkets and supermarkets, corporate clients and E-commerce accounted for 47.8%, 33.0%, 12.2% and 7.0% respectively of the total. As at 31 December 2014, the Group had 239 sales offices and 1,380 distributors.

During the Year, the Group further developed and broadened its sales network. It teamed up with distributors in Liaoning and Zhejiang provinces to jointly distribute goods and develop downstream markets and helped the distributors in setting up sales forces, increasing sales personnel and distributing gifts with the aim of making the products widely available in the distribution channels. Moreover, the Group also conducted road shows in southern and eastern China. The booming online sales have also redefined the retail channels. The Group capitalized on the market changes by stepping up investment in E-commerce, which grew well and complemented its original sales channels. In the future, the Group will continue to establish and foster long-term partnerships with a number of major online shopping website operators. The E-commerce segment is expected to account for a higher proportion of the revenue as well as greater market share in the future.

The Group will also diversify its personal care businesses by building specialized distribution channels for niche markets in maternity and child care shops, hospitals and care homes for the elderly.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Plan to Expand and Localize Production

As at the end of 2014, the Group's aggregate annual household paper production (design) capacity was 890,000 tons. In order to satisfy China's demand for household paper in the long term and to further the Group's development and to enhance quality control, the Group has decided to add an annual production capacity of 60,000 tons in Shandong and 30,000 tons in Sichuan. The added production capacities will become operational in the fourth quarter of 2015 bringing the Group's total annual designed production capacity to 980,000 tons by the end of the year. The Group is also evaluating new areas in Southern and Central China for further production capacity expansion in the future.

As to the supply chain of the personal care businesses, the Group already has three first-class baby diaper production lines in central China capable of producing all of its baby diaper brands which are positioned to target different market segments for quality products. In the short term the Group will continue to adopt the asset light model to develop its sanitary napkin business and will establish its own production lines when the business achieves a sufficient scale. It is also planning the adaptation of its supply chain to the future demand for incontinence products, and will make the operation highly efficient, low-cost and responsive to meet the wants and needs of the market.

### Improving Management Performance and Enhancing Human Resources Management

The Group recognizes the importance of sound corporate governance to a company's success, its business development and shareholder value. Training in corporate governance is organized for the directors and senior management from time to time, and the disclosure system is regularly reviewed so as to improve transparency. The Group has also established a mechanism to monitor and review the internal control of its departments and operational procedure. During the Year, the Group set up a risk management committee with an aim of raising the standard of its risk management.

High-caliber staff are the key to the Group's competitiveness and value creation. The Group consistently enhances its personnel by carrying out performance management reform and organizational restructuring, reorganizing job positions and duties, as well as providing professional training and education subsidies for employees, thus raising the Group's practices to international standards. As at 31 December 2014, the Group had a total of 7,818 employees. Employee remuneration packages are reviewed regularly and benchmarked to local market conditions as well as based on the staff's experience and performance to ensure the competitiveness of the Group's remuneration package. Furthermore, the Group operates a share option scheme to attract and retain talents.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Foreign Exchange and Fair Value Interest Rate Risk

The majority of the Group's assets and sales business are located in the People's Republic of China (the "PRC") and Hong Kong. Most of our transactions are denominated and settled in Renminbi while most of the key raw materials are imported from overseas and denominated and paid in US dollar. The Group also borrows most of the long term loans and the short term loans denominated in HKD or USD.

Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. During the year of 2014, the Group managed its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps had the economic effect of converting borrowings from floating rates to fixed rates, but they were all expired on 29 July 2014 concurrently with the borrowings. As at 31 December 2014, the Group had no outstanding interest rate swaps.

### Share-Based Payment

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

- (i) in respect of the options granted to directors, on or after 24 February 2009;
  - (ii) in respect of the options granted to employees,
    - (a) up to 20% on or after 24 February 2010;
    - (b) up to 50% on or after 24 February 2011;
    - (c) all the remaining options on or after 24 February 2012;
- and in each case, not later than 23 February 2019.

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

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

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



MANAGEMENT DISCUSSION  
AND ANALYSIS

The options are exercisable during the following period if the Company meets certain performance conditions as set by the Board:

- (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:

- (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.

In 2013, 6,902,000 share options were cancelled due to the voluntary conditional cash offer by SCA BV.

All of the outstanding options are exercisable. Options exercised during the year ended 31 December 2014 resulted in 40,000 shares (2013: 480,000 shares) being issued with net proceeds of HK\$371,300 (2013: HK\$2,564,000). The related weighted average share price at the time of exercise was HK\$13.14 (2013: HK\$10.27) per share.

980,000 options (2013: 380,000 options) were forfeited during the year ended 31 December 2014 due to a director and employee resignation. 5,454,000 options were forfeited due to unfulfilled vesting conditions in relation to the financial results for the year ended 31 December 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Prospects

For the past thirty years Vinda has been breaking new ground and persevering in innovation to cope with market changes, thus transforming itself from a household paper maker with a single brand into a multi-brand household and personal care enterprise. We anticipate that the household paper market will remain intensely competitive in 2015 and that the wood pulp prices will fluctuate. In addition, the Group will need to make some significant initial market investments in the personal care businesses and will thus increase the sales and marketing expenses in this area. However, with its existing wide sales and distribution network and increasing brand recognition, the Group has set a medium- to long-term goal that revenue contribution from the personal care business would achieve 20% of total revenue. Such investment is considered worthwhile because the Group's long-term development will benefit from such factors as a more diverse product portfolio, increasing urbanization, growth in disposable income, stringent environmental regulations and consumer spending, aging population and the government policy of allowing a couple to have two children if either member of the couple is the only offspring. All these factors are expected to stimulate China's demand for quality everyday hygiene products and would be beneficial to the long-term growth of the Group. We are determined to achieve the leading position in the categories of household paper and incontinence care and become a first tier brand in the categories of feminine sanitary napkins and baby diapers.

To capture the opportunities, we have set the following priorities for 2015:

1. To ensure stable growth in the core business of household paper;
2. To enhance the awareness and reputation of the brands of the personal care and hygiene product businesses;
3. To further develop and broaden the sales channels, including growing the specialized distribution channels, such as for niche markets; and
4. To achieve synergies by integrating SCA's businesses into those of the Group, by including a range of high quality brands and products in the sales portfolio, by adopting more advanced technologies, by localizing production in mainland China and through joint global procurement of raw materials with SCA.

In the next three decades, China's market will still be full of opportunities and challenges. The Group will capitalize on the promising situation by working as a cohesive team, persevering in innovation, adhering to a high standard of product quality and differentiating itself from competition. We aspire to become consumers' preferred hygiene product brand and will continue to aim for the best returns to shareholders and investors.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Liquidity, Financial Resources and Loans

The Group's financial position remained healthy. In March 2013, the Group concluded a syndicated loan of HK\$1 billion with a tenor of 3 years. As at 31 December 2014, the Group's bank and cash balances (including restricted bank deposits of HK\$1,301,535 (31 December 2013: HK\$3,567,270)) amounted to HK\$721,585,249 (31 December 2013: HK\$693,269,919), and short-term and long-term loans amounted to HK\$4,464,804,644 (31 December 2013: HK\$2,737,436,782), including the loans from a related party amounting to HK\$2,030,138,167. 65.1% of the borrowings are medium- to long-term (2013: 62.3%). The annual interest rates of loans ranged from 1.03% to 6.90%.

As at 31 December 2014, the gearing ratio was 87.9% (31 December 2013: 58.9%), which was calculated on the basis of the amount of total borrowings as a percentage of the total shareholders' equity. 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 73.7% (31 December 2013: 44.0%). The increase in net gearing ratio as at 31 December 2014 is attributable to the borrowings made by the Group from a related party for the acquisition of certain companies and China distribution business and the future development of the Group. Total borrowings are defined as the aggregate of short-term and long-term loans and loans from a related party.

As at 31 December 2014, unutilized credit facilities amounted to approximately HK\$9.71 billion (2013: HK\$4.82 billion).

### Contingent Liabilities

As at 31 December 2014 and 31 December 2013, the Group had no material contingent liabilities.

### Capital Commitments

	As at 31 December	
	2014	2013
	HK\$	HK\$
Property, plant and equipment and intangible assets	<b>312,047,942</b>	537,649,164
Investment in an associate	—	20,500,000
	<b>312,047,942</b>	558,149,164

## MANAGEMENT DISCUSSION AND ANALYSIS

### Acquisitions during the Year

On 10 July 2014, the Company acquired further 59% equity interests in Vinda Personal Care for HK\$295,000,000 and from the start of the following month, i.e. 1 August 2014, Vinda Personal Care was consolidated in the accounts of the Group as a wholly-owned subsidiary. Details of the above acquisition are set out in the announcement of the Company dated 7 July 2014.

As a result of the acquisition, the Group is expected to increase its presence in the Mainland China personal care markets, and to reduce costs through economies of scale. The goodwill of HK\$239,669,991 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 Vinda Personal Care. None of the goodwill recognised is expected to be deductible for income tax purposes.

The revenue included in the consolidated income statement after acquisition contributed by the acquired business was HK\$31,982,275.

On 1 October 2014, the Group acquired 100% equity interests of certain companies and China distribution business and associated intellectual property rights to brand names and designs etc from Svenska Cellulosa Aktiebolaget. These subsidiaries and business are mainly engaged in distribution of household paper products and personal care products to extend the market share and business diversity of the Group. The subsidiaries and business acquired are as follows:

Subsidiaries and business acquired	Acquisition date	Acquired interests %
SCA Tissue Hong Kong Limited	1 October 2014	100%
SCA Healthcare Management Pte. Ltd	1 October 2014	100%
Everbeauty Industry (Fujian) Company Limited	1 October 2014	100%
SCA China distribution business	1 October 2014	

Details of the above acquisition are set out in the announcement of the Company dated 18 July 2014. As a result of the acquisition, the Group is expected to increase its presence in the household paper products and personal care markets both in Hong Kong and Mainland China. It also expects to gain market share through the acquisition. The goodwill of HK\$567,551,401 arising from the acquisition is attributable to acquired customer base and the synergies are expected from combining the operations of the Group, together with these companies and business. None of the goodwill recognised is expected to be deductible for income tax purposes.

The revenue included in the consolidated income statement after acquisition contributed by the acquired business was HK\$172,683,533.

## Final Dividend

The Board has resolved to propose to shareholders the distribution of a final dividend for the year ended 31 December 2014 at HK\$0.12 (2013: HK\$0.108) per share totaling HK\$119,808,322, subject to approval by shareholders at the annual general meeting (the “AGM”) on 26 May 2015. If so approved by shareholders, it is expected that the final dividend will be paid on or about 30 June 2015 to shareholders whose names appear on the register of member of the Company on 10 June 2015.

## Closure of Register of Members

The register of members of the Company will be closed from 20 May 2015 to 26 May 2015, 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 19 May 2015.

In addition, the register of members of the Company will be closed from 8 June 2015 to 10 June 2015, 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 5 June 2015.

We believe that our goal of achieving full sustainability can only be achieved with the harmonious coexistence and development of our enterprise, our environment, our employees and our community.





## Reaching out to the Community from our Heart

Over the past 30 years the Vinda Group has evolved from a manufacturer focusing on household paper production into a company involved in multi-brand hygiene and personal care products under diversified categories. We aim to provide quality household hygiene and personal care products and remain committed to professionalism, integrity, innovation and sustainability as our core values. Since our establishment we have held fast to the belief that social responsibility should be accorded the same importance as business development. We therefore set our primary goal as one where we would deliver harmonious win-win outcomes and achieve sustainable development in performing our social responsibilities. We continue to make constant progress in areas such as corporate governance, energy saving and reduction of emissions, the remuneration of employees, and general social welfare.

The Group grounds its social responsibility initiatives on its internal principles of “Reaching out from within” and “We are family”. This means that we believe it is essential to start by perfecting our internal competence in order to create a sound basis for contributing to wider community welfare. Within our enterprise, therefore, we invest resources not only to strengthen and expand our business, but also to optimize our corporate governance policies and provide employees with the best possible working conditions and remuneration packages. On a separate front, we are implementing green production initiatives and emphasizing the construction of environmental infrastructure, all ways in which we are laying a solid foundation for sustainable development.

## VINDA ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT 2014



Building strong internal foundations in this way enables the Group to perform its wider social responsibilities more effectively. Rooted in an internal culture, we participate in various kinds of social welfare activities, showing our care for the community straight from the heart. For example we have established the Vinda Charity Foundation (“Foundation”) that provides assistance to both employees and members of the public in need and we have set up a volunteer team which is taking part in a number of projects to help build a harmonious community.

### Integrity First in Business Operations

Believing that integrity in business operations should be the cornerstone of any enterprise, the Vinda Group has made integrity one of its core values. A number of measures designed to safeguard integrity have been put in place, including ‘Management Measures on Contract Management’, ‘Management Measures on Tendering and Tender Negotiation’ and ‘Management Measures on Anti-Corruption’, along with a ‘Management System on Confidentiality’.

In 2014, the Group further enhanced its contract management standards by enhancing the regulation of its contracting practices, for instance by introducing comprehensive supervision of various aspects of its contracting activity to prevent fraud and avoid contract disputes. This has included initiatives such as examining the qualifications of the contracting parties, negotiating the terms of the contracts and monitoring contract performance. We also update the ‘Management System on Confidentiality’ from time to time, based on the Anti-Unfair Competition Law of the People’s Republic of China and the Hong Kong Listing Rules and regulations promulgated by the Securities and Futures Commission. This is done to prevent any breaches of confidentiality in relation to the Group’s commercial and operational secrets, and we strictly monitor the implementation of the system.

To prevent corruption and unfair competition the Group has formulated a set of ‘Management Measures on Tendering and Tender Negotiation’ which expressly require principles of “fairness, justice, integrity and trustworthiness” to be adopted in tendering. They also clarify the functions and responsibilities of the tender panel and specify the correct tendering workflow. As a preventive measure our internal control and supervision department regularly conducts internal audits and risk assessments for different business units.





## VINDA ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT 2014

### Care for Customers, Quality First

Our business reputation is built on the quality of our products and services, and our effective standardized management system serves as a key assurance of this quality. We have implemented an internationally-benchmarked management system consistently across the Group, with all our production bases being certified under the ISO9001 quality management system, the ISO14001 environmental management system and the ISO22000 food safety management system. Vinda Paper (China) Co., Ltd., Vinda Paper (Shandong) Company Limited and Vinda Paper (Liaoning) Company Limited have further obtained ISO50001 energy management system certification. The Group has also been granted the Hong Kong Safety Mark by Hong Kong Safety Institute Limited, in recognition of the safety, reliability and trustworthiness of our production standards and products.



Under our well-established internal quality inspection system for controlling product quality at source, raw and auxiliary materials undergo strict acceptance inspections before being warehoused. Polling, sampling and first-batch inspection procedures in the production process are in place to prevent any substandard products reaching distributors. The Group has maintained a 100% product pass rate in local and national special inspections over the years.

To improve product quality, we have introduced a range of automated equipment that is strengthening our quality controls during the production process. This equipment includes an automatic toilet roll weighing system, an automatic camera system, online quantitative and moisture scanners for paper machines, an automatic online softpack appearance detector, and an online box tissue empty box monitoring device.

We have also established a total quality management system that includes a customer complaint platform and a post-specific quality accountability system to define duties. Further, the skills of our frontline workers are regularly enhanced through experience sharing sessions and skill competitions, and they are also offered technical training and assessments for special posts.

Alongside its efforts in maintaining consistent product quality, the Group also attaches great importance to keeping its production sites clean and hygienic. We monitor hygiene conditions under the 6S management standards (SEIRI/Sort, SEITON/Systemize, SEISO/Sweep, SEIKETSU/Sanitize, SHITSUKE/Self-accomplishment, and Safety), and engage professional pest control contractors to undertake regular extermination. To ensure good hygiene and product safety, production workers are required to strictly follow sanitation standard operating procedures (SSOP), which include requirements for regular physical examinations, hand disinfection before entering shop-floors, the wearing of uniforms, and high standards of personal hygiene.

## VINDA ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT 2014

### Cherishing and Living in Harmony with the Environment

The Group has heeded the call of environmental protection organizations to create a sustainable business by engaging in energy conservation. Three of the Group's plants in South China have obtained FSC (Forest Stewardship Council) Chain of Custody certification, and all its production bases are scheduled to apply for such certification in 2015. Further, all the Group's production plants have obtained clean production certificates for emission reduction and energy conservation. In particular, the Hong Kong Productivity Council has rated our production base in Jiangmen, Guangdong, as a model project within the Cleaner Production Partnership Program.



The Group has embraced the concepts of arm's length procurement, low-carbon operations, recycling and the development of a green supply chain, and to this end we maintain rigorous supplier screening standards that place eco-certified suppliers in the preferred list. For instance, all our pulp suppliers must have obtained internationally-recognized forest certification, such as FSC or PEFC (Program for the Endorsement of Forest Certification Schemes) certification; and our chemical suppliers are required to possess MSDS (Material Safety Data Sheet) to ensure that all chemical additives comply with GB9685 (Hygienic Standards on Additives in Food Containers and Packaging Materials). Furthermore, the Group conducts annual reviews of its suppliers to ensure consistency of quality across its supply chain, and their compliance with environmental protection requirements.



The Group has been striving to maintain its energy consumption and emissions at levels lower than national thresholds, while at the same time making improvements year by year. Its carbon footprint is regularly tracked, and specific improvements developed according to waste gas, greenhouse gas and waste emissions across the operational links. In 2014, the Group's average overall energy consumption was 0.41 tons of standard coal per ton of paper, representing a decrease of 7% year-on-year. This figure is also 23% lower than the threshold for 2015 of 0.53 tonnes required by the Twelfth Five-year Plan for the Papermaking Industry, published by the central government. Our carbon dioxide emission per ton of products was 1.11 tons, ranking us ahead of China's domestic papermakers. This figure is 19.6% lower than the threshold of 1.38 tons specified by the national energy consumption standards applicable to the papermaking industry. Our total water consumption was 5.85 million tons for the year, with a water recycling rate exceeding 95%; our average water consumption was 9.4 tons per ton of paper, representing a decrease of 18% year-on-year. This is far lower than the national threshold of 30 tons required by GB/T18916.5 (Water Consumption Quota — Part 5: Papermaking).

## VINDA ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT 2014

### Carbon emission and energy consumption of the Vinda Group

	Average overall energy consumption per ton of paper (ton of standard coal)	Carbon dioxide emission per ton of products (ton)	Average water consumption per ton of paper (ton)	Water recycling rate (estimates)
2013	0.44	1.21	11.48	93.6%
2014	0.41	1.11	9.40	95%
Percentage	-7%	-9%	-18%	1.4% points



Over the years, the Group has promoted the use of clean energy to reduce air pollution, in line with the global trend towards developing a low-carbon economy. Our plant in Sichuan has been using natural gas for fuel since it commenced operation, and our plant in Beijing has completed a coal-to-gas upgrade. As for reducing water consumption, our production bases are equipped with sophisticated water recycling systems that utilize world-class air flotation devices, fiber filters, microstrainers and other advanced wastewater treatment facilities for papermaking. Currently, all our paper machines use recycled water; by doing so they not only contribute to the conservation of precious water resources but also lower our production costs, helping us to a win-win situation economically and environmentally. The Group is also active in developing waste recycling solutions. Solid waste from its production process is handled using a set of proven approaches that include recycling by qualified contractors, selected by tender. Contractors that handle hazardous waste are required to hold qualifications recognized by environmental protection authorities. We have also installed dedicated facilities for recycling paper, plastic and aluminum at our production bases.



## VINDA ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT 2014

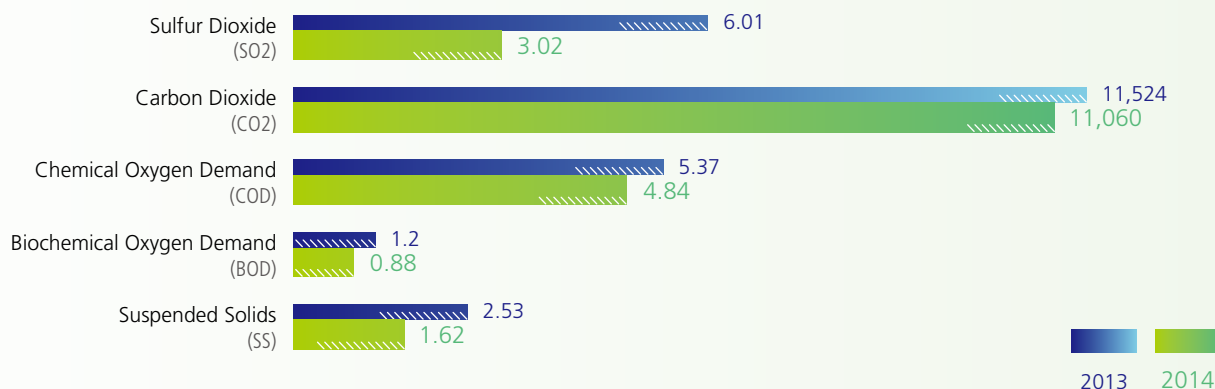


A three-level monitoring system has been adopted for the Group's plants to ensure their compliance with national emission standards. Level 1: Online monitoring systems at wastewater and gas exhaust vents are accessible by local environmental protection authorities, for round-the-clock monitoring of wastewater discharge. Level 2: Environmental protection units have been set up at our production bases; members carry out routine monitoring of wastewater and gas and keep the Group abreast of regulations relating to indicators such as dust, SO<sub>2</sub>, and SS, BOD, COD and pH levels of wastewater. Level 3: Our production bases accept regular inspections by local environmental protection authorities.

As an industry leader, the Group also takes an active part in conducting research into energy-saving initiatives and environmental protection standards, at national and local levels. For example, it is involved in the Carbon Footprint Study being undertaken by the China National Pulp and Paper Research Institute, and energy efficiency work being organized by the Guangdong Paper Association. In such ways we are aiming to make energy use more efficient across the entire industry, and to minimize the impact of paper production on the environment. To boost production and enhance energy efficiency, the Group has also established a technological upgrade incentive mechanism which encourages our technical and production staff to contribute their insights and expertise. Proposals made by these staff in areas such as paper machine speed-up, upgrades to the steam system and the paper machine hot air system, equipment cooling water recycling and the replacing of frequency converters for better power efficiency, have helped significantly lower our consumption of water, power, coal and other energy.

### Total pollutant emissions at production bases of the Vinda Group

Emissions in production	Type of emissions	Emissions volume per 10,000 tons of products (ton)		Decrease (%)
		2013	2014	
<b>Waste gas emissions</b>	Sulfur dioxide (SO <sub>2</sub> )	6.01	3.02	50
<b>Greenhouse gases</b>	Carbon dioxide (CO <sub>2</sub> )	11,524	11,060	4
<b>Wastewater emissions</b>	Chemical oxygen demand (COD)	5.37	4.84	10
	Biochemical oxygen demand (BOD)	1.2	0.88	27
	Suspended solids (SS)	2.53	1.62	34
<b>Note</b>	All production plants meet the pollutant emissions concentration thresholds set by local environmental protection authorities.			



## VINDA ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT 2014



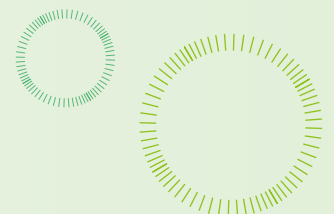
### Loving Employees, Strengthening Cohesiveness

The Vinda Group regards its employees as its greatest assets, and recruits and promotes talent on the basis of merit. The Group adheres to the principle of fair recruitment so that applicants and employees enjoy equal recruitment and promotion opportunities regardless of, age, gender, race, nationality, religion, marital status or disability. As at 31 December 2014, the Group had a total of 7,818 employees, with a balanced proportion of men and women; 43.87% of employees had completed tertiary education or above.

The Group strictly complies with Labor Law, Labor Contract Law and Trade Union Law, and follows the national rules for working hours. It provides employees with paid leave in accordance with the law, and offers dispatched employees and marketing employees family visit leave and reimbursement of expenses for family visits of non-local employees. We pay the salaries of our employees in full, on time, and make additional contributions for items such as statutory social insurance, the housing provident fund and personal accident insurance, in accordance with the law.

The Group continues to optimize its remuneration and benefit systems, which include a Remuneration Management System, a Performance Management System and a Benefits Management System. Its aim is to establish a fair and reasonable mechanism for managing remuneration and providing performance incentives that will boost employee loyalty and cohesiveness, and allow employees to share in the profits of the enterprise as it grows. Apart from statutory remuneration, we offer meal allowances, holiday gifts and long service gold medal awards. Believing in the importance of our employees' physical and mental health, we assist them in achieving good work-life balance by providing facilities such as gymnasiums, dance rooms and libraries, and by organizing recreational activities including sports activities, birthday parties, parent-child activities and festive gala evenings, all of which help create a unique "family culture" within the Vinda Group. To protect the legal rights and interests of female employees, the Group provides prenatal leave, breastfeeding leave, an annual gynecological examination, a Mutual Aid Safety and Health Protection Program for Female Employees, and an Employee Assistance Program. In addition, we organize activities such as outings or special banquets on International Women's Day and Mother's Day, regularly hold activities such as sharing sessions by outstanding female employees, and offer training for career planning.

The Group places the occupational health and safety of its employees as a high priority. It provides its production staff with professional protective equipment including dustproof masks, earplugs, goggles, insulating shoes and insulating gloves, as well as arranging for annual physical examinations and holding regular lectures on occupational safety. We also strictly implement the Rules on Occupational Safety and Health Management, Procedures for Reporting and Managing Injury (Accident) at Work, and the Accountability System for Safe Production, all of which are designed to guarantee the safety of our employees at work.



## VINDA ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT 2014



The Group holds various training sessions each year to develop employee potential and reinforce its culture of teamwork. Such training sessions include face-to-face teaching, e-learning, on-the-job training, and cross-company exchange and learning. Each employee will attend not less than 10 hours of training sessions each year. New employees will receive internal training and, if necessary, attend courses provided by external professional training institutes. The Company also conducts advanced training for senior management staff to enhance their global and international management perspectives, including “Strategic planning in ten steps”, “Five-star elite training class” and six core marketing courses. On the operational front, the Group holds a three-year “Plant manager training course” to allow participants to acquire seven core industrial engineering knowledge and apply what they have learnt at work.

The Company has improved the comprehensiveness and readiness of the training system by actively establishing internal training resources, including pooling various experts to develop internal learning programmes and provide courses on leadership and management skills for middle- and elementary-level managers. Major sales regions also actively implement training for marketing professionals so as to form a large and backbone frontline sales team for promoting sales growth. Apart from internal training, the Group also arranges employees to participate in training provided by external professional training institutions. We also encourage employees in specialized departments to participate in training for special positions and obtain occupational qualification certificates for continuous self-improvement. For employees who undergo posting or receive promotion, appropriate training will be provided to assist them to adapt to their new posts. In addition, we offer free training and internships to tertiary students, and has implemented the management trainee programme since 2011, a process that helps us to develop a talent pool of some 100 professionals and elementary-level supervisors for future development.

During the year, Vinda International was selected for inclusion in the list of “2014 China Best HRM Companies” organized by 51job, and won awards that included one for the “2014 China Best Recruitment and Retention Program”. The Best HRM Companies awards are the best-recognized in the field of human resource management, and our selection as one of the top 100 companies provides a strong testimony of our corporate management capabilities.

The Group was also once again honored with the “2014 Best Employer of Guangdong Province” award. Among the organizers is the Guangdong Enterprises Confederation, and enterprises receiving the award must satisfy the rigorous requirements set out in the Appraisal Indicator System for Performance of Employer Responsibilities in Guangdong Province. The awards and honors won by Vinda International in human resource management show that the Group’s family-like relationship with its employees and the way it gives high priority to their interests are widely recognized, and that the Group is regarded as a role model within the industry.



## VINDA ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT 2014

### Serving the community by helping the disadvantaged

The Vinda Group has a philosophy of “Treating all as family in charitable activities”. It lends a helping hand to the needy within the community by playing an active role in charitable activities through its internal and external charity program the Vinda Charity Foundation. In 2014, the Group offered substantial assistance to disadvantaged groups in areas such as education, elderly services, and housing and medical care for people suffering from serious diseases.



## VINDA ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT 2014

### Service areas under the Vinda Charity Foundation in 2014 (by category):

Service Area	Particulars
EDUCATION	<ul style="list-style-type: none"> <li>Under a program called “Achieving a bright future through Vinda’s bursaries”, the Foundation provided financial assistance for eight students from poverty-stricken families who showed excellence in conduct and studies, enabling them to continue to pursue their dream of school study.</li> <li>Donations from the Foundation also enabled maintenance work to be carried out on the rehabilitation classrooms at Qizhi School in Jiangmen City, providing autistic children with access to education and helping them integrate into the community.</li> </ul>
ELDERLY SERVICES	<ul style="list-style-type: none"> <li>Six “Vinda Centres” — canteens for the elderly — were built in Xinhui District, where they are providing complimentary lunch and dinner for elderly people living alone, and those living in poverty, those suffering from severe disabilities and those without a pension. These canteens have also been equipped with recreational facilities to help boost elderly users’ sense of being a part of the wider community.</li> <li>The Foundation also assisted in the employment of cleaning workers, the renovation of canteens, and repair work to washrooms at a number of homes for the elderly in Xinhui District, as well as offering free furniture and electrical appliances, all of which helped improve the quality of life of residents. In 2014, the Foundation also launched a program called “Caring for the elderly through home delivery”, under which volunteers delivered free oil, foodstuffs and other daily necessities to 322 elderly people entitled to the five basic national security schemes and living in different parts of Xinhui District.</li> </ul>
HOUSING	<ul style="list-style-type: none"> <li>In response to a call by the Xinhui District Women’s Federation, the Foundation reacted positively by offering aid in the reconstruction and repair of dilapidated houses for single mothers from the district who were experiencing difficulties. Reconstruction of ten affordable houses and repair of five dilapidated houses were completed during the year.</li> </ul>
MEDICAL CARE FOR PEOPLE WITH SERIOUS DISEASES	<ul style="list-style-type: none"> <li>The Foundation provided emergency relief services by making contributions to the Xinhui District People’s Hospital’s “Saving the Heart” campaign, under which a child with congenital heart disease and two adult patients received treatment. In addition, Vinda International gave donations towards the treatment of five people suffering from serious diseases in 2014.</li> </ul>

As part of its action plan for contributing to the community, the Group has also formed a volunteer team of employees who are regularly engaging in community services and charitable activities. It has also collaborated with the government in organizing various charitable events to promote healthy living for families. A Service Charter for Young Volunteers has been formulated that is encouraging more volunteers to participate in community services, deliver door-to-door services for homes for the elderly, visit elderly people with no family members, and provide services and assistance for people with disabilities. The Group recorded 449 cases of volunteer participation in activities throughout 2014, with a total of 2,575 volunteer service hours, representing a 57% increase in volunteer participation as compared with 2013.



## VINDA ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT 2014

### Projects in which Vinda volunteers participated in 2014 (by category):

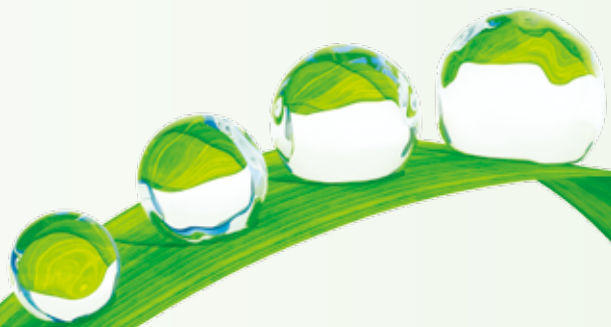
Event	No. of Participations	Particulars
Charity bazaar	221	Three charity bazaar events — “Charity bazaar in support of bursaries”, “Lei Feng Month charity bazaar” and “Double Ninth Festival charity bazaar” — were run to raise funds for disadvantaged groups including poverty-stricken families and people with disabilities, offering them care and warmth.
Volunteer services during statutory holidays at urban rail stations	63	During statutory holidays, Vinda volunteers assisted passengers at urban rail stations in making ticket purchases and finding their way through stations, as well as answering inquiries.
Care for orphans	104	Vinda volunteers organized various activities for orphaned children, including New Year parties, birthday parties and sand painting activities. These gave the children opportunities for social contact, enabling them to widen their horizons and learn how to build good interpersonal relationships. A QQ group was also set up to help volunteers learn more about the children’s living conditions, and be better able to offer timely care and assistance.
Visits to poor families with minimal social security support	61	Vinda volunteers paid regular visits to poverty-stricken families living in rural areas, and delivered daily necessities to alleviate their difficulties. The volunteers also took the initiative of gathering details about the difficult living conditions of these families and passing them on to the relevant government departments, so that these families might receive timely assistance.
<b>Total</b>	<b>449</b>	

The unremitting efforts of all our colleagues led to the Vinda volunteer team being awarded a number of prizes in 2014, including the Outstanding Volunteer Organisation Prize, the Volunteer Service Contribution Prize, the Outstanding Volunteer Service Project Prize and the Outstanding Volunteer Service Management Prize in Xinhui District. The Group was also awarded the “Caring Company Logo” by The Hong Kong Council of Social Service during the year, in recognition of its contributions to the community, the environment and its employees.

## VINDA ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT 2014

### Outlook

Tireless efforts over the past 30 years have seen us consistently raise our business standards while simultaneously discharging our corporate social responsibilities. With an emphasis on sustainability, one of our core values, we will continue in 2015 to fulfill our commitment to protecting the environment, creating better working conditions for our employees, and delivering social benefits to the community. In future, we plan to improve our data collection and reporting system across the production process by introducing a comprehensive resource management system that will cover all our production units across the Group. Enhancing the efficiency and accuracy of our data collection and data reporting will enable us to rigorously monitor and analyse our consumption of resources and our emissions, and further promote the 'green production' model. We believe that our goal of achieving full sustainability can only be achieved with the harmonious coexistence and development of the Group, the environment, the employees and the community.



# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

## Biographies of Directors

### Executive Directors

**Mr. LI Chao Wang (李朝旺)**, aged 56, is a founder of the Group. He was appointed as an executive Director on 17 August 1999 and has become the Chairman of the Board since 28 April 2000. In his current capacity, he spearheads overall corporate development and strategic planning of the Company. Formerly, until January 2010, he also acted as the Chief Executive Officer of the Group. Mr. LI has almost 30 years of experience in the household paper industry and executive business management. He was honoured with the “Ernst and Young Entrepreneur of the Year 2011 China”. Mr. LI is currently a member of Guangdong Political Consultative Committee, vice president of the Household Paper Professional Committee of the China Paper Association, consultant to China Paper Industry Chamber of Commerce, vice president of Guangdong Federation of Industry & Commerce and president of Jiangmen Federation of Industry and Commerce. Mr. LI graduated from the business administration program of Guangdong Radio and Television University.

**Ms. YU Yi Fang (余毅昉)**, aged 60, is a co-founder of the Group. Ms. YU was appointed as an executive Director on 1 February 2000 and further appointed as the Vice Chairman of the Board in January 2010 responsible for strategic development. Ms. YU was formerly the Chief Operating Officer of the Group. She has almost 30 years of corporate administration and financial management experience in China’s household paper industry. Ms. YU graduated from the accounting program of Guangdong Radio and Television University.

**Ms. ZHANG Dong Fang (張東方)**, aged 52, joined Vinda as the Chief Executive Officer (the “CEO”) and an executive Director in February 2010. Ms. ZHANG has seasoned management experience in multi-national enterprises and the FMCG industry. Prior to joining Vinda, she was the vice president-North Asia Division of a Swiss multi-national group which principally engages in the production and sale of flavors and fragrances for use in perfumes, cosmetics, food and beverage, as well as household products. Ms. ZHANG acted as the managing director of the said group responsible for its business in Greater China from 1998 to 2008. Ms. ZHANG graduated from Guangdong University of Foreign Studies with a bachelor’s degree in arts in 1983. She also graduated from International Institute for Management Development (IMD) in Lausanne, Switzerland in 1993 with a diploma in business management.

**Mr. DONG Yi Ping (董義平)**, aged 52, was appointed as an executive Director on 1 February 2000 and is the Group’s Chief Technology Officer (the “CTO”). Mr. DONG joined Vinda Paper (Guangdong) Company Limited in 1992. Mr. DONG has over 20 years of experience in equipment operations and safety, quality control, and research and development. Prior to joining the Group, he held several positions in two other paper manufacturing companies. Mr. DONG graduated from the paper manufacturing program of Tianjin University of Science and Technology (previously Tianjin Institute of Light Industry) in 1991 with a master’s degree in engineering.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

### Non-Executive Directors

**Mr. Jan Christer JOHANSSON**, aged 60, was appointed as a Non-Executive Director on 1 January 2014 and as the Vice Chairman of the Board on 1 January 2015. Mr. JOHANSSON was the President and CEO of SCA from 2007 to February 2015. Prior to joining SCA, from 2001 to 2007, Mr. JOHANSSON was the President and CEO of Boliden AB, a metals company with core competence in the fields of exploration, mining, smelting and metals recycling. Currently, Mr. JOHANSSON is the member of the Board of Handelsbanken, SSAB and the Confederation of Swedish Enterprise. In 2001, Mr. JOHANSSON served as the President of Network Operations in Telia AB. From 1994 to 2000, Mr. JOHANSSON was the Executive Vice President of Vattenfall and, before that from 1990, the Business Area President of Svenska Shell. Mr. JOHANSSON has taken up professional roles like General Counsel in Shell International Petroleum, Svenska Shell and Lycksele and Sunne district courts from 1983 to 1990. Mr. JOHANSSON has a master's degree in laws from Stockholm University, Sweden.

**Mr. Jan Lennart PERSSON**, aged 67, was appointed as a Non-Executive Director on 1 January 2014. Mr. PERSSON was the Executive Vice President of SCA from 2002 to 2014 and Chief Financial Officer of SCA from 2004 to 2014. Before that, Mr. PERSSON has held different key financial positions within SCA. After leaving the military service from 1966 to 1967, Mr. PERSSON pursued university studies in advanced business administration from 1970 to 1971, and then studied the BA program at Sundsvall University from 1979 to 1984.

**Mr. Johann Christoph MICHALSKI**, aged 49, was appointed as a Non-Executive Director on 19 April 2008. Since 19 April 2011, Mr. MICHALSKI has been the President of SCA Global Hygiene Category overseeing the global marketing and R&D division of SCA. Previously, Mr. MICHALSKI has been the President of SCA's Asia Pacific business unit based in Shanghai, China since April 2008. Before that, Mr. MICHALSKI served as a Senior Vice President of Business Development and Strategic Planning in SCA Headquarters. Prior to joining SCA, he has held a number of senior management positions in a New Zealand dairy group, Fonterra, as well as a global FMCG company, Unilever, since 2001. 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 has a master's degree in economics from Kiel University, Germany.

**Mr. Ulf Olof Lennart SODERSTROM**, aged 51, was appointed as a Non-Executive Director by the Board on 31 March 2011 and is the President of SCA Asia Pacific based in Shanghai, China. Mr. SODERSTROM joined SCA in 2009 as a Senior Vice President, Business Development and Strategy, responsible for IT, acquisitions, business intelligence and sustainability. He has many years of experience in executive positions. Prior to joining SCA, he served Boliden (a leading European metals company) as the President of Business Area Market responsible for marketing and sales, strategy process, market analysis and corporate communication. His background also includes serving in senior positions at, among other companies, Scania and Forcenergy. Mr. SODERSTROM graduated from the department of economics at the University of Stockholm and received a Master of Business Administration degree from Stockholm School of Economics.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

### Independent Non-Executive Directors

**Mr. HUI Chin Tong, Godfrey (許展堂)**, aged 55, was appointed as an Independent Non-Executive Director on 19 June 2007. Mr. HUI has held various positions in several Hong Kong listed companies. Mr. HUI obtained his bachelor's degree in business administration from The Chinese University of Hong Kong and a master's degree in business management from the University of Hull in the United Kingdom. Mr. HUI is currently a fellow member of The Hong Kong Institute of Directors.

**Mr. TSUI King Fai (徐景輝)**, aged 65, was appointed as an Independent Non-Executive Director on 19 June 2007. Mr. TSUI is a director and senior consultant of WAG Worldsec Corporate Finance Limited, a registered financial services company in Hong Kong. He has over 30 years of experience in accounting, finance and investment management, particularly in investments in the PRC. He worked for two of the Big Four audit firms in the United States and Hong Kong and served in various public listed companies in Hong Kong in a senior capacity. Mr. TSUI is currently acting as an Independent Non-Executive Director of Lippo Limited, Lippo China Resources Limited, Hongkong Chinese Limited, China Aoyuan Property Group Limited and Newton Resources Ltd. He graduated from the University of Houston, Texas, the United States and holds a master of 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 Institute of Chartered Accountants in Australia and a member of the American Institute of Certified Public Accountants.

**Mr. KAM Robert (甘廷仲)**, aged 57, was appointed as an Independent Non-Executive Director on 19 June 2007. Mr. KAM started his career with one of the Big Four international accounting firms and is currently a partner of a chartered accountancy firm, Kam & Beadman, based in Sydney, Australia. He has many years of experience in providing audit, tax and accounting services, including public company statutory audits, information systems audits and internal audits. Mr. KAM is currently a non-executive director of Jiashili Group Limited. Mr. KAM graduated with a bachelor's degree in commerce from the University of Western Australia. Mr. KAM is a chartered accountant and a member of the Institute of Chartered Accountants in Australia, a Registered Auditor in New South Wales, Australia and a Registered Auditor of the Australian Securities and Investments Commission. Mr. KAM is also a Justice of the Peace in the State of New South Wales in Australia.

**Mr. WONG Kwai Huen, Albert (王桂堯)**, aged 63, 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 a practicing solicitor in Hong Kong and the United Kingdom and, a China-Appointed Attesting Officer. Mr. WONG is also qualified to practise law in Australia and Singapore. Mr. WONG was an independent non-executive director of Datang International Power Generation Co., Ltd. and a foreign legal counsel for the Jiangsu Provincial Government. He is currently the independent non-executive director of China International Marine Containers (Group) Co., Ltd., PICC Asset Management Co., Ltd. and Hua Hong Semiconductor Limited. He had 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. Mr. WONG was appointed as committee member of the Hong Kong International Airport Authority, Hospital Authority and the Competition Committee in 2011, 2012 and 2014 respectively. He was the former Chairman of Hong Kong International Arbitration Centre, and is a fellow member of the Chartered Institute of Arbitrators in the United

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Kingdom and Hong Kong Institute of Arbitrators. He is presently one of the deputy chairmen of Hong Kong Inland Revenue Board of Review, chairman of Hong Kong Copyright Tribunal, chairman of the Professional Services Advisory Committee of the Hong Kong Trade Development Council, former president and council member of the Law Society of Hong Kong and The Hong Kong Institute of Directors. Mr. WONG holds the posts of honorary lecturer, external examiner and professor in the University of Hong Kong, The Chinese University of Hong Kong, City University of Hong Kong and Hong Kong Shue Yan University.

### Alternate Directors

**Ms. LI Jielin (李潔琳)**, aged 28, was appointed as the alternate Director to Mr. LI, Ms. YU and Mr. DONG on 1 January 2014. Ms. LI joined Vinda in 2012 as the Managing Director of Vinda Household Paper (Australia) Limited and as the Business Development Manager of Vinda International Holdings Limited, and has been responsible for overseas business development. She is the Group's Chief Strategy Officer and the managing director of Vinda Household Paper (Australia) Limited since November 2014. Prior to joining Vinda, she worked for Orient Capital in Australia as the Client Relations Manager of the South-East Asia Division and subsequently as the Client Relations Manager of the Asia Division. Ms. LI graduated from Macquarie University in 2008 with combined bachelor's degrees in accounting and business administration. Ms. LI is the daughter of Mr. LI Chao Wang.

**Mr. CHIU Bun (趙賓)**, aged 39, was appointed as the alternate Director to Mr. MICHALSKI and Mr. SODERSTROM on 31 March 2011. Prior to that, Mr. CHIU was a Non-Executive Director of the Group since 19 June 2007. Mr. CHIU joined SCA in 2005 as a general counsel of SCA Asia Pacific based in Shanghai, China. Mr. CHIU previously worked with international law firms including Clifford Chance, Perkins Coie and Morrison & Foerster. He is admitted as a solicitor in Hong Kong and England & Wales. Mr. CHIU received a bachelor's degree in information management from University College London, a Postgraduate Certificate in Laws (PCLL) from the University of Hong Kong and a master of laws degree from Renmin University of China.

**Mr. Gert Mikael SCHMIDT**, aged 54, was appointed as the alternate Director to Mr. JOHANSSON and Mr. PERSSON on 1 January 2014. Mr. SCHMIDT is the Senior Vice President and General Counsel of SCA. Before that, Mr. SCHMIDT was the Vice President and General Counsel of SCA Packaging in Belgium and SCA Forest Products in Sweden respectively from 1994 to 2012. Prior to that, Mr. SCHMIDT was the Assistant General Counsel of SCA from 1992 to 1994. From 1986 to 1992, Mr. SCHMIDT held different positions in the legal profession. He has a master's degree in laws from Uppsala University, Sweden.

### Biographies of Senior Management

**Mr. Toby James LAWTON**, aged 40, was appointed as the Chief Financial Officer of the Group on 15 September 2014. Mr. LAWTON joined SCA in 1995 and his most recent role was chief financial officer for the Asia Pacific Business Group of SCA. He was nominated by SCA as the Chief Financial Officer of the Company and his appointment was approved by the nomination committee under the Board. Mr. LAWTON holds a master's degree in Physics from Oxford University in the United Kingdom and has over 20 years' experience in financial management. Mr. LAWTON is an associate member of the Association of Corporate Treasurers and passed the professional examinations for the Chartered Institute of Management Accountants.

BIOGRAPHIES OF DIRECTORS  
AND SENIOR MANAGEMENT

**Ms. TAN Yi Yi (譚奕怡)**, aged 34, 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 member of the Association of Chartered Certified Accountants in the United Kingdom.

**Mr. ZHANG Jian (張健)**, aged 43, is the Deputy CEO of the Group. He graduated from Wuyi University in electronic technology, and joined Vinda Paper Group in 1992. He has served as a manager in the production, marketing, and procurement departments, and deputy manager, general manager and chief operating officer of the Company. Mr. ZHANG is an executive director of Guangdong Paper Association.

**Ms. WANG Bo (王波)**, aged 41, is the Chief Operating Officer of the Group. Ms. WANG joined the Group in 1997 and has served as the general manager of the Quality Control and Development division, plant manager and regional chief operating officer. She has extensive experience in production management. Ms. WANG holds a bachelor's degree in Chemical Processing of Forest Products from the Beijing Forestry University and a master's degree in Engineering from the South China University of Technology.

**Mr. Richard SU (蘇洛夫)**, aged 58, 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 Vinda Paper 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.

**Mr. HU Yong Jin (胡永進)**, aged 41, is the Chief Sales Officer of the Group taking charge of sales management in China and overseas. Mr. HU graduated from Anhui Institute of Technology in 1996 as a bachelor majoring in Automobile Design and Manufacturing. He joined Vinda Paper Group in October 1998 and served sequentially as a branch manager as well as the deputy general manager and general manager of the Company and the Executive Vice President (sales of southern region) and Senior Vice President of Sales & Marketing of the Group.

**Mr. TANG Hai Tang (湯海棠)**, aged 44, is the Chief Marketing Officer of the Group responsible for the marketing management of the four major product categories, namely household papers, incontinence care, baby care and feminine care, as well as e-commerce divisions. Mr. TANG graduated from South China University of Technology in biochemistry in 1994. He joined Vinda Paper Group in August 1995 and served as branch deputy general manager, marketing director and Executive Vice President (marketing & media) and Senior Vice President of Sales & Marketing of the Group etc.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

**Ms. ZHAO Xiao Yu (趙小妤)**, aged 38, is the Vice President of Human Resources of the Group. Ms. ZHAO graduated from Jinan University in Guangzhou in statistics in 1999 and joined Vinda Paper Group in November of the same year. She has served as EVP of Human Resources and Deputy Head of Administration Department of the Group.

**Ms. ZHANG Cui Ling (張翠玲)**, aged 47, is the director of the internal control department 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 Vinda Paper Group in July 1991 and has served as the branch manager of finance, purchasing logistics, quality control, and administration departments.



# CORPORATE GOVERNANCE REPORT

## Corporate Governance

The Company is committed to maintain 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 2014, 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 (the "Listing Rules").

In order to comply with a new code provision under the Listing Rules which became effective on 1 September 2013, the Board has adopted a policy on board diversity ("Board Diversity Policy"). Pursuant to the Board Diversity Policy, the Board shall consider the benefits of diversity when it reviews the Board composition, in addition to examining whether it has a balance of skills, experience and independence.

## 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 on the Stock Exchange. 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 2014.

## Updates on Directors' Information under Rule 13.51B(1) of the Listing Rules

With effect from 20 June 2014, Dr. CAO Zhen Lei resigned as an independent non-executive Director and a member of the remuneration committee of the Company. With effect from 1 September 2014, Mr. WONG Kwai Huen, Albert was appointed as independent non-executive Director. Mr. WONG was appointed as a member of the audit committee and nomination committee on 1 November 2014. Details of the above changes are set out in the announcements of the Company dated 20 June 2014, 1 September 2014 and 3 November 2014.

## Board of Directors

### Composition

The board of directors (the “Board”) of the Company comprises twelve Directors, four of which are Executive Directors, four are Non-Executive Directors and four are Independent Non-Executive Directors. The members of the Board as at the date of this annual report are as follows:

#### Executive Directors

Mr. LI Chao Wang (*Chairman*)  
Ms. YU Yi Fang (*Vice Chairman*)  
Ms. ZHANG Dong Fang (*Chief Executive Officer*)  
Mr. DONG Yi Ping (*Chief Technology Officer*)

#### Non-Executive Directors

Mr. Jan Christer JOHANSSON (*Vice Chairman*) (*appointed on 1 January 2014*)  
Mr. Jan Lennart PERSSON (*appointed on 1 January 2014*)  
Mr. Johann Christoph MICHALSKI  
Mr. Ulf Olof Lennart SODERSTROM

#### Independent Non-Executive Directors

Dr. CAO Zhen Lei (*resigned on 20 June 2014*)  
Mr. KAM Robert  
Mr. HUI Chin Tong, Godfrey  
Mr. TSUI King Fai  
Mr. WONG Kwai Huen, Albert (*appointed on 1 September 2014*)

#### Alternate Directors

Ms. LI Jielin (*alternate to Mr. LI, Ms. YU and Mr. DONG with effect from 1 January 2014*)  
Mr. CHIU Bun (*alternate to Mr. MICHALSKI and Mr. SODERSTROM*)  
Mr. Gert Mikael SCHMIDT (*alternate to Mr. JOHANSSON and Mr. PERSSON with effect from 1 January 2014*)

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 41 to 46 under the section headed “Biographies of Directors and Senior Management” of this annual report.

## CORPORATE GOVERNANCE REPORT

Board meetings are held regularly at approximately quarterly intervals and also held on ad hoc basis as required by business needs. Regular Board meetings and ad hoc Board meetings are attended by a majority of the Directors in person or through other electronic means of communication. In addition, special Board meetings are convened from time to time for the Board to discuss issues that require the Board's timely attention. Since the special Board meetings are concerned with the day-to-day management of the Company which often requires prompt decisions, usually only the Executive Directors and senior management attend the meetings. During the year ended 31 December 2014, other than resolutions passed in writing by all the Directors, the Board held a total of 17 regular and ad hoc Board meetings.

During the year ended 31 December 2014, the Company convened an annual general meeting and one extraordinary general meeting.

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

Directors	Number of regular and ad hoc Board meetings attended	Number of special Board meetings attended	Number of general meetings attended
<b>Executive Directors</b>			
Mr. Li Chao Wang ( <i>Chairman</i> )	17(17)	10(54)	2(2)
Ms. YU Yi Fang ( <i>Vice Chairman</i> )	17(17)	51(54)	2(2)
Ms. ZHANG Dong Fang ( <i>Chief Executive Officer</i> )	17(17)	54(54)	2(2)
Mr. DONG Yi Ping ( <i>Chief Technology Officer</i> )	16(17)	8(54)	2(2)
Ms. Li Jieli ( <i>alternate to Mr. Li, Ms. YU and Mr. DONG</i> )	17(17)		2(2)
<b>Non-Executive Directors</b>			
Mr. Jan Christer JOHANSSON ( <i>Vice Chairman</i> )	14(17)		1(2)
Mr. Jan Lennart PERSSON	14(17)		2(2)
Mr. Johann Christoph MICHALSKI	15(17)		1(2)
Mr. Ulf Olof Lennart SODERSTROM	17(17)		2(2)
Mr. CHIU Bun ( <i>alternate to Mr. MICHALSKI and Mr. SODERSTROM</i> )	16(17)		2(2)
Mr. Gert Mikael SCHMIDT ( <i>alternate to Mr. JOHANSSON and Mr. PERSSON</i> )	12(17)		1(2)
<b>Independent Non-Executive Directors</b>			
Dr. CAO Zhen Lei ( <i>resigned on 20 June 2014</i> )	3(5)		0(1)
Mr. KAM Robert	17(17)		2(2)
Mr. HUI Chin Tong, Godfrey	17(17)		2(2)
Mr. TSUI King Fai	16(17)		2(2)
Mr. WONG Kwai Huen, Albert ( <i>appointed on 1 September 2014</i> )	4(4)		1(1)

### Chairman of the Board and Chief Executive Officer

The Chairman of the Board is Mr. LI Chao Wang and the CEO of the Company is Ms. ZHANG Dong Fang. The roles of the Chairman of the Board and the CEO of the Company are segregated to ensure their respective independence, accountability and responsibility. The major duties of the Chairman are to provide leadership to the Board and spearhead overall corporate development and strategic planning whilst the CEO is responsible for implementing the decisions and strategy approved by the Board and managing day-to-day operations of the Group with the support of the Executive Directors.

### Executive Directors

The Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. They lead the Group's management team in accordance with the directions set by the Board and are responsible for ensuring that proper internal control system is in place and the Group's business conforms to applicable laws and regulations.

### Non-Executive Directors

The Non-Executive Directors provide a wide range of expertise and experience and bring independent judgement on issues relating to the Group's strategies, development, performance and risk management through their contribution at the Board and committee meetings.

### Independent Non-Executive Directors

The Independent Non-Executive Directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Their participation provides adequate checks and balances to safeguard the interests of the Group and its shareholders including the review of connected transactions and continuing connected transactions described below. The Board consists of four Independent Non-Executive Directors and two of them have appropriate professional qualifications or accounting or related financial management expertise. The Board confirms that the Company has received from each of the Independent Non-Executive Directors a confirmation of independence for the year ended 31 December 2014 pursuant to Rule 3.13 of the Listing Rules and considers such Directors to be independent.

### Appointments, Re-election and Removal of Directors

Each of the Executive Directors, Non-Executive Directors and Independent Non-Executive Directors of the Company has entered into a service contract with the Company for a specific term. Such term is subject to his re-election by the Company at an annual general meeting upon retirement. The Articles of the Company 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.

## CORPORATE GOVERNANCE REPORT

Under the Company's 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 retires.

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

### Company Secretary

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

In accordance with Rule 3.29 of the Listing Rules, Ms. TAN has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2014.

### Corporate Governance Functions

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

### Continuous Professional Development

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

During the year, the Company Secretary provided all the Directors with names as listed out in the "Board of Directors" under the section headed "Corporate Governance Report" with the latest information on the Listing Rules and other applicable requirements, so as to update and strengthen the Directors' awareness of the development of corporate governance, and maintained records of training participated by the Directors.

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

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

## The Board Committees

### Remuneration Committee

The Company established a remuneration committee on 19 June 2007. The Board has adopted the terms of reference for the remuneration committee which are in line with the Code Provisions set out in the Corporate Governance Code ("New CG Code"). As at the date of this annual report, the remuneration committee comprises three members and is chaired by Mr. TSUI King Fai, an Independent Non-Executive Director. The other two members are an Independent Non-Executive Director, namely Mr. HUI Chin Tong, Godfrey and a Non-Executive Director, namely Mr. Ulf Olof Lennart SODERSTROM.

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 on factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-base remuneration.

During the year ended 31 December 2014, the remuneration committee held 4 meetings. The remuneration committee reviewed the remuneration policy of the Company and the remuneration of Directors and senior management and made recommendation to the Board.

The change of the members of the remuneration committee during the year ended 31 December 2014 up to the date of this annual report and the attendance of each member at the remuneration committee meetings are set out below. Figures in brackets indicate maximum number of meetings held in the period in which the individual was a member of the remuneration committee.

Members	Number of meetings attended
Dr. CAO Zhen Lei ( <i>resigned on 20 June 2014</i> )	1(2)
Mr. HUI Chin Tong, Godfrey	4(4)
Mr. TSUI King Fai	4(4)
Mr. Ulf Olof Lennart SODERSTROM ( <i>appointed on 2 May 2014</i> )	3(3)

### Nomination Committee

The Company established a nomination committee on 19 June 2007. The Board has adopted the terms of reference for the nomination committee which are in line with the Code Provisions set out in the New CG Code. As at the date of this annual report, the nomination committee comprises three Independent Non-Executive Directors, namely Mr. HUI Chin Tong, Godfrey, Mr. KAM Robert and Mr. WONG Kwai Huen, Albert; one Executive Director, Mr. LI Chao Wang; and one Non-Executive Director, Mr. Jan Christer JOHANSSON. Mr. HUI Chin Tong, Godfrey is the chairman of the nomination committee.

## CORPORATE GOVERNANCE REPORT

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

Before a prospective Director's name is formally proposed, the opinions of the existing Directors (including the Independent Non-Executive Directors) are sought. The selection criteria of the qualified candidates are mainly based on the assessment of their qualifications, experience and expertise as well as the requirements under the Listing Rules. The nomination committee selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business. During the year ended 31 December 2014, the nomination committee held 6 meetings. The nomination committee reviewed the current structure, size and composition of the Board and the remuneration of the senior management.

The change of the members of the nomination committee during the year ended 31 December 2014 up to the date of this annual report and the attendance of each member at the nomination committee meetings are set out below. Figures in brackets indicate maximum number of meetings held in the period in which the individual was a member of the nomination committee.

<b>Members</b>	<b>Number of meetings attended</b>
Mr. HUI Chin Tong, Godfrey	6(6)
Mr. TSUI King Fai ( <i>resigned on 1 January 2015</i> )	6(6)
Mr. LI Chao Wang	6(6)
Mr. Jan Christer JOHANSSON ( <i>appointed on 2 May 2014</i> )	4(5)
Mr. KAM Robert ( <i>appointed on 2 May 2014</i> )	5(5)
Mr. WONG Kwai Huen, Albert ( <i>appointed on 1 November 2014</i> )	0(0)

### Audit Committee

The Company established an audit committee on 19 June 2007. The Board has adopted the terms of reference for the audit committee which are in line with the Code Provisions set out in the New CG Code. As at the date of this annual report, the audit committee comprises three Independent Non-Executive Directors, namely Mr. KAM Robert, Mr. TSUI King Fai and Mr. WONG Kwai Huen, Albert; and one Non-Executive Director, Mr. Jan Lennart PERSSON. Mr. KAM Robert is the chairman of the audit committee.

The audit committee is accountable to the Board and the principal duties of the audit committee include the review and supervision of the financial reporting process and internal control system of the Group.

During the year ended 31 December 2014, the audit committee held 2 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 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 management letter from the auditors of the Company and the audit scope and fees for the year ended 31 December 2014.

## CORPORATE GOVERNANCE REPORT

The change of the members of the audit committee during the year ended 31 December 2014 up to the date of this annual report and the attendance of each member at the audit committee meetings are set out below. Figures in brackets indicate maximum number of meetings held in the period in which the individual was a member of the audit committee.

Members	Number of meetings attended
Mr. KAM Robert	2(2)
Mr. HUI Chin Tong, Godfrey ( <i>resigned on 1 January 2015</i> )	2(2)
Mr. TSUI King Fai	2(2)
Mr. Jan Lennart PERSSON ( <i>appointed on 2 May 2014</i> )	1(1)
Mr. WONG Kwai Huen, Albert ( <i>appointed on 1 November 2014</i> )	0(0)

### Risk Management Committee

The Company established a risk management committee on 19 May 2014. The Board has adopted the terms of reference for the risk management committee. As at the date of this annual report, the risk management committee comprises two Executive Directors, namely Ms. YU Yi Fang and Ms. ZHANG Dong Fang; two Non-Executive Directors, namely Mr. Ulf Olof Lennart SODERSTROM and Mr. Jan Lennart PERSSON; and one Independent Non-Executive Director, Mr. TSUI King Fai. Mr. TSUI King Fai was the chairman of the risk management committee until 31 December 2014 and Mr. Jan Lennart PERSSON became chairman of the risk management committee on 1 January 2015.

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

During the year ended 31 December 2014, the risk management committee held 2 meetings. The change of the members of the risk management committee during the year ended 31 December 2014 up to the date of this annual report and the attendance of each member at the risk management committee meetings are set out below. Figures in brackets indicate maximum number of meetings held in the period in which the individual was a member of the risk management committee.

Members	Number of meetings attended
Mr. Jan Lennart PERSSON ( <i>appointed on 1 January 2015</i> )	0(0)
Ms. YU Yi Fang	2(2)
Ms. ZHANG Dong Fang	2(2)
Mr. Ulf Olof Lennart SODERSTROM	2(2)
Mr. TSUI King Fai	2(2)



## Accountability and Audit

### Financial Reporting

The Directors acknowledge their responsibility for preparing all information and representations contained in the financial statements for the year ended 31 December 2014 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 2014, 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 77 to 78 of this annual report.

### Internal Controls

The Board is responsible for overseeing the Company's system of internal control. To facilitate the effectiveness and efficient operations and to ensure compliance with relevant laws and regulations, the Group emphasizes the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposures. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives. The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory. The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board. The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31 December 2014 is sound and is effective to safeguard the interests of the shareholders' investment and the Company's assets.

### Auditors' Remuneration

An analysis of the remuneration of the Company's auditors, Messrs PricewaterhouseCoopers, for the year ended 31 December 2014 is set out as follows:

	<b>Services rendered Fee paid/payable HK\$'000</b>
Audit services	<b>7,450</b>
Total:	<b>7,450</b>

### Shareholders' rights

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

#### Right to convene extraordinary general meeting

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

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

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

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

- At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company in EGM;
- At least 21 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes a special resolution of the Company in EGM.

#### Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary.

### Right to put forward proposals at general meetings

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

### Communication with Shareholders

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

1. The annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The Chairman and the Directors are available at the annual general meetings of the Company to address shareholders' queries;
2. Separate resolutions are proposed at the general meetings on each substantially separate issue and procedures for demanding a poll in general meetings are included in the circulars to the shareholders of the Company to facilitate the enforcement of shareholders' rights;
3. Interim and annual results are announced as early as possible, to keep shareholders of the Company informed of the Group's performance and operations; and
4. Updated key information of the Group is available on the Company's website to enable the shareholders of the Company and the investors to have timely access to information about the Group.

During the year ended 31 December 2014, there had been no significant change in the Company's constitutional documents.

# REPORT OF THE DIRECTORS

The Directors have pleasure in presenting herewith their report together with the audited accounts for the year ended 31 December 2014.

## 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 11 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 83.

The Directors recommend the payment of a final dividend of HK12.0 cents (2013: HK10.8 cents) per ordinary share, totaling HK\$119,808,322 on the 998,402,686 (31 December 2013: 998,362,686) issued shares outstanding as at 31 December 2014.

## Reserves

Details of the movements in the reserves of the Group and of the Company during the year ended 31 December 2014 are set out in Note 19 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 17 to the consolidated financial statements.

## Distributable Reserves

The Company's reserves available for distribution comprise the share premium account and retained profits. At 31 December 2014, the reserves of the Company available for distribution to shareholders amounted to HK\$1,808,216,486 (2013: HK\$1,797,883,213), stated in Note 17 and Note 19 to the consolidated financial statements.

## Five-Year Financial Summary

A summary of the consolidated results of the Group for the last five financial years and of its consolidated assets and liabilities as at the end of the last five financial years is set out on page 171 and 172 respectively.

## Purchase, Sale or Redemption of Securities

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

## Directors

The Directors during the year were:

### Executive Directors

Mr. LI Chao Wang (*Chairman*)  
 Ms. YU Yi Fang (*Vice Chairman*)  
 Ms. ZHANG Dong Fang (*Chief Executive Officer*)  
 Mr. DONG Yi Ping (*Chief Technology Officer*)

### Non-Executive Directors

Mr. Jan Christer JOHANSSON (*Vice Chairman*)  
 Mr. Jan Lennart PERSSON  
 Mr. Johann Christoph MICHALSKI  
 Mr. Ulf Olof Lennart SODERSTROM

### Independent Non-Executive Directors

Dr. CAO Zhen Lei (*resigned on 20 June 2014*)  
 Mr. KAM Robert  
 Mr. HUI Chin Tong, Godfrey  
 Mr. TSUI King Fai  
 Mr. WONG Kwai Huen, Albert (*appointed on 1 September 2014*)

### Alternate Directors

Ms. LI Jieli (*alternate to Mr. LI, Ms. YU and Mr. DONG with effect from 1 January 2014*)  
 Mr. CHIU Bun (*alternate to Mr. MICHALSKI and Mr. SODERSTROM*)  
 Mr. Gert Mikael SCHMIDT (*alternate to Mr. JOHANSSON and Mr. PERSSON with effect from 1 January 2014*)

## Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on pages 41 to 46.

## 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.

## REPORT OF THE DIRECTORS

### Directors' Service Contracts

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

### Directors' Interests and Controlling Shareholders' Interests in Contracts

Save as the lease agreement entered into between a wholly-owned subsidiary of the Company and Jiangmen Taiyuan Paper Company Limited, details of which is set out in paragraph (G) in the "Continuing Connected Transactions" section on page 68, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### Connected Transactions

- A) On 10 June 2014, Fu An International Company Limited, a substantial shareholder and connected person of the Company served a notice of offer for sale of the 97,500,000 shares (the "Offer Shares") of HK\$1.00 each in the issued share capital of V-Care Holdings Limited (the "Target Company"), representing 39% of its issued share capital at a consideration of HK\$195 million (the "Offer") to the Company, Cathay Capital Holdings II, L.P. ("Cathay Capital") and Dynasty Fortune Partners, L.P. ("Dynasty Fortune") pursuant to the investment and shareholders' agreement dated 16 December 2010 (the "Investment and Shareholders' Agreement") entered into between the parties. Dynasty Fortune is a connected person of the Company.

As a result of the Offer, each of Cathay Capital and Dynasty Fortune had elected to exercise the tag-along rights granted to it under the Investment and Shareholders' Agreement. Accordingly, the Company also acquired 32,500,000 shares of the Target Company held by Cathay Capital and 17,500,000 shares of the Target Company held by Dynasty Fortune (collectively, the "Tag-along Shares"), altogether representing 20% of the issued share capital of the Target Company, at a total consideration of HK\$100 million.

Completion of the acquisition of the Offer Shares and the Tag-along Shares (the "Acquisition") took place on 10 July 2014 and the Target Company becomes an indirect wholly-owned subsidiary of the Company.

The Acquisition constituted a connected transaction of the Company under the then Chapter 14A of the Listing Rules. As each of the applicable percentage ratios (other than the profits ratio) calculated with reference to the consideration for the Acquisition payable by the Company was less than 5%, the Acquisition was subject to the reporting and announcement requirements but was exempt from the independent shareholders' approval requirement under the then Chapter 14A of the Listing Rules.

- B) On 17 July 2014, the Company as purchaser and SCA Group Holding BV, a wholly-owned subsidiary of SCA and a connected person of the Company, as vendor entered into a sale and purchase agreement (the "Sale and Purchase Agreement") in relation to the sale and purchase of (1) the entire issued share capital of SCA Tissue Hong Kong Limited ("SCA Hong Kong"); (2) the entire issued share capital of SCA

## REPORT OF THE DIRECTORS

Healthcare Management Pte. Ltd.; (3) the entire equity interest of 全日美實業(福建)有限公司 (in English, for identification purpose only, Everbeauty Industry (Fujian) Co., Ltd.); and (4) (i) the contracts entered into by 愛生雅(中國)投資有限公司 (in English, for identification purpose only, SCA China Holding Co.) in relation to business of sale and distribution of consumer tissues and personal care and hygiene products in the PRC which are unperformed (wholly or partly) as at 1 October 2014 including, without limitation, supply and distribution agreements, customer contracts but excluding employment contracts with its employees and agreements relating to borrowing; and (ii) the stock of raw materials, partly finished and finished goods in relation to the business of the manufacture, sale and distribution of consumer tissues and personal care and hygiene products carried on by SCA and its subsidiaries in the PRC as at 1 October 2014, at the purchase price of HKD1,144 million, being the debt and cash free value.

Completion of the transactions contemplated under the Sale and Purchase Agreement took place on 1 October 2014.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Sale and Purchase Agreement were higher than 5% but below 25%, they constituted discloseable transactions of the Company and were subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Further, as one or more of the applicable percentage ratios in respect of the transactions contemplated under the Sale and Purchase Agreement exceeded 5% and the total consideration exceeded HK\$3 million, the transactions constituted non-exempted connected transactions of the Company under Chapter 14A of the Listing Rules which were subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A of the Listing Rules.

- C) On 12 December 2014 (after trading hours), Forton Enterprises Limited (the "Vendor"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Brilliant Idea Limited (the "Purchaser"), pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase an office premises with the saleable area of 1,950 square feet situated at Unit 6, 5th Floor of Tower 1, South Seas Centre, No. 75 Mody Road, Kowloon, Hong Kong (the "Property") at a consideration of HK\$23.58 million (the "Disposal"). The Purchaser is an associate of Mr. Li Chao Wang, a connected person of the Company.

Completion of the Disposal took place on 30 December 2014.

The Disposal constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Disposal exceeded 0.1% but were less than 5%, the Disposal was subject to the announcement and reporting requirements but was exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## Continuing Connected Transactions

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

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

The annual caps under the Master Procurement Agreement for the years ending 31 December 2014, 2015 and 2016 are HK\$30 million, HK\$120 million and HK\$120 million respectively.

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

Details of the transactions between the Group, SCA Group Holding BV (“SCA BV”) and its subsidiaries are as follow:

<b>Continuing connected transaction</b>	<b>Proposed annual cap for the year ended 31 December 2014</b> HK\$	<b>Actual transaction amount for the year ended 31 December 2014</b> HK\$
Sales of goods by SCA BV to the Group	30,000,000	28,095,465



## REPORT OF THE DIRECTORS

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

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

The annual caps under the Master Supply Agreement for the years ending 31 December 2014, 2015 and 2016 are HK\$30 million, HK\$200 million and HK\$200 million respectively.

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

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

<b>Continuing connected transaction</b>	<b>Proposed annual cap for the year ended 31 December 2014</b>	<b>Actual transaction amount for the year ended 31 December 2014</b>
	HK\$	HK\$
Sales of goods by SCA Taiwan to Vinda Personal Care Limited	30,000,000	11,172,874

## REPORT OF THE DIRECTORS

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

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

The annual caps under the Distribution Agreement for the years ending 31 December 2014, 2015 and 2016 are HK\$50 million, HK\$100 million and HK\$100 million respectively.

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

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

<b>Continuing connected transaction</b>	<b>Proposed annual cap for the year ended 31 December 2014</b>	<b>Actual transaction amount for the year ended 31 December 2014</b>
	HK\$	HK\$
Sales of goods by Vinda Trading to SCA China	50,000,000	1,172,406

## REPORT OF THE DIRECTORS

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

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

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

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

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

<b>Continuing connected transactions</b>	<b>Proposed annual cap for the year ended 31 December 2014</b>	<b>Actual transaction amount for the year ended 31 December 2014</b>
	HK\$	HK\$
Sales of goods by the Group to SCA China	7,200,000	384,867

## REPORT OF THE DIRECTORS

- E) On 2 January 2013, the Company entered into a renewed master product supply agreement (the “Renewed Supply Agreement”) with SCA HA (both as customers) pursuant to which SCA HA would acquire household consumable paper products from the Group at prices to be determined on an arm’s length basis and comparable to the prevailing market rates or at rates similar to those offered by the Group to independent third parties and subject to other terms and conditions set out therein. SCA controls the exercise of over 30% of the voting power at general meetings of SCA HA, SCA HA are therefore considered as connected persons of the Company.

The Renewed Supply Agreement has a term of 3 years commencing from 1 January 2013 and expiring on 31 December 2015 (both dates inclusive).

The annual caps under the Renewed Master Supply Agreement for the three years ending 31 December 2013, 2014 and 2015 are HK\$30 million, HK\$36 million and HK\$43.2 million respectively.

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

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

<b>Continuing connected transactions</b>	<b>Proposed annual cap for the year ended 31 December 2014</b> HK\$	<b>Actual transaction amount for the year ended 31 December 2014</b> HK\$
Sales of goods by the Group to SCA HA	36,000,000	26,979,470

## REPORT OF THE DIRECTORS

- F) On 2 January 2013, Vinda Paper Industrial (H.K.) Co. Limited (“Vinda Hong Kong”) and Vinda Paper (Guangdong) Company Limited (“Vinda Guangdong”), both wholly-owned subsidiaries of the Company, entered into a renewed product supply agreement (the “Renewed Product Supply Agreement”) with SCA Hong Kong, a wholly-owned subsidiary of SCA. Pursuant to the provisions of the Renewed Product Supply Agreement, Vinda Hong Kong has agreed to manufacture tissue paper handkerchief products under the trademarks owned by SCA and its subsidiaries (the “Products”) by way of processing trade. The raw and auxiliary materials, packaging materials and certain specified tools will be provided and imported (to the PRC) by SCA Hong Kong. Vinda Hong Kong will manufacture the Products and export the finished Products to SCA Hong Kong or its affiliates, who will be responsible for the sale of the finished Products. SCA Hong Kong will bear the costs for transportation, customs clearance and insurance in relation to the delivery of the Products.

The Renewed Product Supply Agreement has a term of 3 years commencing from 1 January 2013 and expiring on 31 December 2015.

The annual caps under the Renewed Product Supply Agreement for the three years ending 31 December 2013, 2014 and 2015 are HK\$16 million, HK\$19.2 million and HK\$23.04 million respectively.

The transactions under the Renewed Product Supply Agreement constitute continuing connected transactions under the then Chapter 14A of the Listing Rules. Since each of the applicable percentage ratios with reference to each of the annual caps for the Renewed Product Supply Agreement was less than 5%, the continuing connected transactions under the Renewed Product Supply Agreement were subject to reporting, announcement and annual review requirements exempt from the independent shareholders’ approval requirements under the then Rule 14A.34 of the Listing Rules. The Group has complied with the relevant requirements under the Listing Rules.

Towards the end of 2013, the Group underwent a corporate reorganisation for the purpose of reducing the number of intercompany transactions, after which, among others, Vinda Guangdong was deregistered and its business was taken over by Vinda Paper (China) Co., Ltd., a wholly-owned subsidiary of the Company.

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

<b>Continuing connected transactions</b>	<b>Proposed annual cap for the year ended 31 December 2014 HK\$</b>	<b>Actual transaction amount for the period ended 30 September 2014 HK\$</b>
Processing trade by the Group to SCA Hong Kong	19,200,000	18,910,218

On 1 October 2014, the Group acquired the entire share capital of SCA Hong Kong which since then becomes a wholly-owned subsidiary of the Company.

**REPORT OF  
THE DIRECTORS**

- G) On 22 November 2011, a wholly-owned subsidiary of the Company (the “Tenant”) entered into a lease agreement (the “Lease Agreement”) with Jiangmen Taiyuan Paper Company Limited (the “Landlord”), a company indirectly owned as to 74.21% by Mr. Li Chao Wang, 15.79% by Ms. YU Yi Fang and 10.00% by Mr. DONG Yi Ping and thereby a connected person of the Company. Pursuant to the Lease Agreement, the Landlord has agreed to lease to the Group a piece of land located in Xinhui District, Guangdong, the PRC together with a factory and the relevant ancillary infrastructures and facilities to be constructed for an initial term of 15 years commencing on 22 November 2011 with an initial fixed annual rental of RMB29 million until 31 December 2014. The Landlord has agreed to grant to the Group a rent free period from the commencement of the term of the lease until (i) 3 months after the date of delivery of the land, the factory and all incidental facilities for vacant possession, or (ii) 31 December 2012, whichever is later.

The annual caps in relation to the rental under the Lease Agreement for the period between the date of the Lease Agreement to 31 December 2011 and the three years ending 31 December 2012, 2013 and 2014 are nil, nil, RMB29 million and RMB29 million respectively.

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

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

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

## REPORT OF THE DIRECTORS

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

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

<b>Continuing connected transactions</b>	<b>Proposed annual cap for the year ended 31 December 2014</b>	<b>Actual transaction amount for the year ended 31 December 2014</b>
Lease Agreement	RMB29,000,000	RMB25,572,727
Second Lease Agreement	RMB16,800,000	RMB15,400,000
Supplemental Lease Agreement	RMB16,200,000	RMB11,806,028

- H) On 13 November 2012, the Company entered into a renewed master agreement (the "Renewed Master Agreement") with Vinda Personal Care (formerly known as V-Care Holdings Limited), whereby (a) the Group is appointed by Vinda Personal Care as its non-exclusive sales agent and be responsible for the sale of the personal care products of Vinda Personal Care and/or its subsidiaries (collectively the "VPC Group") in the PRC (including Hong Kong, Macau and Taiwan), in consideration of which the VPC Group will pay to the Group on a monthly basis a commission based on a market rate of a prescribed percentage of the total net sales value of the sale of the VPC Group's products solicited or procured by the Group; (b) members of the Group will purchase the VPC Group's personal care products which the Group will sell to its customers at prices and other terms negotiated between the Company and the VPC Group on an arm's length basis and on normal commercial terms, comparable to the prevailing market rates or at rates similar to those offered by the VPC Group to independent third parties; and (c) members of the Group will sell the Group's household consumable paper products, such as packet tissue, box tissue, soft packs and wet wipes to the VPC Group at prices and other terms negotiated between the Company and the VPC Group on an arm's length basis and on normal commercial terms, comparable to the prevailing market rates or at rates similar to those offered by the Group to independent third parties.

The Renewed Master Agreement has a term commencing on 1 January 2013 and ending on 31 December 2014.

The annual caps under the Renewed Master Agreement for the years ended 31 December 2013 and 2014 are HK\$168.75 million and HK\$228.9 million respectively.

## REPORT OF THE DIRECTORS

Details of the transactions between the Group and the VPC Group are as follows:

Continuing Connected Transactions	Proposed annual cap for the year ended 31 December 2014 HK\$	Actual transactions for the period ended 31 July 2014 HK\$
Purchase of goods by the Group from the VPC Group	168,200,000	32,619,174
Sales of goods by the Group to the VPC Group	53,900,000	318,325
Sales commission earned by the Group from the VPC Group	6,800,000	—

On 10 July 2014, the Company acquired further 59% of the entire issued share capital of Vinda Personal Care which since then becomes a wholly-owned subsidiary of the Company.

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

As at 31 December 2014, 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 Part XV of the 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 contained in Appendix 10 of the Listing Rules were as follows:

#### Long Positions In Shares, Underlying Shares And Debentures

Name	Company name of associated corporations	Nature of interest	Number of Shares	Number of underlying Shares <sup>(4)</sup>	Aggregate interest	Approximate percentage of interest
LI Chao Wang <sup>(1)</sup>	The Company	Interest of controlled company Personal	216,341,581 Shares	1,998,000	219,275,581	21.96%
			<u>936,000 Shares</u>			
			217,277,581 Shares			
	Fu An International Company Limited	Interest of controlled company	282 shares of US\$1.00 each	—	—	74.21%
	Sentential Holdings Limited	Interest of controlled company	1 share of US\$1.00	—	—	100%



## REPORT OF THE DIRECTORS

Name	Company name of associated corporations	Nature of interest	Number of Shares	Number of underlying Shares <sup>(4)</sup>	Aggregate interest	Approximate percentage of interest
YU Yi Fang <sup>(2)</sup>	The Company	Interest of controlled company Personal	216,341,581 Shares	240,000	225,669,581	22.60%
			<u>9,088,000 Shares</u>			
		225,429,581 Shares				
	Fu An International Company Limited	Interest of controlled company	60 shares of US\$1.00 each	—	—	15.79%
	Join Pride International Limited	Interest of controlled company	10 shares of US\$1.00 each	—	—	100%
DONG Yi Ping <sup>(3)</sup>	The Company	Interest of controlled company Personal	216,341,581 Shares	240,000	225,619,581	22.60%
			<u>9,038,000 Shares</u>			
		225,379,581 Shares				
	Fu An International Company Limited	Interest of controlled company	38 shares of US\$1.00 each	—	—	10.00%
	Daminos Management Limited	Interest of controlled company	10 shares of US\$1.00 each	—	—	100%
ZHANG Dong Fang	The Company	Personal	—	1,998,000	1,998,000	0.20%
Johann Christoph MICHALSKI	The Company	Personal	—	220,000	220,000	0.02%
Ulf Olof Lennart SODERSTROM	The Company	Personal	—	220,000	220,000	0.02%
KAM Robert	The Company	Personal	—	220,000	220,000	0.02%
HUI Chin Tong, Godfrey	The Company	Personal	100,000	220,000	320,000	0.03%
TSUI King Fai	The Company	Personal	—	140,000	140,000	0.01%

**Notes:**

- The Shares are registered in the name of Fu An International Company Limited which 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 is held by LI Chao Wang.
- The Shares are registered in the name of Fu An International Company Limited which 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 Join Pride International Limited is held by YU Yi Fang.

## REPORT OF THE DIRECTORS

3. The Shares are registered in the name of Fu An International Company Limited which 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 Daminos Management Limited is held by DONG Yi Ping.
4. Details of share options held by the Directors are shown in the section of "Share Option Scheme".

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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.

### Share Option Scheme

A long term incentive scheme (the "Scheme") was conditionally approved by a written resolution of the shareholders of the Company passed on 19 June 2007 and was adopted by a resolution of the Board 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 Board may, at its discretion and on such terms as it may think fit, grant an employee, a director, any shareholder of any members of the Group or any holder of any securities issued by any member of the Group an award ("Award"), either by way of option ("Option") to subscribe for Shares, an award of Shares or a grant of a conditional right to acquire Shares as it may determine in accordance with the terms of the Scheme.

The Scheme shall be valid and effective for a period of 10 years commencing from 10 July 2007, after which period no further Awards 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 Award must be held before its vesting, performance, operating and financial targets and other criteria to be satisfied before the vesting of an Award and other terms and conditions of an Award, provided that, in respect of an Award of Option, the exercise price of an Option shall be a price determined by the Board at its absolute discretion but shall not be less than 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 business days immediately preceding the date of the offer; or (iii) the nominal value of the Shares on the date of Offer.

Subject to the Listing Rules, the overall limit on the number of Shares subject to Awards from time to time under the Scheme and any 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 or vesting of Awards granted and to be granted to each participant or grantee (including exercised, cancelled and outstanding Options, and vested and outstanding Awards) in any 12-month period shall not exceed 1% of the Shares in issue at the offer date. Any further grant of Awards 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

## REPORT OF THE DIRECTORS

or an Independent Non-Executive Director of the Company or any of his associates would result in such person 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 offer and any acceptance thereof must be subject to approval of the shareholders in general meeting taken on a poll.

Details of movements of the options granted under the Share Option Scheme for the year ended 31 December 2014 are as follows:

	Date of Grant	Exercise price per Share HK\$	as at 1/1/2014	Number of Shares issuable under the options				as at 31/12/2014	Exercise period
				granted during the year	exercised during the year	forfeited during the year	cancelled during the year		
<b>Directors</b>									
LI Chao Wang	02/05/2012	14.06	999,000	—	—	—	—	999,000	(Note 2)
	02/05/2013	10.34	999,000	—	—	—	—	999,000	02/05/2013 to 01/05/2023
YU Yi Fang	02/05/2012	14.06	240,000	—	—	—	—	240,000	(Note 2)
ZHANG Dong Fang	02/05/2012	14.06	1,998,000	—	—	—	—	1,998,000	(Note 2)
DONG Yi Ping	02/05/2012	14.06	240,000	—	—	—	—	240,000	(Note 2)
Johann Christoph MICHALSKI	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.06	140,000	—	—	—	—	140,000	(Note 2)
Ulf Olof Lennart SODERSTROM	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.06	140,000	—	—	—	—	140,000	(Note 2)
CAO Zhen Lei (Note 4)	02/05/2012	14.06	140,000	—	—	(140,000)	—	—	(Note 2)
KAM Robert	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)
HUI Chin Tong, Godfrey	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)
TSUI King Fai	02/05/2012	14.06	140,000	—	—	—	—	140,000	(Note 2)
<b>Employees of the Group</b>									
In aggregate	24/02/2009	2.98	460,000	—	—	—	—	460,000	(Note 1)
	15/04/2011	8.648	1,405,000	—	(25,000)	—	—	1,380,000	15/04/2011 to 14/04/2021
	02/05/2012	14.06	6,350,000	—	—	(840,000) (Note 5)	—	5,510,000	(Note 2)
	02/05/2013	10.34	135,000	—	(15,000)	—	—	120,000	(Note 3)
Sum			13,986,000	—	(40,000)	(980,000)	—	12,966,000	

## REPORT OF THE DIRECTORS

- Note 1:* (i) 20% of the option are exercisable on the expiry of 1 year of the date of grant, i.e. on/after 24 February 2010.  
(ii) 30% of the option are exercisable on the expiry of 2 years of the date of grant, i.e. on/after 24 February 2011.  
(iii) 50% of the option are exercisable on the expiry of 3 years of the date of grant, i.e. on/after 24 February 2012.

and in each case, no later than 23 February 2019.

- Note 2:* (i) up to 32% on or after 2 May 2012.  
(ii) up to 66% on or after 2 May 2013.  
(iii) all the remaining options on or after 2 May 2014.  
and in each case, not later than 1 May 2022.

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

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

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

*Note 4:* Dr. CAO Zhen Lei resigned as independent non-executive Director on 20 June 2014.

*Note 5:* 840,000 options were forfeited due to employee resignation.

### 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.

## REPORT OF THE DIRECTORS

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

As at 31 December 2014, the interests and short positions of the substantial shareholders of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

#### Long positions in shares and underlying shares

Name of shareholder	Nature of interest	Interest in Shares	Interest in underlying shares <sup>(4)</sup>	Aggregate interest	Percentage of issued share capital
<b>Long position</b>					
SCA Group Holding BV	Beneficial owner	513,200,425	—	513,200,425	51.40%
Svenska Cellulosa Aktiebolaget <sup>(1)</sup>	Interest of controlled company	513,200,425	—	513,200,425	51.40%
Fu An International Company Limited	Beneficial owner	216,341,581	—	216,341,581	21.67%
Sentential Holdings Limited <sup>(2)</sup>	Interest of controlled company	216,341,581	—	216,341,581	21.67%
LI Chao Wang <sup>(2)</sup>	Interest of controlled company	216,341,581	1,998,000	219,275,581	21.96%
	Personal	936,000			
Nordinvest AB	Beneficial owner	97,000,000	—	97,000,000	9.72%
Floras Kulle AB <sup>(3)</sup>	Interest of controlled company	97,000,000	—	97,000,000	9.72%
AB Industrivarden (publ) <sup>(3)</sup>	Interest of controlled company	97,000,000	—	97,000,000	9.72%

#### Notes:

- These Shares are registered in the name of SCA Group Holding BV which is wholly-owned by Svenska Cellulosa Aktiebolaget, a company whose shares are traded on the Stockholm, London and New York (as ADRs) stock exchanges. Under the SFO, Svenska Cellulosa Aktiebolaget is deemed to be interested in the Shares held by SCA Group Holding BV.
- These Shares are registered in the name of Fu An International Company Limited which 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 is held by LI Chao Wang. Under the SFO, Sentential Holdings Limited and LI Chao Wang are all deemed to be interested in the Shares held by Fu An International Company Limited.
- These Shares are registered in the name of Nordinvest AB which is indirectly wholly-owned by AB Industrivarden (publ). Under the SFO, Floras Kulle AB and AB Industrivarden (publ) are deemed to be interested in the Shares held by Nordinvest AB.
- Details of share options held by the Directors are shown in the section of "Share Option Scheme".

Save as disclosed above, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

## REPORT OF THE DIRECTORS

### 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 14.0%.

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

— the largest supplier	19.8%
— five largest suppliers combined	50.2%

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.

### Sufficiency of Public Float

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

### Pre-emptive Rights

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

### Auditors

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

On behalf of the Board

**LI Chao Wang**

*Chairman*

Hong Kong, 29 January 2015

INDEPENDENT  
AUDITOR'S REPORT

羅兵咸永道

**Independent Auditor's Report****To the shareholders of Vinda International Holdings Limited***(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Vinda International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 79 to 170, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Directors' Responsibility for Consolidated Financial Statements**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance 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 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

## INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 29 January 2015



# CONSOLIDATED BALANCE SHEET

As at 31 December 2014

		As at 31 December	
	Note	2014 HK\$	2013 HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	5,901,730,851	5,101,881,171
Leasehold land and land use rights	6	297,758,758	290,468,442
Intangible assets	8	1,400,041,901	21,235,148
Deferred income tax assets	22	267,405,812	204,808,552
Investment property	9	—	32,427,614
Investment in an associate	10	—	58,757,692
		<b>7,866,937,322</b>	5,709,578,619
<b>Current assets</b>			
Inventories	12	2,029,115,081	1,642,844,200
Trade receivables, other receivables and prepayments	14	1,523,602,317	1,286,276,545
Prepayments to and receivables from related parties	37(c)	61,753,224	40,961,155
Restricted bank deposits	15	1,301,535	3,567,270
Cash and cash equivalents	16	720,283,714	689,702,649
		<b>4,336,055,871</b>	3,663,351,819
<b>Total assets</b>		<b>12,202,993,193</b>	9,372,930,438
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	17	99,840,269	99,836,269
Share premium	17	1,677,023,606	1,676,529,981
Other reserves	19		
— Proposed final dividend		119,808,322	107,823,170
— Others		3,184,332,608	2,762,686,977
<b>Total equity</b>		<b>5,081,004,805</b>	4,646,876,397

## CONSOLIDATED BALANCE SHEET

As at 31 December 2014

		<b>As at 31 December</b>	
	Note	<b>2014</b>	2013
		<b>HK\$</b>	<b>HK\$</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	21	<b>878,667,606</b>	1,705,003,809
Loans from a related party	21,37(c)	<b>2,030,138,167</b>	—
Deferred government grants	23	<b>98,726,406</b>	102,873,484
Deferred income tax liabilities	22	<b>94,787,849</b>	7,222,427
		<b>3,102,320,028</b>	1,815,099,720
<b>Current liabilities</b>			
Trade payables, other payables and accrued expenses	20	<b>2,309,379,397</b>	1,820,064,171
Borrowings	21	<b>1,555,998,871</b>	1,032,432,973
Derivative financial instruments	24	—	12,918,422
Due to related parties	37(c)	<b>39,899,848</b>	5,217,791
Current income tax liabilities		<b>114,390,244</b>	40,320,964
		<b>4,019,668,360</b>	2,910,954,321
<b>Total liabilities</b>		<b>7,121,988,388</b>	4,726,054,041
<b>Total equity and liabilities</b>		<b>12,202,993,193</b>	9,372,930,438
<b>Net current assets</b>		<b>316,387,511</b>	752,397,498
<b>Total assets less current liabilities</b>		<b>8,183,324,833</b>	6,461,976,117

The financial statements were approved by the Board of Directors on 29 January 2015 and were signed on its behalf

**LI Chao Wang**  
Director

**ZHANG Dong Fang**  
Director

The notes on pages 86 to 170 are an integral part of these consolidated financial statements.

# COMPANY BALANCE SHEET

As at 31 December 2014

		<b>As at 31 December</b>	
	Note	<b>2014</b>	2013
		<b>HK\$</b>	HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in and balances with subsidiaries	11	<b>1,363,108,196</b>	1,367,628,590
<b>Current assets</b>			
Other receivables and prepayments	14	<b>5,528,603</b>	1,539,545
Dividends receivable		<b>162,364,524</b>	104,396,377
Due from subsidiaries	37(d)	<b>2,249,818,951</b>	1,320,363,703
Cash and cash equivalents	16	<b>1,787,116</b>	3,788,219
		<b>2,419,499,194</b>	1,430,087,844
<b>Total assets</b>		<b>3,782,607,390</b>	2,797,716,434
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	17	<b>99,840,269</b>	99,836,269
Share premium	17	<b>1,677,023,606</b>	1,676,529,981
Other reserves	19		
— Proposed final dividend		<b>119,808,322</b>	107,823,170
— Others		<b>307,623,303</b>	359,627,376
<b>Total equity</b>		<b>2,204,295,500</b>	2,243,816,796

## COMPANY BALANCE SHEET

As at 31 December 2014

		<b>As at 31 December</b>	
	Note	<b>2014</b>	2013
		<b>HK\$</b>	<b>HK\$</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	21	—	149,618,974
Loan from a related party	21,37(d)	<b>1,200,000,000</b>	—
		<b>1,200,000,000</b>	149,618,974
<b>Current liabilities</b>			
Other payables and accrued expenses	20	<b>8,155,819</b>	1,195,416
Borrowing	21	<b>149,379,464</b>	299,237,950
Derivative financial instrument	24	—	1,681,819
Due to subsidiaries	37(d)	<b>211,009,280</b>	97,985,579
Due to a related party	37(d)	<b>98,680</b>	—
Current income tax liabilities		<b>9,668,647</b>	4,179,900
		<b>378,311,890</b>	404,280,664
<b>Total liabilities</b>		<b>1,578,311,890</b>	553,899,638
<b>Total equity and liabilities</b>		<b>3,782,607,390</b>	2,797,716,434
<b>Net current assets</b>		<b>2,041,187,304</b>	1,025,807,180
<b>Total assets less current liabilities</b>		<b>3,404,295,500</b>	2,393,435,770

The financial statements were approved by the Board of Directors on 29 January 2015 and were signed on its behalf

**LI Chao Wang**  
Director

**ZHANG Dong Fang**  
Director

The notes on pages 86 to 170 are an integral part of this financial statement.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

		For the year ended 31 December	
	Note	2014 HK\$	2013 HK\$
Revenue	5	7,985,222,304	6,797,959,594
Cost of sales	26	(5,576,508,718)	(4,826,278,040)
<b>Gross profit</b>		<b>2,408,713,586</b>	1,971,681,554
Selling and marketing costs	26	(1,188,369,898)	(945,647,960)
Administrative expenses	26	(472,403,420)	(371,666,865)
Other income and gains — net	25	74,371,838	58,091,368
<b>Operating profit</b>		<b>822,312,106</b>	712,458,097
Interest income	28	3,220,911	3,792,450
Foreign exchange (loss)/gain — net	28	(1,022,634)	43,978,603
Finance costs	28	(82,701,752)	(60,762,712)
Finance income and costs — net	28	(80,503,475)	(12,991,659)
Share of post-tax loss of an associate	10	(4,805,242)	(26,976,817)
<b>Profit before income tax</b>		<b>737,003,389</b>	672,489,621
Income tax expense	29(a)	(143,536,257)	(129,581,932)
<b>Profit attributable to equity holders of the Company</b>		<b>593,467,132</b>	542,907,689
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		(13,756,533)	136,338,309
Hedging reserve	19	1,805,786	4,588,901
<b>Total comprehensive income attributable to equity holders of the Company</b>		<b>581,516,385</b>	683,834,899
<b>Earnings per share for profit attributable to equity holders of the Company for the year (expressed in HK\$ per share)</b>			
— basic earnings per share	32	0.594	0.543
— diluted earnings per share	32	0.594	0.542

The notes on pages 86 to 170 are an integral part of these consolidated financial statements.

		For the year ended 31 December	
		2014 HK\$	2013 HK\$
Dividends	33	159,744,429	155,744,579

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Note	Attributable to equity holders of the Company			Total HK\$
		Share capital HK\$	Share premium HK\$	Other reserves HK\$	
<b>Balance at 1 January 2013</b>		99,938,269	1,668,318,024	2,350,661,375	4,118,917,668
Profit for the year		—	—	542,907,689	542,907,689
Other comprehensive income					
— Currency translation differences		—	—	136,338,309	136,338,309
— Hedging reserve		—	—	4,588,901	4,588,901
<b>Total comprehensive income for 2013</b>		—	—	683,834,899	683,834,899
<b>Transaction with owners</b>					
Employees share option scheme					
— Value of employee services	19	—	—	13,857,000	13,857,000
— Exercise of share options	17,19	48,000	3,413,728	(897,728)	2,564,000
— Cancellation of options	17	—	16,059,847	(16,059,847)	—
Repurchases and cancellation of shares	17	(150,000)	(11,261,618)	—	(11,411,618)
Dividends	33	—	—	(160,885,552)	(160,885,552)
<b>Transaction with owners</b>		(102,000)	8,211,957	(163,986,127)	(155,876,170)
<b>Balance at 31 December 2013</b>		99,836,269	1,676,529,981	2,870,510,147	4,646,876,397
<b>Balance at 1 January 2014</b>		<b>99,836,269</b>	<b>1,676,529,981</b>	<b>2,870,510,147</b>	<b>4,646,876,397</b>
Profit for the year		—	—	593,467,132	593,467,132
Other comprehensive income					
— Currency translation differences		—	—	(13,756,533)	(13,756,533)
— Hedging reserve		—	—	1,805,786	1,805,786
<b>Total comprehensive income for 2014</b>		—	—	581,516,385	581,516,385
<b>Transaction with owners</b>					
Employees share option scheme					
— Exercise of share options	17,19	4,000	493,625	(126,325)	371,300
Dividends	33	—	—	(147,759,277)	(147,759,277)
<b>Transaction with owners</b>		4,000	493,625	(147,885,602)	(147,387,977)
<b>Balance at 31 December 2014</b>		<b>99,840,269</b>	<b>1,677,023,606</b>	<b>3,304,140,930</b>	<b>5,081,004,805</b>

The notes on pages 86 to 170 are an integral part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

		For the year ended 31 December	
	Note	2014 HK\$	2013 HK\$
<b>Cash flows from operating activities</b>			
Cash generated from operations	34(a)	996,980,445	1,159,819,779
Interest paid		(99,664,759)	(99,608,419)
Income tax paid		(58,812,368)	(240,600,119)
Net cash generated from operating activities		838,503,318	819,611,241
<b>Cash flows used in investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	36	(1,349,904,431)	—
Additional investment in an unlisted associate	10	—	(20,500,000)
Purchase of property, plant and equipment		(1,018,343,271)	(1,269,410,002)
Proceeds from disposal of property, plant and equipment	34(b)	24,064,234	2,205,121
Payment for leasehold land and land use rights	6	(14,888,647)	(103,571,890)
Purchase of intangible assets		(16,219,799)	(13,493,666)
Interest received		3,220,911	3,792,450
Net cash used in investing activities		(2,372,071,003)	(1,400,977,987)
<b>Cash flows generated from financing activities</b>			
Proceeds from shares issued		371,300	2,564,000
Proceeds from borrowings		2,497,891,060	2,615,235,041
Loans from a related party	37	2,028,661,199	—
Repayments of borrowings		(2,810,395,962)	(1,939,632,724)
Repurchase and cancellation of shares	17	—	(11,411,618)
Dividends paid	33	(147,759,277)	(160,885,552)
Net cash generated from financing activities		1,568,768,320	505,869,147
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>35,200,635</b>	<b>(75,497,599)</b>
Effect of foreign exchange rate changes		(4,619,570)	11,613,597
<b>Cash and cash equivalents, beginning of the year</b>	16	<b>689,702,649</b>	<b>753,586,651</b>
<b>Cash and cash equivalents, end of the year</b>	16	<b>720,283,714</b>	<b>689,702,649</b>

The notes on pages 86 to 170 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 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 11. 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.

On 9 September 2013, SCA Group Holding BV (“SCA BV”), a subsidiary of Svenska Cellulosa Aktiebolaget, made a voluntary conditional cash offer to acquire all outstanding shares of the Company. The cash offer was finally closed on 11 November 2013. After the close of the cash offer, Svenska Cellulosa Aktiebolaget became the ultimate holding company of the Group.

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 29 January 2015.

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 2 Summary of significant accounting policies *(continued)*

### 2.1 Basis of preparation *(continued)*

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.

#### 2.1.1 Changes in accounting policy and disclosures

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

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2014:

HKAS 36 (Amendment) "Impairment of assets" is effective for annual periods beginning on or after 1 January 2014. The amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

HK (IFRIC) Interpretation 21 "Levies" is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of HKAS 37 "Provisions, contingent liabilities and contingent assets". HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

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

- (b) *Standards, amendments and interpretations to existing standards effective in 2014 but not relevant to the Group.*

		<b>Effective for annual periods beginning on or after</b>
HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
Amendment to HKAS 39	Financial instruments: Recognition and measurement, on novation of derivatives	1 January 2014
HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for investment entities	1 January 2014

- (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 2014 and have not been early adopted:*

		<b>Effective for annual periods beginning on or after</b>
Amendment to HKAS 19	Defined benefits	1 July 2014
Amendments to HKFRS 10	Consolidated financial statements	1 January 2016
Amendment to HKFRS 11	Joint arrangements	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to HKAS 16	Property, plant and equipment	1 January 2016
Amendment to HKAS 27	Consolidated and separate financial statements	1 January 2016
Amendments to HKAS 28	Investment in associates	1 January 2016
Amendments to HKAS 38	Intangible assets	1 January 2016
Amendments to HKAS 41	Agriculture	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

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

- (c) *The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted: (continued)*

Apart from the above, the HKICPA has issued the annual improvements project which addresses several issues in the 2010–2012 reporting cycle, 2011–2013 reporting cycle, 2012–2014 reporting cycle, and includes changes to the following standards. The Group has not applied the following revised HKFRSs published in the annual improvements project.

		<b>Effective for annual periods beginning on or after</b>
HKFRS 3	Business combinations	1 July 2014
HKFRS 8	Operating segments	1 July 2014
HKFRS 13	Fair value measurement	1 July 2014
HKAS 16	Property, plant and equipment	1 July 2014
HKAS 24	Related Party Disclosures	1 July 2014
HKAS 38	Intangible assets	1 July 2014
HKAS 40	Investment property	1 July 2014
HKFRS 5	Non-current assets held for sale and discontinued operations	1 January 2016
HKFRS 7	Financial instruments: Disclosures	1 January 2016
HKAS 19	Employee benefits	1 January 2016
HKAS 34	Interim financial reporting	1 January 2016

The Group is assessing the full impact of the amendments and standards, and according to the preliminary assessment, there is no significant impact on the consolidated financial statements. The Group intends to adopt the amendments no later than the respective effective dates of the amendments.

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 2 Summary of significant accounting policies *(continued)*

### 2.2 Subsidiaries *(continued)*

#### 2.2.1 Consolidation *(continued)*

##### *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS/HKAS 39 either in profit or loss or as a change to other comprehensive income. 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).

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 2 Summary of significant accounting policies *(continued)*

### 2.2 Subsidiaries *(continued)*

#### 2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

### 2.3 Associate

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 2 Summary of significant accounting policies *(continued)*

#### 2.3 Associate *(continued)*

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

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

#### 2.4 Segment reporting

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

#### 2.5 Foreign currency translation

##### *(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Renminbi ("RMB"). Considering the Company is tax registered in Hong Kong, HK\$ is chosen as the presentation currency to present the consolidated financial statements.

##### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other income and gains — net'.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 2 Summary of significant accounting policies (continued)

#### 2.6 Property, plant and equipment

Leasehold land classified as financial lease and all other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	20 to 50 years
Buildings	30 to 50 years
Leasehold improvements	3 to 5 years
Machinery	10 to 15 years
Furniture, fittings and equipment	4 to 5 years
Vehicles	5 years

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

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

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

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



NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 2 Summary of significant accounting policies (continued)

### 2.7 Leasehold land and land use rights

All land in the People's Republic of China (the "PRC") is state-owned and no individual land ownership right exists. The Group acquired the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as leasehold land and land use rights, which are amortised over the lease periods using the straight-line method. The leasehold land and land use rights are stated at historical cost less accumulated amortisation and impairment losses.

### 2.8 Intangible assets

#### (a) Goodwill

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

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

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

#### (b) Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Certain trademarks and licenses that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 3 to 10.5 years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 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 factory buildings, is held for long-term rental yields not occupied by the Group. Investment property is measured at cost, including related transaction costs and where applicable borrowing costs.

### 2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.11 Financial assets

#### 2.11.1 Classification

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 2 Summary of significant accounting policies *(continued)*

### 2.11 Financial assets *(continued)*

#### 2.11.1 Classification *(continued)*

(a) *Financial assets at fair value through profit or loss*

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

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'restricted bank deposits', 'receivables due from related parties' and 'cash and cash equivalents' in the balance sheet (notes 2.14 and 2.15).

#### 2.11.2 Recognition and measurement

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 2 Summary of significant accounting policies (continued)

### 2.11 Financial assets (continued)

#### 2.11.3 Impairment of financial assets

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

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

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

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

### 2.12 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 2 Summary of significant accounting policies *(continued)*

#### 2.12 Derivative financial instruments and hedging activities *(continued)*

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in Note 24.

##### *Cash flow hedge*

Amounts accumulated in equity are reclassified to consolidated statement of comprehensive income in the periods when the hedged item affects consolidated statement of comprehensive income. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated statement of comprehensive income within 'financial costs'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains/(losses) — net'.

#### 2.13 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.

#### 2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 2 Summary of significant accounting policies (continued)

#### 2.15 Cash and cash equivalents

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

#### 2.16 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.

#### 2.17 Trade and other payables

Trade payables are obligations to pay for goods 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.

#### 2.18 Borrowings and borrowing costs

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

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 2 Summary of significant accounting policies *(continued)*

#### 2.18 Borrowings and borrowing costs *(continued)*

General and specific borrowing costs and related exchange gain/(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.

#### 2.19 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

##### *(a) Current income tax*

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

##### *(b) Deferred income tax*

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 2 Summary of significant accounting policies *(continued)*

#### 2.19 Current and deferred income tax *(continued)*

##### *(b) Deferred income tax (continued)*

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

#### 2.20 Employee benefits

##### *(a) Pension obligations*

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF"), a defined contribution plan. Under the MPF, each of the Group and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, subject to a cap of HK\$1,250 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 two defined contribution schemes which are available to the employees in Australia and the United States. 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.



NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 2 Summary of significant accounting policies *(continued)*

### 2.20 Employee benefits *(continued)*

#### *(b) 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.

#### *(c) Bonus plans*

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

### 2.21 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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 2 Summary of significant accounting policies *(continued)*

#### 2.21 Share-based payments *(continued)*

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

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

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

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

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

#### 2.22 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 2 Summary of significant accounting policies *(continued)*

#### 2.23 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.

#### 2.24 Revenue recognition

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

(a) *Sales of goods*

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

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Dividend income*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 2 Summary of significant accounting policies *(continued)*

#### 2.25 Operating leases

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

#### 2.26 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

#### 2.27 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 2 Summary of significant accounting policies *(continued)*

#### 2.28 Earnings per share

##### *Basic earnings per share*

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

##### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to 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.

##### **(a) Market risk**

###### *(i) Foreign exchange risk*

The Company and most of its subsidiaries' functional currency is RMB, since majority of the companies' revenues are derived from operations in Mainland China. Foreign exchange risk arises from the future commercial transactions of sales to and purchases from overseas.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 3 Financial risk management *(continued)*

#### 3.1 Financial risk factors *(continued)*

##### (a) Market risk *(continued)*

##### (i) Foreign exchange risk *(continued)*

As at 31 December 2014 and 2013, 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 and borrowings. Details of the changes are as follows:

	2014 HK\$	2013 HK\$
For the year ended:		
Post-tax profit increase/(decrease)		
— Strengthened by 10%	98,352,814	55,876,523
— Weakened by 10%	(98,352,814)	(55,876,523)
As at:		
Owners' equity increase/(decrease)		
— Strengthened by 10%	98,352,814	55,876,523
— Weakened by 10%	(98,352,814)	(55,876,523)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (a) Market risk (continued)

##### (i) Foreign exchange risk (continued)

As at 31 December 2014 and 2013, 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:

	2014 HK\$	2013 HK\$
For the year ended:		
Post-tax profit increase/(decrease)		
— Strengthened by 10%	300,299,491	170,240,544
— Weakened by 10%	(300,299,491)	(170,240,544)
As at:		
Owners' equity increase/(decrease)		
— Strengthened by 10%	300,299,491	170,240,544
— Weakened by 10%	(300,299,491)	(170,240,544)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 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 21.

Under certain circumstances, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

As at 31 December 2014 and 2013, 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:

	2014 HK\$	2013 HK\$
For the year ended:		
Post-tax profit (decrease)/increase		
— 10 basis points higher	(2,446,027)	(1,258,806)
— 10 basis points lower	2,446,027	1,258,806
As at:		
Owners' equity (decrease)/increase		
— 10 basis points higher	(2,446,027)	(1,258,806)
— 10 basis points lower	2,446,027	1,258,806



NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 3 Financial risk management *(continued)*

#### 3.1 Financial risk factors *(continued)*

##### (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 2014 and 2013, all restricted bank deposits and cash and cash equivalents were deposited in state-owned banks and reputable financial institutions and were hence without significant credit risk. Management does not expect any losses from non-performance by these counterparties. For further details, please refer to note 13(b).

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

##### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (c) Liquidity risk (continued)

	On demand HK\$	Less than 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$
As at 31 December 2014				
Term loans subject to a repayment on demand clause (i)	328,637,908	—	—	—
Other bank loans (i)	—	1,316,011,355	820,848,074	104,091,927
Loans from a related party	—	—	—	2,145,693,974
Trade payables	—	1,401,419,316	—	—
Other payables	—	360,134,031	—	—
As at 31 December 2013				
Term loans subject to a repayment on demand clause (i)	194,881,225	—	—	—
Other bank loans (i)	—	910,386,869	1,036,422,257	697,003,709
Other borrowings	—	—	7,290,766	—
Trade payables	—	1,113,007,617	—	—
Other payables	—	294,694,434	—	—

- (i) The interest on borrowings is calculated based on borrowings held as at 31 December 2014 and 2013 without taking account of future issues. Floating-rate interest is estimated using interest rate prevailing as at 31 December 2014 and 2013 respectively.

#### 3.2 Capital risk management

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 3 Financial risk management (continued)

#### 3.2 Capital risk management (continued)

The net gearing ratios at 31 December 2013 and 2014 were as follows:

	As at 31 December	
	2014 HK\$	2013 HK\$
Total borrowings (Note 21)	4,464,804,644	2,737,436,782
Less: Cash and cash equivalents (Note 16)	(720,283,714)	(689,702,649)
Restricted bank deposits (Note 15)	(1,301,535)	(3,567,270)
Net debt	3,743,219,395	2,044,166,863
Total equity	5,081,004,805	4,646,876,397
Net gearing ratio	73.67%	43.99%

The increase in net gearing ratio as at 31 December 2014 is attributable to the borrowings made by the Group from a related party for the acquisition of certain companies and China distribution business and the future development of the Group (Note 36, Note 37).

#### 3.3 Fair value estimation

As at 31 December 2014 and 2013, the carrying amounts of the Group's current assets and current liabilities approximate their fair values.

### 4 Critical accounting estimates and judgments

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

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

#### (a) Estimated impairment of goodwill and intangible assets with indefinite useful life

The Group tests annually whether goodwill and intangible assets with indefinite useful life have suffered any impairment, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 8).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 4 Critical accounting estimates and judgments (*continued*)

#### (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.

#### (d) Net realisable value of inventories

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

#### (e) Provision for impairment of trade and other receivables

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 4 Critical accounting estimates and judgments (*continued*)

#### (f) Estimated impairment of property, plant and equipment

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

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

#### (g) Share-based payment with specific performance conditions

The Group's share-based payment is exercisable subject to the Group achieving certain non-market performance vesting conditions. The Group recognises an amount for the services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and revises that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. Where the expectation is different from the original estimate, such difference will impact the recognition of share-based payment expense charge in the period in which such estimate has been changed.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 5 Segment information

The Group is principally engaged in the manufacture and sales of household paper products and personal care products. Revenue is analysed as follows:

	For the year ended 31 December	
	2014 HK\$	2013 HK\$
Sales of household paper products	7,869,996,440	6,772,035,041
Sales of personal care products	115,225,864	25,924,553
Total revenue (turnover)	7,985,222,304	6,797,959,594

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

The executive committee has determined that no business segment information is presented as over 98% of the Group's sales and operating profits are derived from the sales of household paper products, which is considered one business segment with similar economic characteristics.

The executive committee has also determined that no geographical segment information is presented as management reviews the business performance based on type of business, not geographically.

The Company is domiciled in Hong Kong. The amount of its revenue from external customers in Mainland China, Hong Kong and overseas is HK\$7,261,519,290 (2013: HK\$6,248,262,580), HK\$684,684,457 (2013: HK\$531,361,704) and HK\$39,018,557 (2013: HK\$18,335,310) respectively.

The total non-current assets are analysed as follows:

	As at 31 December	
	2014 HK\$	2013 HK\$
Total non-current assets other than deferred tax assets and investment in an associate		
— Mainland China	6,531,909,600	5,416,066,216
— Hong Kong and overseas	1,067,621,910	29,946,159
Deferred tax assets	267,405,812	204,808,552
Investment in an associate	—	58,757,692
Total non-current assets	7,866,937,322	5,709,578,619

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 6 Leasehold land and land use rights — Group

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:

	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Outside Hong Kong, held on:		
Lease of between 10 and 50 years	<b>297,758,758</b>	290,468,442
	<b>For the year ended 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
At 1 January	<b>290,468,442</b>	185,167,942
Additions (a)	<b>14,888,647</b>	103,571,890
Amortisation (Note 26)	<b>(6,665,224)</b>	(5,548,596)
Exchange differences	<b>(933,107)</b>	7,277,206
	<b>297,758,758</b>	290,468,442

- (a) On 1 October 2014, the Group acquired a land use right through the acquisition of Everbeauty Industry (Fujian) Co., Ltd., a previously indirect wholly-owned subsidiary of Svenska Cellulosa Aktiebolaget, with a consideration of HK\$14,888,647.

### 7 Property, plant and equipment — Group

	Land and buildings HK\$	Leasehold improvements HK\$	Machinery HK\$	Furniture, fittings and equipment HK\$	Vehicles HK\$	Construction in progress HK\$	Total HK\$
<b>Year ended 31 December 2013</b>							
Opening net book amount	1,103,048,785	8,977,891	1,880,028,245	25,455,628	15,741,133	954,235,289	3,987,486,971
Additions	11,591,042	22,042,218	21,726,853	17,500,565	7,040,396	1,160,698,885	1,240,599,959
Disposals	(1,342,906)	—	(1,262,981)	(269,530)	(503,148)	—	(3,378,565)
Reclassification	205,851,128	—	1,421,326,815	3,872,924	—	(1,631,050,867)	—
Depreciation (Note 26)	(41,064,889)	(7,085,983)	(202,019,040)	(8,415,345)	(4,020,534)	—	(262,605,791)
Exchange differences	37,259,233	504,633	77,514,660	988,566	531,991	22,979,514	139,778,597
Closing net book amount	1,315,342,393	24,438,759	3,197,314,552	39,132,808	18,789,838	506,862,821	5,101,881,171
<b>At 31 December 2013</b>							
Cost	1,527,178,251	32,162,025	4,239,002,121	66,285,212	42,733,725	506,862,821	6,414,224,155
Accumulated depreciation	(211,835,858)	(7,723,266)	(1,041,687,569)	(27,152,404)	(23,943,887)	—	(1,312,342,984)
Net book amount	1,315,342,393	24,438,759	3,197,314,552	39,132,808	18,789,838	506,862,821	5,101,881,171

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 7 Property, plant and equipment — Group (continued)

	Land and buildings HK\$	Leasehold improvements HK\$	Machinery HK\$	Furniture, fittings and equipment HK\$	Vehicles HK\$	Construction in progress HK\$	Total HK\$
<b>Year ended 31 December 2014</b>							
Opening net book amount	1,315,342,393	24,438,759	3,197,314,552	39,132,808	18,789,838	506,862,821	5,101,881,171
Acquisition of subsidiaries (Note 36)	320,321	203,506	62,563,726	2,871,873	566,566	2,461,782	68,987,774
Additions	18,125,344	18,281,195	16,014,419	15,715,464	3,801,808	1,020,403,920	1,092,342,150
Disposals	(12,642,407)	—	(2,410,832)	(1,732,297)	(48,718)	(126,199)	(16,960,453)
Reclassification	169,052,074	—	988,017,279	3,603,228	11,865	(1,160,684,446)	—
Transfer from investment property due to the acquisition of V-care (Note 9)	31,579,375	—	—	—	—	—	31,579,375
Depreciation (Note 26)	(49,851,435)	(7,784,535)	(281,712,666)	(11,368,028)	(5,469,506)	—	(356,186,170)
Impairment charges (Note 26)	—	—	(5,920,827)	(6,891)	—	—	(5,927,718)
Exchange differences	(3,807,058)	(33,912)	(7,661,392)	(86,005)	(56,448)	(2,340,463)	(13,985,278)
Closing net book amount	1,468,118,607	35,105,013	3,966,204,259	48,130,152	17,595,405	366,577,415	5,901,730,851
<b>At 31 December 2014</b>							
Cost	1,774,977,878	47,685,879	5,351,584,888	85,460,734	39,557,149	366,577,415	7,665,843,943
Accumulated depreciation and impairment	(306,859,271)	(12,580,866)	(1,385,380,629)	(37,330,582)	(21,961,744)	—	(1,764,113,092)
Net book amount	1,468,118,607	35,105,013	3,966,204,259	48,130,152	17,595,405	366,577,415	5,901,730,851

During the year, the Group has capitalised borrowing costs amounting to HK\$17,544,837 (2013: HK\$11,430,280) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 3.30% (2013: 1.05%).

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

	<b>For the year ended 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Cost of sales	308,255,774	236,534,695
Administrative expenses	47,930,396	26,071,096
	<b>356,186,170</b>	262,605,791



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 8 Intangible assets — Group

	Goodwill HK\$	Trademarks and licences HK\$	Contractual customer relationships HK\$	Computer software HK\$	Total HK\$
<b>At 1 January 2013</b>					
Cost	2,293,653	—	—	23,262,247	25,555,900
Accumulated amortisation and impairment	(2,293,653)	—	—	(10,307,523)	(12,601,176)
Net book amount	—	—	—	12,954,724	12,954,724
<b>Year ended 31 December 2013</b>					
Opening net book amount	—	—	—	12,954,724	12,954,724
Additions	—	—	—	13,493,666	13,493,666
Amortisation expense (Note 26)	—	—	—	(5,610,447)	(5,610,447)
Exchange differences	—	—	—	397,205	397,205
Closing net book amount	—	—	—	21,235,148	21,235,148
<b>At 31 December 2013</b>					
Cost	2,293,653	—	—	36,755,913	39,049,566
Accumulated amortisation and impairment	(2,293,653)	—	—	(15,520,765)	(17,814,418)
Net book amount	—	—	—	21,235,148	21,235,148
<b>Year ended 31 December 2014</b>					
Opening net book amount	—	—	—	21,235,148	21,235,148
Additions	—	—	—	16,219,799	16,219,799
Acquisition of subsidiaries (Note 36)	807,221,393	405,900,000	156,200,000	158,934	1,369,480,327
Disposal	—	—	—	(28,081)	(28,081)
Amortisation expense (Note 26)	—	(3,534,260)	(2,753,677)	(9,618,328)	(15,906,265)
Exchange differences	5,632,110	2,512,815	938,170	(42,122)	9,040,973
Closing net book amount	812,853,503	404,878,555	154,384,493	27,925,350	1,400,041,901
<b>At 31 December 2014</b>					
Cost	815,650,064	408,428,495	157,150,387	55,487,359	1,418,304,673
Accumulated amortisation and impairment	(2,796,561)	(3,549,940)	(2,765,894)	(27,562,009)	(18,262,772)
Net book amount	812,853,503	404,878,555	154,384,493	27,925,350	1,400,041,901

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 8 Intangible assets — Group (continued)

During the year ended 31 December 2014, amortisation of intangible assets charged to the consolidated statement of comprehensive income is as follow:

	For the year ended 31 December	
	2014 HK\$	2013 HK\$
Administrative expenses	13,152,588	5,610,447
Selling expenses	2,753,677	—
	15,906,265	5,610,447

#### (a) Impairment assessments for goodwill

Management reviews the business performance based on type of business. It has 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:

2014	Opening HK\$	Addition HK\$	Exchange differences HK\$	Closing HK\$
Personal care products	—	239,669,992	2,096,238	241,766,230
Household paper products	—	567,551,401	3,535,872	571,087,273
	—	807,221,393	5,632,110	812,853,503

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 budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the household paper products and personal care products in which the CGU operates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 8 Intangible assets — Group *(continued)*

#### (a) Impairment tests for goodwill *(continued)*

For each of the CGUs with significant amount of goodwill, the key assumptions, long term growth rate and discount rate used in the value-in-use calculations in 2014 are as follows:

	<b>Personal care products</b>	<b>Household paper products</b>
Sales amount (% annual growth rate)	45%	11%–14%
Gross margin (% of revenue)	46%	24%–41%
Long term growth rate	3.00%	2.50–3.00%
Pre-tax discount rate	17.50%	13.00%–17.50%

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

Sales amount is the average annual growth rate over the five-year forecast period. It is based on past performance, management's expectations of market development and the integration of Vinda Personal Care and SCA business. The growth rate on personal care products is higher than the average as this segment is forecast to receive significant investment in marketing and promotion to boost growth and to benefit from leveraging the wider Vinda sales and distribution network.

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 8 Intangible assets — Group (continued)

#### (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 relief-from-royalty method. The value is determined by estimating the value of future forgone royalty payments with the royalty saving ratio over the life of the asset by virtue of owning the asset. The following is a current year movement of trademarks and licences with indefinite useful life:

<b>2014</b>	<b>Opening</b>	<b>Addition</b>	<b>Exchange</b>	<b>Closing</b>
	HK\$	HK\$	differences	HK\$
			HK\$	HK\$
Trademarks and licences with indefinite useful life	—	348,300,000	2,119,204	350,419,204

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 2014 are as follows

	<b>Personal care products trademark and license</b>	<b>Household paper products trademark and license</b>
Sales amount (% annual growth rate)	45%	11%–14%
Royalty saving ratio (%)	1%	3%–8%
Long term growth rate	3.00%	2.50%–3.00%
Pre-tax discount rate	17.50%	13.00%–17.50%

### 9 Investment property

	<b>For the year ended 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Opening net book amount	<b>32,427,614</b>	32,435,570
Transfer to property, plant and equipment due to the acquisition (Note 7)	<b>(31,579,375)</b>	—
Amortisation expense (Note 25)	<b>(594,514)</b>	(1,015,849)
Exchange differences	<b>(253,725)</b>	1,007,893
Year-end net book amount	—	32,427,614

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 9 Investment property (continued)

On 1 March 2012, the Group entered into a contract with V-Care (China) Limited (a subsidiary of V-Care Holdings Limited, the Group's associate at that time) to lease certain of the Group's plant to V-Care (China) Limited. The lease term is of 3 years starting from 1 March 2012 to 28 February 2015 with a monthly rent of RMB138,000. Accordingly, the Group transferred the factory plant from property, plant and equipment to investment property and has accounted for that investment property with cost method.

On 10 July 2014, the Company acquired further 59% equity interests in Vinda Personal Care (formerly known as "V-Care Holdings Limited") and from the start of the following month, i.e. 1 August 2014, Vinda Personal Care was consolidated in the accounts of the Group as a wholly-owned subsidiary (Note 36). Accordingly, the plant leased to Vinda Personal Care (China) Limited ("VPC (China)", formerly known as "V-Care (China) Limited") was reclassified to property, plant and equipment upon completion of the acquisition.

### 10 Investment in an associate

	2014 HK\$	2013 HK\$
1 January	58,757,692	64,357,657
Share of post-tax loss of an associate	(4,805,242)	(26,976,817)
Additional investment in an unlisted associate	—	20,500,000
Associate to subsidiary through step acquisition (i)	(53,810,354)	—
Exchange differences	(142,096)	876,852
31 December	—	58,757,692

- (i) On 10 July 2014, the Company acquired further 59% equity interests in V-Care Holdings Limited and from the start of the following month, i.e. 1 August 2014, V-Care Holdings Limited was consolidated in the accounts of the Group as a wholly-owned subsidiary and was renamed to Vinda Personal Care Holdings Limited.

### 11 Investments in and balances with subsidiaries — Company

#### (a) Investments in and balances with subsidiaries

	As at 31 December	
	2014 HK\$	2013 HK\$
Unlisted investments, at cost	136,048,972	136,355,349
Due from subsidiaries (Note (i))	1,227,059,224	1,231,273,241
	<b>1,363,108,196</b>	<b>1,367,628,590</b>

- (i) Amounts due from subsidiaries represent equity fundings provided by the Company to its subsidiaries and are measured in accordance with the Company's accounting policy for investments in subsidiaries. They are unsecured and non-interest bearing. There's no recoverability risk on balances due from subsidiaries.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 11 Investments in and balances with subsidiaries — Company (continued)

#### (b) Details of subsidiaries

As at 31 December 2014, 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)	(indirectly)
Vinda Household Paper (China) Limited ("Vinda Household Paper (China)")	British Virgin Islands, limited liability company	Investment holding and trading of wood pulp and machinery	US\$1	100%	—
Vinda Household Paper (Hong Kong) Limited ("Vinda Household Paper (Hong Kong)")	British Virgin Islands, limited liability company	Investment holding	US\$10,002	100%	—
Vinda Household Paper (U.S.A.) Limited	British Virgin Islands, limited liability company	Investment holding	US\$1	100%	—
Vinda Household Paper (Australia) Limited	British Virgin Islands, limited liability company	Investment holding	US\$1	100%	—
Vinda Paper (U.S.A.) Inc.	United States of America, limited liability company	Trading of wood pulps	US\$1	—	100%
Vinda Paper (Australia) Pty Limited	Australia, limited liability company	Manufacturing and sale of household consumable paper	Australian dollar 100,000	—	100%
Forton Enterprises Limited ("Forton Enterprises")	Hong Kong, limited liability company	Investment holding and trading of household consumable paper	HK\$10,100	—	100%
Vinda Paper Industrial (H.K.) Company Limited ("Vinda Industrial HK")	Hong Kong, limited liability company	Property investments and trading of household consumable paper	HK\$10,000	—	100%
Vinda Investment (China) Limited ("Vinda Investment")	Hong Kong, limited liability company	Investment holding	HK\$1	—	100%
Vinda Paper (Sichuan) Company Limited ("Vinda Paper (Sichuan)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	HK\$183,900,000	—	100%
Vinda Paper (Hubei) Company Limited ("Vinda Paper (Hubei)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	HK\$53,030,000	—	100%
Vinda Paper (Beijing) Company Limited ("Vinda Paper (Beijing)")	The PRC, limited liability company	Trading of household consumable paper	US\$350,000	—	100%
Vinda North Paper (Beijing) Company Limited ("Vinda Northern Paper")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	HK\$75,000,000	—	100%
Vinda Paper (Xiaogan) Company Limited ("Vinda Paper (Xiaogan)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	US\$55,000,000	—	100%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 11 Investments in and balances with subsidiaries — Company *(continued)*

#### (b) Details of subsidiaries *(continued)*

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Issued and fully paid capital	Interest held	
				(directly)	(indirectly)
Vinda Paper (Zhejiang) Company Limited ("Vinda Paper (Zhejiang)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	HK\$696,332,739 (Note (i))	—	100%
Vinda Personal Care (Hong Kong) Limited ("Vinda Personal Care HK")	Hong Kong, limited liability company	Investment holding and trading of household consumable paper	HK\$1	100%	—
Vinda Trading Company Limited ("Vinda Trading")	The PRC, limited liability company	Trading of household consumable paper and sale of sanitary napkins and paper diaper	RMB50,000,000	—	100%
Vinda Paper (Liaoning) Company Limited ("Vinda Paper (Liaoning)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	HK\$200,000,000	—	100%
Vinda Investment Group Limited ("Vinda Investment Group")	Hong Kong, limited liability company	Investment holding and trading of household consumable paper	HK\$1	—	100%
Vinda Paper (Shandong) Company Limited ("Vinda Paper (Shandong)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	HK\$200,000,000	—	100%
Vinda Paper (China) Company Limited ("Vinda Paper (China)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	US\$150,000,000 (Note (ii))	—	100%
Sparkle Sunshine Limited	British Virgin Islands, limited liability company	Investment holding company	US\$1	—	100%
Vinda Personal Care	British Virgin Islands, limited liability company	Investment holding company	HK\$250,000,000	—	100%
Vinda Hygiene Care (Hong Kong) Limited (VHC, formerly known as "V-Care Hong Kong Limited")	Hong Kong, limited liability company	Investment holding company	HK\$1	—	100%
Vinda Personal Care Limited (VPC, formerly known as "V-Care China Limited")	Hong Kong, limited liability company	Investment holding company	HK\$1	—	100%
VPC (China)	The PRC, limited liability company	Manufacturing and sale of sanitary napkins and paper diaper	RMB100,000,000	—	100%
Everbeauty Industry (Fujian) Company Limited (Everbeauty (Fujian))	The PRC, limited liability company	Manufacturing and sale of household consumable paper	RMB50,000,000	—	100%
SCA Healthcare Management Pte Limited ("SCA Healthcare")	Singapore, limited liability company	Investment holding company	SGD1,000,000	—	100%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 11 Investments in and balances with subsidiaries — Company (continued)

#### (b) Details of subsidiaries (continued)

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Issued and fully paid capital	Interest held	
				(directly)	(indirectly)
SCA (Shanghai) Healthcare Management Company Limited ("SCA Healthcare Shanghai")	The PRC, limited liability company	Providing home health care services and health management consulting	RMB4,540,230	—	100%
SCA Tissue Hong Kong Limited	Hong Kong, limited liability company	Trading of household paper products and adult diapers	HK\$1	—	100%

(i) The paid in capital of Vinda Paper (Zhejiang) was increased from HK\$450,000,000 to HK\$696,332,739 during the current year.

(ii) The paid in capital of Vinda Paper (China) was increased from US\$122,555,968 to US\$150,000,000 during the current year.

### 12 Inventories — Group

	As at 31 December	
	2014 HK\$	2013 HK\$
Raw materials	1,357,085,068	1,078,304,488
Finished goods	672,030,013	564,539,712
	<b>2,029,115,081</b>	1,642,844,200

The cost of inventories recognised as expenses and included in cost of sales amounted to HK\$4,544,613,556 (2013: HK\$3,952,239,087) for the year ended 31 December 2014.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 13a Financial instruments by category — Group and Company

#### (i) Group

	<b>Loans and receivables</b>	
	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
<b>Assets as per balance sheet</b>		
Trade and other receivables excluding prepayments and prepaid expenses	<b>1,488,159,294</b>	1,259,084,819
Due from related parties excluding prepayments	<b>2,876,107</b>	8,011,918
Restricted bank deposits	<b>1,301,535</b>	3,567,270
Cash and cash equivalents	<b>720,283,714</b>	689,702,649
<b>Total</b>	<b>2,212,620,650</b>	1,960,366,656

31 December 2014

	<b>Financial liabilities at amortised cost</b>
<b>Liabilities as per balance sheet</b>	
Loans from a related party	<b>2,030,138,167</b>
Other borrowings	<b>2,434,666,477</b>
Trade and other payables excluding non-financial liabilities	<b>1,761,553,347</b>
Due to related parties	<b>39,899,848</b>
<b>Total</b>	<b>6,266,257,839</b>

31 December 2013

	Derivatives used for hedging	Financial liabilities at amortised cost	Total
<b>Liabilities as per balance sheet</b>			
Borrowings	—	2,737,436,782	2,737,436,782
Derivative financial instruments	12,918,422	—	12,918,422
Trade and other payables excluding non-financial liabilities	—	1,407,702,051	1,407,702,051
Due to a related party	—	5,217,791	5,217,791
<b>Total</b>	12,918,422	4,150,356,624	4,163,275,046

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 13a Financial instruments by category — Group and Company (continued)

(ii) Company

	<b>Loans and receivables</b>	
	<b>As at 31 December</b>	
	<b>2014</b>	2013
<b>Assets as per balance sheet</b>		
Trade and other receivables excluding prepayments	—	849,321
Due from subsidiaries	<b>1,272,999,665</b>	1,320,083,936
Cash and cash equivalents	<b>1,787,116</b>	3,788,219
<b>Total</b>	<b>1,274,786,781</b>	1,324,721,476

31 December 2014

	<b>Financial liabilities at amortised cost</b>
<b>Liabilities as per balance sheet</b>	
Borrowings	<b>1,349,379,464</b>
Due to subsidiaries	<b>211,009,280</b>
<b>Total</b>	<b>1,560,388,744</b>

31 December 2013

	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
<b>Liabilities as per balance sheet</b>			
Borrowings	—	448,856,924	448,856,924
Derivative financial instruments	1,681,819	—	1,681,819
Due to subsidiaries	—	97,985,579	97,985,579
<b>Total</b>	<b>1,681,819</b>	<b>546,842,503</b>	<b>548,524,322</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 13b Credit quality of financial assets — Group and Company

#### Trade receivables and notes receivables

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

#### Bank deposits

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

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

Group 1 — Major international banks (Hang Seng Bank, The Hong Kong and Shanghai Banking Corporation Limited, Citi Bank, Deutsche Bank and Australia and New Zealand Banking Group Limited)

Group 2 — Top 4 banks in Mainland China (China Construction Bank, Bank of China, Agricultural Bank of China and Industrial and Commercial Bank of China)

Group 3 — Other state-owned banks in Mainland China

	<b>Group</b>	
	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Group 1	<b>145,112,872</b>	81,074,038
Group 2	<b>523,045,632</b>	610,307,793
Group 3	<b>52,971,520</b>	1,826,168
<b>Total</b>	<b>721,130,024</b>	693,207,999

	<b>Company</b>	
	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Group 1	<b>1,787,116</b>	3,788,219

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 14 Trade receivables, other receivables and prepayments — Group and Company

	<b>Group</b>	
	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Trade receivables	<b>1,146,726,943</b>	915,812,348
Less: Provision for impairment of trade receivables	<b>(6,870,426)</b>	(9,617,461)
Trade receivables, net	<b>1,139,856,517</b>	906,194,887
Other receivables		
— creditable input VAT	<b>265,180,999</b>	264,427,416
— prepaid income tax recoverable	<b>12,042,311</b>	41,190,955
— purchase rebates	<b>21,457,155</b>	21,129,484
— others	<b>29,475,236</b>	19,759,089
Other receivables	<b>328,155,701</b>	346,506,944
Trade and other receivables, net	<b>1,468,012,218</b>	1,252,701,831
Notes receivable	<b>20,147,076</b>	6,382,988
Prepayments		
— purchase of raw materials	<b>10,359,705</b>	6,274,931
— prepayment of utility fee	<b>5,022,630</b>	7,156,360
— others	<b>9,373,375</b>	7,070,051
	<b>24,755,710</b>	20,501,342
Prepaid expenses	<b>10,687,313</b>	6,690,384
	<b>1,523,602,317</b>	1,286,276,545

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 14 Trade receivables, other receivables and prepayments — Group and Company *(continued)*

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

	<b>Group</b>	
	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
RMB	<b>1,314,792,804</b>	1,183,081,594
HK\$	<b>152,546,323</b>	78,365,857
US\$	<b>50,217,134</b>	24,688,708
Other currencies	<b>6,046,056</b>	140,386
	<b>1,523,602,317</b>	1,286,276,545

As at 31 December 2014 and 2013, the carrying amounts of the Group's trade and other receivables approximated their fair values due to short duration.

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

Ageing analysis of trade receivables of the Group based on invoice date as at 31 December 2014 and 2013 is as below:

	<b>Group</b>	
	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Within 3 months	<b>1,079,877,776</b>	854,781,509
4 months to 6 months	<b>55,929,423</b>	46,992,878
7 months to 12 months	<b>8,179,147</b>	8,841,000
Over 1 year	<b>2,740,597</b>	5,196,961
	<b>1,146,726,943</b>	915,812,348

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 14 Trade receivables, other receivables and prepayments — Group and Company (continued)

As at 31 December 2014, trade receivables of HK\$59,978,741 (2013: HK\$51,413,378) 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:

	<b>Group</b>	
	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
4 months to 6 months	<b>55,929,423</b>	46,992,878
7 months to 12 months	<b>4,049,318</b>	4,420,500
	<b>59,978,741</b>	51,413,378

As at 31 December 2014, trade receivables of HK\$6,870,426 (2013: HK\$9,617,461) 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:

	<b>Group</b>	
	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
7 months to 12 months	<b>4,129,829</b>	4,420,500
Over 1 year	<b>2,740,597</b>	5,196,961
	<b>6,870,426</b>	9,617,461

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 14 Trade receivables, other receivables and prepayments — Group and Company (continued)

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

	<b>Group</b>	
	<b>For the year ended 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
As at 1 January	<b>(9,617,461)</b>	(11,321,967)
Acquisition of subsidiaries	<b>(1,207,468)</b>	—
Reversal of impairment of receivables (Note 26)	<b>2,275,228</b>	1,882,453
Receivables written off	<b>1,639,552</b>	—
Exchange differences	<b>39,723</b>	(177,947)
As at 31 December	<b>(6,870,426)</b>	(9,617,461)

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

	<b>Company</b>	
	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Other receivables — prepaid income tax recoverable	<b>4,941,113</b>	690,224
Prepayments — others	<b>587,490</b>	849,321
	<b>5,528,603</b>	1,539,545

### 15 Restricted bank deposits — Group

	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Restricted bank deposits	<b>1,301,535</b>	3,567,270

As at 31 December 2014, bank deposits of HK\$1,301,535 (2013: HK\$3,567,270) were restricted as deposits for the issuance of letters of credit. These deposits mainly have a maturity ranging from 0 to 90 days.

All the restricted bank deposits are denominated in RMB.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 16 Cash and cash equivalents

	<b>Group</b>	
	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Cash in hand	455,225	61,920
Cash at bank	719,828,489	689,640,729
	<b>720,283,714</b>	689,702,649

The effective weighted average annual interest rate on cash at bank was 0.50% (2013: 0.53%) for the year ended 31 December 2014.

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

	<b>Group</b>	
	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
RMB	592,392,415	624,474,622
US\$	5,103,850	24,483,985
HK\$	102,659,258	37,131,561
Other currencies	20,128,191	3,612,481
	<b>720,283,714</b>	689,702,649

	<b>Company</b>	
	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Cash at bank — denominated in HK\$	1,787,116	3,788,219

The effective weighted average annual interest rates on cash at bank were 0.18% (2013: 0.20%) for the year ended 31 December 2014.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 17 Share capital and share premium

	Group & Company				
	Number of authorised shares	Number of issued and fully paid shares	Ordinary shares HK\$	Share premium HK\$	Total HK\$
<b>At 1 January 2013</b>	80,000,000,000	999,382,686	99,938,269	1,668,318,024	1,768,256,293
Employee share option scheme (Note 18)					
— Exercise of share options	—	480,000	48,000	3,413,728	3,461,728
— Options cancelled	—	—	—	16,059,847	16,059,847
Repurchased and cancelled (i)	—	(1,500,000)	(150,000)	(11,261,618)	(11,411,618)
<b>At 31 December 2013</b>	80,000,000,000	998,362,686	99,836,269	1,676,529,981	1,776,366,250
Employee share option scheme (Note 18)					
— Exercise of share options	—	40,000	4,000	493,625	497,625
<b>At 31 December 2014</b>	<b>80,000,000,000</b>	<b>998,402,686</b>	<b>99,840,269</b>	<b>1,677,023,606</b>	<b>1,776,863,875</b>

- (i) During the year ended 31 December 2013, the Company repurchased its own shares of 1,500,000 shares in aggregate with the price range from HK\$7.36 to HK\$7.77 per share, together with related expenses, the total consideration was HK\$11,411,618. These repurchased shares were subsequently cancelled and the issued share capital of the Company was reduced by nominal value of these shares accordingly.
- (ii) As at 31 December 2014 and 2013, the par value of authorised and issued ordinary shares is HK\$0.1 per share.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 18 Share-based payment

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

- (i) in respect of the options granted to directors, on or after 24 February 2009;
- (ii) in respect of the options granted to employees,
  - (a) up to 20% on or after 24 February 2010;
  - (b) up to 50% on or after 24 February 2011;
  - (c) all the remaining options on or after 24 February 2012;

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

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

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

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

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

- (a) The first tranche of 5,313,000 options are exercisable during the period from 2 May 2012 to 1 May 2022.
- (b) The second tranche of 5,729,000 options are exercisable during the period from 2 May 2013 to 1 May 2022.
- (c) The third tranche of 5,729,000 options are exercisable during the period from 2 May 2014 to 1 May 2022.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 18 Share-based payment *(continued)*

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

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

- (a) The first tranche of 1,134,000 options are exercisable during the period from 2 May 2013 to 1 May 2023.
- (b) The second tranche of 225,000 options are exercisable during the period from 2 May 2014 to 1 May 2023.

Movements in the number of share options outstanding and their related weighted average exercise prices for the year ended 31 December 2014 and 2013 were as follows:

	For the year ended 31 December			
	2014	Number of options	2013	Number of options
Weighted average exercise price in HK\$	Weighted average exercise price in HK\$		Weighted average exercise price in HK\$	
At 1 January	12.73	13,986,000	11.04	25,843,000
Granted	—	—	10.34	1,359,000
Exercised (Note (a))	9.28	(40,000)	5.34	(480,000)
Forfeited (Note (b))	14.06	(980,000)	13.90	(5,834,000)
Cancelled (Note (c))	—	—	5.45	(6,902,000)
At 31 December	12.64	12,966,000	12.73	13,986,000

- (a) All of the outstanding options are exercisable. Options exercised during the year ended 31 December 2014 resulted in 40,000 shares (2013: 480,000 shares) being issued with net proceeds of HK\$371,300 (2013: HK\$2,564,000). The related weighted average share price at the time of exercise was HK\$13.14 (2013: HK\$10.27) per share.
- (b) 980,000 options (2013: 380,000 options) were forfeited during the year ended 31 December 2014 due to a director and employee resignation. 5,454,000 options were forfeited due to unfulfilled vesting conditions in relation to the financial results for the year ended 31 December 2013.
- (c) In 2013, 6,902,000 share options were cancelled due to the voluntary conditional cash offer by SCA BV.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 18 Share-based payment (continued)

Share options outstanding as at 31 December 2014 have the following expiry dates and exercise prices:

Expiry date	Exercise price HK\$ per share	Number of options
23 February 2019	2.98	460,000
14 April 2021	8.648	1,700,000
01 May 2022	14.06	9,687,000
01 May 2023	10.34	1,119,000

### 19 Other reserves

	Statutory reserves (Note (a)) HK\$	Translation reserve HK\$	Group			Total HK\$
			Retained earnings HK\$	Employee option reserve HK\$	Hedging reserve HK\$	
<b>At 1 January 2013</b>	342,257,885	417,209,652	1,530,887,161	66,701,364	(6,394,687)	2,350,661,375
Employee share options scheme:						
— Value of employee services	—	—	—	13,857,000	—	13,857,000
— Exercise of options	—	—	—	(897,728)	—	(897,728)
— Options cancelled	—	—	—	(16,059,847)	—	(16,059,847)
Profit for the year	—	—	542,907,689	—	—	542,907,689
Appropriation of reserves	36,810,276	—	(36,810,276)	—	—	—
Dividends	—	—	(160,885,552)	—	—	(160,885,552)
Currency translation differences	—	136,338,309	—	—	—	136,338,309
Hedging reserve	—	—	—	—	4,588,901	4,588,901
<b>At 31 December 2013</b>	379,068,161	553,547,961	1,876,099,022	63,600,789	(1,805,786)	2,870,510,147
<b>At 1 January 2014</b>	<b>379,068,161</b>	<b>553,547,961</b>	<b>1,876,099,022</b>	<b>63,600,789</b>	<b>(1,805,786)</b>	<b>2,870,510,147</b>
Employee share options scheme:						
— Exercise of options	—	—	—	(126,325)	—	(126,325)
Profit for the year	—	—	593,467,132	—	—	593,467,132
Appropriation of reserves	55,181,565	—	(55,181,565)	—	—	—
Dividends	—	—	(147,759,277)	—	—	(147,759,277)
Currency translation differences	—	(13,756,533)	—	—	—	(13,756,533)
Hedging reserve	—	—	—	—	1,805,786	1,805,786
<b>At 31 December 2014</b>	<b>434,249,726</b>	<b>539,791,428</b>	<b>2,266,625,312</b>	<b>63,474,464</b>	<b>—</b>	<b>3,304,140,930</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 19 Other reserves (continued)

	Translation reserve HK\$	Retained earnings HK\$	Company Employee option reserve HK\$	Hedging reserve HK\$	Total HK\$
<b>At 1 January 2013</b>	214,909,335	119,802,762	66,701,364	(5,616,124)	395,797,337
Employee share options scheme:					
— Value of employee services	—	—	13,857,000	—	13,857,000
— Exercise of options	—	—	(897,728)	—	(897,728)
— Options cancelled	—	—	(16,059,847)	—	(16,059,847)
Dividends	—	(160,885,552)	—	—	(160,885,552)
Profit for the year	—	162,436,022	—	—	162,436,022
Currency translation differences	69,269,009	—	—	—	69,269,009
Hedging reserve	—	—	—	3,934,305	3,934,305
<b>At 31 December 2013</b>	284,178,344	121,353,232	63,600,789	(1,681,819)	467,450,546
<b>At 1 January 2014</b>	<b>284,178,344</b>	<b>121,353,232</b>	<b>63,600,789</b>	<b>(1,681,819)</b>	<b>467,450,546</b>
Employee share options scheme:					
— Exercise of options	—	—	(126,325)	—	(126,325)
Dividends	—	(147,759,277)	—	—	(147,759,277)
Profit for the year	—	157,598,925	—	—	157,598,925
Currency translation differences	(51,414,063)	—	—	—	(51,414,063)
Hedging reserve	—	—	—	1,681,819	1,681,819
<b>At 31 December 2014</b>	<b>232,764,281</b>	<b>131,192,880</b>	<b>63,474,464</b>	<b>—</b>	<b>427,431,625</b>

#### (a) Statutory reserves

In accordance with the “Law of the PRC on Enterprises Operated Exclusively with Foreign Capital” and the Articles of Association of those subsidiaries of the Group, which are wholly foreign owned enterprises in the PRC, an appropriation to the Reserve Fund from the statutory net profit after offsetting accumulated losses of previous years in advance should be made prior to profit distribution to the shareholders. The appropriation for the Reserve Fund is no less than 10% of the statutory net profit and it can cease to accrue when the accumulated appropriation exceeds 50% of the registered capital. For the year ended 31 December 2014, the appropriation for the Reserve Fund is 15% (2013: 15%) of the statutory net profits of the year for the subsidiaries in the PRC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 20 Trade payables, other payables and accrued expenses

	<b>Group</b>	
	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Trade payables	<b>1,401,419,316</b>	1,113,007,617
Notes payable	<b>26,649,646</b>	3,412,027
Other payables		
— salaries payable	<b>103,072,206</b>	67,386,956
— taxes payable other than income tax	<b>31,373,273</b>	35,755,149
— advances from customers	<b>55,315,977</b>	45,350,343
— payables for property, plant and equipment	<b>180,723,695</b>	123,684,552
— others	<b>152,760,690</b>	167,597,855
Accrued expenses		
— promotion fees	<b>185,288,444</b>	151,992,207
— utility charges	<b>43,864,344</b>	35,257,652
— transportation fees	<b>65,765,432</b>	47,387,787
— advertising fee	<b>19,426,153</b>	4,778,931
— accrued interest	<b>2,821,666</b>	4,249,666
— professional services	<b>7,084,865</b>	—
— others	<b>33,813,690</b>	20,203,429
	<b>2,309,379,397</b>	1,820,064,171

As at 31 December 2014 and 2013, 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:

	<b>Group</b>	
	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
RMB	<b>950,927,668</b>	983,368,591
US\$	<b>967,225,334</b>	571,243,174
HK\$	<b>26,628,238</b>	61,170
Other currencies	<b>6,533,563</b>	1,521,564
	<b>1,951,314,803</b>	1,556,194,499

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 20 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 payables as at 31 December 2014 and 2013 is as follows:

	<b>Group</b>	
	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Within 3 months	<b>1,405,501,710</b>	1,066,381,206
4 months to 6 months	<b>15,759,732</b>	21,918,953
7 months to 12 months	<b>1,290,280</b>	26,850,535
Over 1 year	<b>5,517,240</b>	1,268,950
	<b>1,428,068,962</b>	1,116,419,644
	<b>Company</b>	
	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Other payables and accrued expenses — denominated in HK\$	<b>8,155,819</b>	1,195,416

As at 31 December 2014 and 2013, the carrying amounts of the Company's other payables and accrued expenses approximated their fair values.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 21 Borrowings

	Group	
	As at 31 December	
	2014	2013
	HK\$	HK\$
<b>Non-current</b>		
Unsecured bank borrowings	878,667,606	1,697,713,043
Loans from a related party (Note 37(c))	2,030,138,167	—
Unsecured other borrowings (Note (a))	—	7,290,766
<b>Total non-current borrowings</b>	<b>2,908,805,773</b>	<b>1,705,003,809</b>
<b>Current</b>		
Portion of loans from banks due for repayment within one year		
— Unsecured	1,244,253,403	853,563,179
Portion of loans from banks due for repayment after one year which contain a repayment on demand clause		
— Unsecured	311,745,468	178,869,794
<b>Total current borrowings</b>	<b>1,555,998,871</b>	<b>1,032,432,973</b>
<b>Total borrowings</b>	<b>4,464,804,644</b>	<b>2,737,436,782</b>

(a) Other borrowings were granted by PRC local governments and are unsecured and interest-free. These borrowings were repaid in advance in 2014.

(b) The maturity of borrowings is as follows:

	Bank borrowings		Loans from a related party		Other borrowings	
	As at		As at		As at	
	31 December		31 December		31 December	
	2014	2013	2014	2013	2013	2013
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Portion of loans due for repayment within 1 year:	1,244,253,403	853,563,179	—	—	—	—
Loans due for repayment after 1 year (Note 1):						
Between 1 and 2 years	939,761,910	1,113,903,226	—	—	7,290,766	—
Between 2 and 5 years	250,651,164	762,679,611	2,030,138,167	—	—	—
	<b>2,434,666,477</b>	<b>2,730,146,016</b>	<b>2,030,138,167</b>	<b>—</b>	<b>7,290,766</b>	<b>—</b>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 21 Borrowings (continued)

(b) (continued)

As at 31 December 2014 and 2013, 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	Other borrowings
	2014	2013	2014	2013
HK\$	1.52%~3.32%	1.40%~3.35%	1.48%~2.29%	—
US\$	1.03%~2.27%	1.20%~3.57%	—	—
RMB	4.50%~6.90%	4.50%~6.90%	3.39%	—
AU\$	—	2.88%~3.35%	—	—

(d) The carrying values of the borrowings approximate their fair values, as the market interest rates are relatively stable. The fair values are based on discounted cash flows using a rate based on the borrowing rate and are within level 2 of the fair value hierarchy. The effective interest rates (per annum) at the balance sheet date were as follows:

	Borrowings As at 31 December	
	2014	2013
HK\$	2.32%	2.64%
US\$	2.27%	2.91%
RMB	5.07%	5.86%
AU\$	—	2.89%

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

	As at 31 December	
	2014 HK\$	2013 HK\$
HK\$	3,824,977,098	2,154,245,161
US\$	265,973,656	153,022,262
RMB	373,853,890	385,028,972
AU\$	—	45,140,387
	<b>4,464,804,644</b>	<b>2,737,436,782</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 21 Borrowings (continued)

- (f) Certain banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios. If the Group were to breach the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants and the scheduled repayments of the loans. The Group does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements.

	<b>Company</b>	
	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
<b>Non-current</b>		
Bank borrowings		
— Unsecured	—	149,618,974
Loan from a related party (Note 37(d))	<b>1,200,000,000</b>	—
<b>Current</b>		
Portion of loans from banks due for repayment within one year		
— Unsecured	<b>149,379,464</b>	299,237,950
<b>Total borrowings</b>	<b>1,349,379,464</b>	448,856,924

- (a) The maturity of borrowings of the Company is as follows:

	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Portion of loans due for repayment within 1 year:	<b>149,379,464</b>	299,237,950
Loans due for repayment after 1 year:		
Between 1 and 2 years	—	149,618,974
Between 2 and 5 years	<b>1,200,000,000</b>	—
	<b>1,349,379,464</b>	448,856,924

As at 31 December 2014 and 2013, all of the borrowings of the Group are wholly repayable within 5 years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 21 Borrowings (continued)

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

	<b>As at 31 December</b>	
	<b>2014</b>	2013
Bank borrowings — HK\$	<b>2.56%~3.32%</b>	2.55%~2.75%
Loan from a related party — HK\$	<b>1.48%~1.50%</b>	—

(c) The bank borrowings of the Company are all denominated in HK\$.

### 22 Deferred income tax — Group

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

	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Deferred tax assets		
— Deferred income tax assets to be recovered after 12 months	<b>44,999,204</b>	43,478,937
— Deferred income tax assets to be recovered within 12 months	<b>222,406,608</b>	161,329,615
	<b>267,405,812</b>	204,808,552
Deferred tax liabilities		
— Deferred income tax liability to be settled after 12 months	<b>(90,666,471)</b>	(6,892,972)
— Deferred income tax liability to be settled within 12 months	<b>(4,121,378)</b>	(329,455)
	<b>(94,787,849)</b>	(7,222,427)
Deferred income tax assets, net	<b>172,617,963</b>	197,586,125

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 22 Deferred income tax — Group (continued)

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

	For the year ended 31 December	
	2014 HK\$	2013 HK\$
Beginning of the year	197,586,125	171,193,359
Acquisition of subsidiaries (Note 36)	(43,038,013)	—
Credited to the consolidated statement of comprehensive income (Note 29)	19,034,706	20,965,000
Exchange differences	(964,855)	5,427,766
End of the year	172,617,963	197,586,125

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\$	Others HK\$	Total HK\$
<b>At 31 December 2012 and 1 January 2013</b>	6,184,600	24,607,705	28,344,124	17,614,406	63,792,778	31,719,394	1,684,527	1,737,539	175,685,073
Credited/(charged) to the consolidated statement of comprehensive income	(863,210)	193,157	112,850	3,310,961	7,866,488	10,437,034	1,732,950	726,395	23,516,625
Exchange differences	226,584	319,697	465,115	554,797	3,067,842	812,975	78,712	81,132	5,606,854
<b>At 31 December 2013</b>	5,547,974	25,120,559	28,922,089	21,480,164	74,727,108	42,969,403	3,496,189	2,545,066	204,808,552
<b>At 31 December 2013 and 1 January 2014</b>	5,547,974	25,120,559	28,922,089	21,480,164	74,727,108	42,969,403	3,496,189	2,545,066	204,808,552
Credited/(charged) to the consolidated statement of comprehensive income	(1,703,186)	(827,169)	6,136,724	2,047,249	27,398,071	(10,344,710)	(328,118)	(1,044,891)	21,333,970
Acquisition of subsidiaries (Note 36)	799,639	—	60,953	—	1,370,697	39,538,652	—	—	41,769,941
Exchange differences	(19,550)	(89,644)	(71,226)	(64,433)	(122,214)	(112,818)	(13,421)	(13,345)	(506,651)
<b>At 31 December 2014</b>	4,624,877	24,203,746	35,048,540	23,462,980	103,373,662	72,050,527	3,154,650	1,486,830	267,405,812

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\$1,942,778 (2013: HK\$26,045) in respect of losses amounting to HK\$8,099,335 (2013: HK\$157,846) that can be carried forward against future taxable income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 22 Deferred income tax — Group (continued)

The movement of the deferred tax liabilities is as follows:

	Accelerated depreciation HK\$	Interest capitalised HK\$	Fair value gains through business combination HK\$	Total HK\$
<b>1 January 2013</b>	1,680,410	2,811,304	—	4,491,714
(Credited)/charged to the consolidated statement of comprehensive income	(108,021)	2,659,646	—	2,551,625
Exchange differences	51,185	127,903	—	179,088
<b>At 31 December 2013</b>	1,623,574	5,598,853	—	7,222,427
<b>At 31 December 2013 and 1 January 2014</b>	<b>1,623,574</b>	<b>5,598,853</b>	<b>—</b>	<b>7,222,427</b>
(Credited)/charged to the consolidated statement of comprehensive income	<b>(370,573)</b>	<b>4,018,674</b>	<b>(1,348,837)</b>	<b>2,299,264</b>
Acquisition of subsidiaries (Note 36)	<b>370,978</b>	<b>—</b>	<b>84,436,976</b>	<b>84,807,954</b>
Exchange differences	<b>(64,719)</b>	<b>(1,333)</b>	<b>524,256</b>	<b>458,204</b>
<b>At 31 December 2014</b>	<b>1,559,260</b>	<b>9,616,194</b>	<b>83,612,395</b>	<b>94,787,849</b>

Deferred income tax liabilities of HK\$120,743,559 (2013: HK\$104,421,841) 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\$2,414,871,183 as at 31 December 2014 (2013: HK\$2,157,102,196).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 23 Deferred government grants — Group

	HK\$
<b>At 1 January 2013</b>	
Cost	122,449,641
Accumulated amortisation	(21,852,461)
Net book amount	100,597,180
<b>Year ended 31 December 2013</b>	
Opening net book amount	100,597,180
Additions	2,356,185
Amortisation (Note 25)	(3,281,699)
Exchange differences	3,201,818
Closing net book amount	102,873,484
<b>At 31 December 2013</b>	
Cost	125,412,557
Accumulated amortisation	(22,539,073)
Net book amount	102,873,484
<b>Year ended 31 December 2014</b>	
Opening net book amount	<b>102,873,484</b>
Amortisation (Note 25)	<b>(3,778,232)</b>
Exchange differences	<b>(368,846)</b>
Closing net book amount	<b>98,726,406</b>
<b>At 31 December 2014</b>	
Cost	<b>124,805,826</b>
Accumulated amortisation	<b>(26,079,420)</b>
Net book amount	<b>98,726,406</b>

In 2013, Vinda Paper (China) received government grants with total amount of RMB1,880,000 (equivalent to HK\$2,356,185). 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 23 Deferred government grants — Group (continued)

The balance of deferred government grants as at 31 December 2014 mainly includes the grants from local government related to the land use rights purchased:

	As at 31 December	
	2014 HK\$	2013 HK\$
Vinda Paper (Liaoning)	39,041,607	40,047,869
Vinda Paper (Shandong)	19,357,063	19,835,649
Vinda Paper (Sichuan)	16,432,383	17,252,017
Vinda Paper (Xiaogan)	15,669,450	16,198,391
Vinda Paper (Hubei)	4,791,481	5,494,785
	<b>95,291,984</b>	98,828,711
Others	3,434,422	4,044,773
	<b>98,726,406</b>	102,873,484

### 24 Derivative financial instruments

	Group As at 31 December	
	2014 HK\$	2013 HK\$
Cross currency swap	—	11,112,636
Interest rate swap — cash flow hedge	—	1,805,786
	—	12,918,422
	Company As at 31 December	
	2014 HK\$	2013 HK\$
Interest rate swap — cash flow hedge	—	1,681,819

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 25 Other income and gains — net

	For the year ended 31 December	
	2014	2013
	HK\$	HK\$
Subsidy income received from local government (Note (a))	36,482,142	35,010,491
Amortisation of deferred government grants (Note 23)	3,778,232	3,281,699
Gain/(loss) on disposal of property, plant and equipment	7,103,781	(1,173,444)
Foreign exchange (loss)/gain — net (Note 30)	(16,848,150)	18,389,504
Rental income	1,219,081	2,083,497
Depreciation of investment property (Note 9)	(594,514)	(1,015,849)
Gain on re-measuring of existing interest in connection with an acquisition (Note 36)	40,864,236	—
Others	2,367,030	1,515,470
	<b>74,371,838</b>	<b>58,091,368</b>

- (a) In 2014, certain subsidiaries of the Group in the PRC received subsidy income from government authorities amounting to RMB28,908,449 (equivalent to HK\$36,482,142) (2013: RMB27,609,274 (equivalent to HK\$35,010,491)).

### 26 Expenses by nature — Group

	For the year ended 31 December	
	2014	2013
	HK\$	HK\$
Material costs	4,061,273,718	3,530,486,506
Staff costs (Note 27)	806,865,523	685,144,390
Utilities	633,216,010	544,255,207
Transportation expenses	325,279,871	271,224,897
Promotion expenses	466,404,791	375,612,850
Depreciation of property, plant and equipment (Note 7)	356,186,170	262,605,791
Operating lease rent	105,445,428	89,244,727
Advertising costs	45,775,700	39,035,271
Travel and office expenses	51,797,411	40,391,608
Real estate tax, stamp duty and other taxes	35,503,162	25,887,012
Bank charges	8,509,273	12,882,381
Reversal of impairment of receivables (Note 14)	(2,275,228)	(1,882,453)
Auditor's remuneration	7,450,393	6,266,384
Amortisation of leasehold land and land use rights (Note 6)	6,665,224	5,548,596
Amortisation of intangible assets (Note 8)	15,906,265	5,610,447
Provision for/(reversal of) write-down of inventories	28,973	(153,726)
Impairment charges of property, plant and equipment (Note 7)	5,927,718	—
Other expenses	307,321,634	251,432,977
Total cost of sales, selling and marketing costs and administrative expenses	<b>7,237,282,036</b>	<b>6,143,592,865</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 27 Employee benefit expenses — Group

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

	For the year ended 31 December	
	2014 HK\$	2013 HK\$
Defined contribution for Hong Kong employees		
— MPF	791,632	521,254
Social security and benefits for the PRC employees	101,379,284	86,818,555
	102,170,916	87,339,809
Amortisation of fair value costs of employee share options granted	—	13,857,000
Wages, salaries and bonus	664,203,147	551,428,051
Staff welfare	40,491,460	32,519,530
	806,865,523	685,144,390

#### (a) Directors' emoluments

	For the year ended 31 December	
	2014 HK\$	2013 HK\$
Directors		
— Basic salaries, housing allowances, other allowances and benefits-in-kind	12,767,903	16,227,221
— Contributions to retirement plans	108,962	85,626
— Fair value of share options granted	—	6,464,065
	12,876,865	22,776,912

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 27 Employee benefit expenses — Group (continued)

#### (a) Directors' emoluments (continued)

The emoluments received/receivable by individual directors are as follows:

##### (i) For the year ended 31 December 2014:

	Fees HK\$	Basic salaries, housing allowances, other allowances, and benefits-in-kind HK\$	Contributions to pension plans HK\$	Total HK\$
Directors				
— Mr. LI Chao Wang	—	3,008,210	16,750	3,024,960
— Ms. ZHANG Dong Fang	—	3,008,210	41,962	3,050,172
— Ms. YU Yi Fang	—	2,346,037	16,750	2,362,787
— Mr. DONG Yi Ping	—	2,346,037	16,750	2,362,787
— Ms. LI Jielin (a)	—	1,037,153	16,750	1,053,903
— Mr. KAM Ting To, Robert	334,368	—	—	334,368
— Mr. HUI Chin Tong, Godfrey	250,776	—	—	250,776
— Mr. TSUI King Fai	250,776	—	—	250,776
— Mr. Johann Christoph MICHALSKI	25,200	—	—	25,200
— Mr. Ulf Olof Lennart SODERSTROM	25,200	—	—	25,200
— Mr. CHIU Bun	—	—	—	—
— Mr. Jan Christer JOHANSSON (b)	25,200	—	—	25,200
— Mr. Jan Lennart PERSSON (c)	25,200	—	—	25,200
— Dr. CAO Zhen Lei (d)	—	—	—	—
— Mr. WONG Kwai Huen, Albert (e)	85,536	—	—	85,536
— Mr. Gert Mikael SCHMIDT (f)	—	—	—	—
	<b>1,022,256</b>	<b>11,745,647</b>	<b>108,962</b>	<b>12,876,865</b>

Notes:

- (a) Ms. LI Jielin was appointed on 1 January 2014.
- (b) Mr. Jan Christer JOHANSSON was appointed on 1 January 2014.
- (c) Mr. Jan Lennart PERSSON was appointed on 1 January 2014.
- (d) Dr. CAO Zhen Lei resigned on 20 June 2014.
- (e) Mr. WONG Kwai Huen, Albert was appointed on 1 September 2014.
- (f) Mr. Gert Mikael SCHMIDT was appointed on 1 January 2014.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 27 Employee benefit expenses — Group (continued)

(a) Directors' emoluments (continued)

(ii) For the year ended 31 December 2013:

	Fees HK\$	Basic salaries, housing allowances, other allowances, and benefits-in-kind HK\$	Contributions to pension plans HK\$	Fair value of share options granted HK\$	Total HK\$
Directors					
— Mr. LI Chao Wang	—	4,500,583	15,000	3,869,000	8,384,583
— Ms. ZHANG Dong Fang	—	4,859,410	40,626	1,437,753	6,337,789
— Ms. YU Yi Fang	—	2,902,974	15,000	210,421	3,128,395
— Mr. DONG Yi Ping	—	2,902,974	15,000	210,421	3,128,395
— Mr. KAM Ting To, Robert	311,040	—	—	122,745	433,785
— Dr. CAO Zhen Lei	233,280	—	—	122,745	356,025
— Mr. HUI Chin Tong, Godfrey	233,280	—	—	122,745	356,025
— Mr. TSUI King Fai	233,280	—	—	122,745	356,025
— Mr. Johann Christoph MICHALSKI	25,200	—	—	122,745	147,945
— Mr. Ulf Olof Lennart SODERSTROM	25,200	—	—	122,745	147,945
	1,061,280	15,165,941	85,626	6,464,065	22,776,912

For the year ended 31 December 2014 and 2013, 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) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2014 include four directors (2013: four directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one individual (2013: one individual) for the year ended 31 December 2014 is as follows:

	<b>For the year ended 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
— Basic salaries, housing allowances, other allowances and benefits-in-kind	<b>2,623,939</b>	1,896,371
— Contributions to retirement plans	<b>7,392</b>	7,018
— Fair value of employee share options granted	<b>—</b>	326,093
	<b>2,631,331</b>	2,229,482

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 2014 and 2013.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 28 Finance income and costs — Group

	For the year ended 31 December	
	2014 HK\$	2013 HK\$
Interest expense		
— bank borrowings (a)	(82,701,752)	(60,762,712)
Foreign exchange (loss)/gain — net (Note 30)	(1,022,634)	43,978,603
Interest income		
— bank deposits	3,220,911	3,792,450
Net finance costs	(80,503,475)	(12,991,659)

- (a) During the year, the Group has capitalised borrowing costs amounting to HK\$17,544,837 (2013: HK\$11,430,280) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 3.30% (2013: 1.05%).

### 29 Taxation — Group

#### (a) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year. The applicable corporate income tax rate for Mainland China subsidiaries are 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 can additionally deduct 50% of qualified research and development expenses when calculating the taxable income. Taxation on profits outside Mainland China and Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or cities in which the Group operates.

	For the year ended 31 December	
	2014 HK\$	2013 HK\$
Current income tax		
— Hong Kong and overseas profits tax	40,246,062	37,416,323
— PRC enterprise income tax	120,892,908	113,477,625
— Under/(Over) provision of income tax for prior year	1,431,993	(347,016)
Deferred income tax (Note 22)	(19,034,706)	(20,965,000)
	143,536,257	129,581,932

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 29 Taxation — Group (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	
	2014 HK\$	2013 HK\$
Profit before income tax	<b>737,003,389</b>	672,489,621
Applicable tax rates	<b>22.21%</b>	22.06%
Tax calculated at weighted average tax rate	<b>163,688,453</b>	148,351,210
Income not subject to tax	<b>(19,262,866)</b>	(13,030,476)
Expenses not deductible for tax purposes	<b>14,225,079</b>	10,271,842
Unrecognised tax losses	<b>257,375</b>	8,624
Under/(over) provision of income tax for prior year	<b>1,431,993</b>	(347,016)
Tax exemption on the profit of a subsidiary	<b>(13,520,488)</b>	(12,760,909)
Additional deduction of research and development expenses	<b>(3,283,289)</b>	(2,911,343)
Income tax expense	<b>143,536,257</b>	129,581,932

#### (b) VAT

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

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 30 Net foreign exchange (losses)/gains

	For the year ended 31 December	
	2014 HK\$	2013 HK\$
Other income and (losses)/gains — net (Note 25)	(16,848,150)	18,389,504
Finance income — exchange (loss)/gain (Note 28)	(1,022,634)	43,978,603
	(17,870,784)	62,368,107

### 31 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$157,598,925 (2013: HK\$162,436,022).

### 32 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	
	2014	2013
Profit attributable to equity holders of the Company (HK\$)	593,467,132	542,907,689
Weighted average number of ordinary shares in issue	998,379,563	999,024,220
Basic earnings per share (HK\$ per share)	0.594	0.543

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 32 Earnings per share (continued)

#### (b) Diluted

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

	<b>For the year ended 31 December</b>	
	<b>2014</b>	2013
Profit attributable to equity holders of the Company (HK\$)	<b>593,467,132</b>	542,907,689
Weighted average number of ordinary shares in issue	<b>998,379,563</b>	999,024,220
Adjustments for share options	<b>949,953</b>	3,386,050
Weighted average number of ordinary shares for diluted earnings per share	<b>999,329,516</b>	1,002,410,270
Diluted earnings per share (HK\$ per share)	<b>0.594</b>	0.542

### 33 Dividends

	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Interim dividend paid of HK\$0.040 (2013: HK\$0.048) per ordinary share	<b>39,936,107</b>	47,921,409
Proposed final dividend of HK\$0.120 (2013: HK\$0.108) per ordinary share	<b>119,808,322</b>	107,823,170
	<b>159,744,429</b>	155,744,579

On 29 January 2015, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2014 of HK\$119,808,322, 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 2013 was HK\$107,823,170 based on the 998,362,686 issued shares outstanding at that time.

The dividends actually paid in 2014 and 2013 were HK\$147,759,277 and HK\$160,885,552 respectively based on the number of issued shares outstanding at relevant time.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 34 Cash generated from operations

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

	For the year ended 31 December	
	2014 HK\$	2013 HK\$
Profit before income tax	737,003,389	672,489,621
Adjustments for:		
— Depreciation of property, plant and equipment (Note 7)	356,186,170	262,605,791
— Depreciation of investment property (Note 9)	594,514	1,015,849
— Amortisation of intangible assets (Note 8)	15,906,265	5,610,447
— Amortisation of leasehold land and land use rights (Note 6)	6,665,224	5,548,596
— Amortisation of deferred government grants (Note 23)	(3,778,232)	(3,281,699)
— (Gain)/loss on disposals of property, plant and equipment	(7,103,781)	1,173,444
— Share-based payment for value of employee service	—	13,857,000
— Reverse of impairment of receivables	(2,275,228)	(1,882,453)
— Provision for/(reversal of) inventory impairment	28,973	(153,726)
— Impairment charges of property, plant and equipment (Note 7)	5,927,718	—
— Net finance costs (Note 25, Note 28)	97,351,625	(5,397,845)
— Share of post-tax loss of an associate (Note 10)	4,805,242	26,976,817
— Gains on revaluation of existing investments (Note 36)	(40,864,236)	—
	<b>1,170,447,643</b>	978,561,842
Changes in working capital (excluding the effect of exchange differences on consolidation):		
— Increase in inventories	(302,689,032)	(196,114,233)
— Increase in trade receivables, other receivables and prepayments	(214,307,381)	(127,396,123)
— Decrease in restricted bank deposits	2,265,735	2,534,297
— (Decrease)/increase in amount due from related parties	(14,381,432)	1,342,418
— Increase in trade payables, other payables and accrued expenses	322,785,496	497,818,303
— Increase in amount due to a related party	32,859,416	3,073,275
Cash generated from operations	<b>996,980,445</b>	1,159,819,779



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 34 Cash generated from operations (continued)

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

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

	For the year ended 31 December	
	2014	2013
	HK\$	HK\$
Net book amount (Note 7)	16,960,453	3,378,565
Gain/(loss) on disposal of property, plant and equipment (Note 25)	7,103,781	(1,173,444)
Proceeds from disposal of property, plant and equipment	24,064,234	2,205,121

### 35 Commitments

#### (a) Capital commitments

	As at 31 December	
	2014	2013
	HK\$	HK\$
Property, plant and equipment and intangible assets	312,047,942	537,649,164
Investment in an associate (Note 10)	—	20,500,000
	312,047,942	558,149,164

#### (b) Commitments under operating leases

As at 31 December 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December	
	2014	2013
	HK\$	HK\$
Not later than one year	94,493,719	62,341,069
Later than one year but not later than two years	89,393,706	60,834,545
Later than two years but not later than five years	236,915,727	177,600,722
Later than five years	481,089,183	416,522,513
	901,892,335	717,298,849

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 36 Business Combination

Acquisitions during the year comprise:

- (a) On 10 July 2014, the Company acquired further 59% equity interests in Vinda Personal Care for HK\$295,000,000 (Note 10) and from the start of the following month, i.e. 1 August 2014, Vinda Personal Care was consolidated in the accounts of the Group as a wholly-owned subsidiary. Details of the above acquisition are set out in the announcement of the Company dated 7 July 2014. Upon completion of the acquisition, the Group holds 100% equity interests in Vinda Personal Care.

As a result of the acquisition, the Group is expected to increase its presence in the Mainland China personal care markets, and to reduce costs through economies of scale. The goodwill of HK\$239,669,992 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 Vinda Personal Care. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Vinda Personal Care, the fair value of assets acquired and liabilities assumed at the acquisition date:

	HK\$
<b>Consideration as at 1 August 2014</b>	
<b>Total cash consideration transferred</b>	295,000,000
Fair value of equity interest in Vinda Personal Care held before the business combination	94,500,000
<b>Total consideration</b>	<b>389,500,000</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	23,080,161
Property, plant and equipment (Note 7)	54,091,954
Trademarks (included in intangibles) (Note 8)	22,100,000
Intangible assets (Note 8)	158,934
Deferred tax assets (Note 22)	41,769,941
Inventories	16,374,422
Trade and other receivables	5,006,742
Due from related parties	6,410,637
Trade and other payables	(12,967,702)
Deferred tax liabilities (Note 22)	(6,195,081)
<b>Total identifiable net assets</b>	<b>149,830,008</b>
Goodwill (Note 8)	239,669,992
	<b>389,500,000</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 36 Business Combination (continued)

(a) (continued)

Acquisition-related costs of HK\$629,947 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2014.

The Group recognised a gain of HK\$40,864,236 as a result of measuring at fair value its 41% equity interests in Vinda Personal Care held before the business combination. The gain is included in other income in the Group's income statement for the year ended 31 December 2014.

The revenue included in the consolidated income statement since 1 August 2014 contributed by the above subsidiaries was HK\$31,982,275.

Had the above subsidiaries been consolidated from 1 January 2014, the consolidated income statement would show pro-forma revenue of HK\$7,986,347,354 as Vinda acted as Vinda Personal Care's main distributor from the beginning of the Year.

- (b) On 1 October 2014, the Group acquired 100% equity interests of certain companies and China distribution business from Svenska Cellulosa Aktiebolaget. These subsidiaries and business are mainly engaged in distribution of household paper products and personal care products to extend the market share and business diversity of the Group. The subsidiaries and business acquired are as follows:

<b>Subsidiaries and business acquired</b>	<b>Acquisition date</b>	<b>Acquired interests %</b>
SCA Tissue Hong Kong Limited	1 October 2014	100%
SCA Healthcare Management Pte. Ltd	1 October 2014	100%
SCA China distribution business	1 October 2014	

As a result of the acquisition, the Group is expected to increase its presence in the household paper products and personal care markets both in Hong Kong and Mainland China. It also expects to gain market share through the acquisition. The goodwill of HK\$567,551,401 arising from the acquisition is attributable to acquired customer base and the synergies are expected from combining the operations of the Group, together with these companies and business. None of the goodwill recognised is expected to be deductible for income tax purposes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 36 Business Combination (continued)

(b) (continued)

The following table summarises the consideration paid for the acquired subsidiaries and China distribution business, the fair value of assets acquired and liabilities assumed at the acquisition date:

	HK\$
<b>Consideration as at 1 October 2014:</b>	
<b>Total cash consideration</b>	1,175,473,086
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	97,488,494
Property, plant and equipment (Note 7)	14,895,820
Trademarks (included in intangibles) (Note 8)	15,200,000
Licences (included in intangibles) (Note 8)	368,600,000
Contractual customer relationships (included in intangibles) (Note 8)	156,200,000
Inventories	71,195,000
Trade and other receivables	44,219,856
Trade and other payables	(81,264,612)
Deferred tax liabilities (Note 22)	(78,612,873)
<b>Total identifiable net assets</b>	607,921,685
Goodwill (Note 8)	567,551,401
	1,175,473,086

Acquisition-related costs of HK\$20,831,448 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2014.

The revenue included in the consolidated income statement since 1 October 2014 contributed by the above subsidiaries and business was HK\$172,683,533.

Had the above subsidiaries and business been consolidated from 1 January 2014, the consolidated income statement would show pro-forma revenue of HK\$8,616,842,756.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 37 Related party transactions

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

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

<b>Name of related party</b>	<b>Relationship</b>
SCA BV	Shareholder
Asaleo Care Australasia Pty Ltd ("SCA HA", formerly known as SCA Hygiene Australasia Pty Limited)	An associate of Svenska Cellulosa Aktiebolaget
SCA Tissue Hong Kong Limited ("SCA HK")	Subsidiary of Svenska Cellulosa Aktiebolaget
Fu An International Company Limited ("Fu An")	Shareholder
VPC (China)	Subsidiary of Vinda Personal Care
Jiangmen Taiyuan Paper Company Limited ("Taiyuan Paper")	A subsidiary of Fu An
AB SCA Finans (Publ) ("SCA Finans")	Subsidiary of Svenska Cellulosa Aktiebolaget
Everbeauty Industry (Shanghai) Ltd. ("EB Shanghai")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA (China) Holding Co., Ltd. ("SCA (China)")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Malaysia Sdn. Bhd. ("SCA HM")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Taiwan Ltd. ("SCA TW")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products GMBH ("SCA GMBH")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Logistics AB	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products Gennep B.V. ("SCA HP B.V.")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products S.P.A. ("SCA S.P.A.")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products AB ("SCA HP")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Singapore Pte Ltd. ("SCA SG")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA North America Canada Inc. ("SCA NA")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products sp. Z o.o. ("SCA HP sp. Z o.o.")	Subsidiary of Svenska Cellulosa Aktiebolaget

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 37 Related party transactions (continued)

#### (b) Significant related party transactions — the Group

In the opinion of the Company's directors, the related party transactions were conducted in the ordinary and usual course of business. Other than the related party transactions disclosed elsewhere in the consolidated financial statements, significant related party transactions of the Group during the year ended 31 December 2014 also include:

##### (1) Sales of products to related parties:

	For the year ended 31 December	
	2014 HK\$	2013 HK\$
— SCA HA	26,979,470	13,858,556
— SCA (China)	1,557,273	1,490,451
— SCA HM	423,548	—
— SCA SG	107,862	—
— SCA GMBH	18,651	—
	<b>29,086,804</b>	15,349,007
	For the period ended 31 July 2014 HK\$	For the year ended 31 December 2013 HK\$
— VPC (China) (Note (a))	318,325	2,420,596

(a) On 10 July 2014, the Company acquired further 59% equity interests in Vinda Personal Care for HK\$295,000,000 and from the start of the following month, i.e. 1 August 2014, Vinda Personal Care was consolidated in the accounts of the Group as a wholly-owned subsidiary.

##### (2) Processing trade to a related party:

	For the	
	period ended 30 September 2014 HK\$	For the year ended 31 December 2013 HK\$
— SCA HK (Note (b))	18,910,218	6,343,002

(b) On 1 October 2014, the Group acquired 100% equity interests of certain companies and China distribution business from Svenska Cellulosa Aktiebolaget.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 37 Related party transactions (continued)

#### (b) Significant related party transactions — the Group (continued)

##### (3) Purchase of products from related parties:

	For the year ended 31 December	
	2014	2013
	HK\$	HK\$
— SCA (China)	18,371,921	—
— SCA TW	11,172,874	—
— SCA S.P.A.	2,405,623	—
— SCA HM	1,976,314	—
— EB Shanghai	1,961,304	—
— SCA HP	1,215,400	—
— SCA HP B.V.	1,193,600	—
— SCA Logistics AB	696,839	—
— SCA GMBH	170,273	—
— SCA HP sp. Z o.o	82,484	—
— SCA NA	21,707	—
	<b>39,268,339</b>	—
	<b>For the</b>	<b>For the</b>
	<b>period ended</b>	<b>year ended</b>
	<b>31 July</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
	<b>HK\$</b>	<b>HK\$</b>
— VPC (China) (Note (a))	32,619,174	24,208,606

##### (4) Rental income from a related party:

	For the	For the
	period ended	year ended
	31 July	31 December
	2014	2013
	HK\$	HK\$
— VPC (China) (Note (a))	1,219,081	2,083,497

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 37 Related party transactions (continued)

#### (b) Significant related party transactions — the Group (continued)

##### (5) Rental expense paid to a related party:

	For the year ended 31 December	
	2014 HK\$	2013 HK\$
— Taiyuan Paper (Note (c))	66,606,202	51,289,098

- (c) On 22 November 2011, 27 March 2012 and 10 April 2014, Vinda Paper (China) Company Limited (“Vinda Paper (China)”), entered into 3 lease agreements with Taiyuan Paper, whereby Taiyuan Paper had agreed to lease Vinda Paper (China) 2 pieces of land located in Xinhui District, Guangdong, the PRC, together with a factory, buildings and relevant ancillary infrastructures erected thereon for a term commencing on the date of 22 November 2011, 27 March 2012 and 10 April 2014 respectively and ending on an initial term of 15 years from 22 November 2011 with a fixed annual rent of RMB29,000,000 (approximately HK\$36,616,162), RMB16,800,000 (approximately HK\$21,212,121) and RMB16,200,000 (approximately HK\$20,454,545), respectively.

##### (6) Loans from a related party:

	For the year ended 31 December	
	2014 HK\$	2013 HK\$
— SCA Finans (Note (d))	2,030,138,167	—



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 37 Related party transactions (continued)

#### (b) Significant related party transactions — the Group (continued)

##### (7) Interest expense to a related party:

	<b>For the year ended 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
— SCA Finans (Note (d))	<b>11,095,000</b>	—

- (d) On 29 April 2014, 22 August 2014, and 19 December 2014, the Group entered into a loan agreement and two term facility agreements with SCA Finans, in relation to term loans of an aggregate amount not exceeding HK\$1,500,000,000, HK\$1,200,000,000, HK\$3,000,000,000 (or an equivalent amount) respectively.

The Group disbursed four loans under the loan agreement with SCA Finans dated 29 April 2014, with principal amounts of HK\$100,000,000, HK\$150,000,000, HK\$90,000,000 and RMB150,000,000, and maturity dates of 8 February 2015, 10 April 2015, 10 June 2015 and 11 March 2015 respectively. According to the addendum agreement signed on 19 December 2014, the Group was entitled to extend the maturity dates for an additional four years.

The Group disbursed two loans under the term facility agreements dated 22 August 2014 and 19 December 2014 with principal amounts of HK\$1,200,000,000 and HK\$300,000,000, and maturity dates of 29 September 2017 and 28 December 2018 respectively.

The loan balance as at 31 December 2014 represented long term loans with principal of RMB 150,000,000 and HK\$1,840,000,000 (approximately HK\$2,030,138,167) respectively and the weighted average interest rate is 1.93%.

##### (8) Transition expenses paid to a related party:

	<b>For the year ended 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
— SCA (China) (Note (e))	<b>965,716</b>	—

- (e) SCA (China) charged the Group certain transition expenses on cost basis after the acquisition of SCA China distribution business.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 37 Related party transactions (continued)

#### (b) Significant related party transactions — the Group (continued)

##### (9) Key management compensation:

	For the year ended 31 December	
	2014 HK\$	2013 HK\$
Directors		
— Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	12,876,865	16,312,847
— Share-based payments	—	6,464,065
Senior management		
— Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	11,528,786	7,321,945
— Share-based payments	—	1,182,088
	<b>24,405,651</b>	31,280,945

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

	Number of individuals	
	2014	2013
— HK\$1,000,000 to HK\$1,500,000	2	1
— HK\$1,500,000 to HK\$2,000,000	1	1
— Above HK\$2,000,000	2	1

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2014 and 2013.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 37 Related party transactions (continued)

(c) Year-end balances with related parties — the Group

	As at 31 December	
	2014 HK\$	2013 HK\$
(1) Receivables from related parties		
— SCA HA	2,181,957	5,134,384
— SCA (China)	497,843	215,254
— SCA HM	196,307	—
— VPC (China)	—	1,883,842
— SCA HK	—	778,438
	<b>2,876,107</b>	<b>8,011,918</b>

All the above receivables are aged within 3 months based on invoice date as at 31 December 2014 and 2013.

	As at 31 December	
	2014 HK\$	2013 HK\$
(2) Prepayments to a related party		
— Taiyuan Paper	58,877,117	32,949,237

	As at 31 December	
	2014 HK\$	2013 HK\$
(3) Trade payables to related parties		
— SCA (China)	21,359,223	—
— SCA TW	10,014,946	—
— SCA HM	2,066,204	—
— EB Shanghai	1,970,005	—
— SCA HP	1,200,854	—
— SCA HP B.V.	861,062	—
— VPC (China)	—	5,217,791
— Others	1,002,823	—
	<b>38,475,117</b>	<b>5,217,791</b>

All the above payables are aged within 3 months based on invoice date as at 31 December 2014 and 2013.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 37 Related party transactions (continued)

(c) Year-end balances with related parties — the Group (continued)

	As at 31 December	
	2014 HK\$	2013 HK\$
(4) Loans from a related party — SCA Finans	2,030,138,167	—
(5) Interest payable to a related party — SCA Finans	1,424,731	—

(d) Year-end balances with subsidiaries — the Company

	As at 31 December	
	2014 HK\$	2013 HK\$
(1) Other receivables due from subsidiaries		
— Vinda Household Paper (Hong Kong)	1,052,389,187	74,729,668
— Forton Enterprises	1,046,729,248	1,094,676,499
— Vinda Investment	72,466,723	72,590,944
— Vinda Investment Group	42,399,972	42,472,653
— Vinda Industrial HK	35,833,821	35,893,939
	2,249,818,951	1,320,363,703

Other receivables of the Company from subsidiaries are interest-free and unsecured. There is no recoverability risk of receivables due from subsidiaries.

	As at 31 December	
	2014 HK\$	2013 HK\$
(2) Other payables due to subsidiary — Vinda Household Paper (China)	211,009,280	97,985,579
(3) Loan from a related party — SCA Finans	1,200,000,000	—
(4) Interest payable to a related party — SCA Finans	98,680	—

# FIVE-YEAR FINANCIAL SUMMARY

## Consolidated Statement of Comprehensive Income

	For the year ended 31 December				
	2010 HK\$	2011 HK\$	2012 HK\$	2013 HK\$	2014 HK\$
Revenue	3,602,168,770	4,765,299,413	6,024,046,812	6,797,959,594	<b>7,985,222,304</b>
Cost of sales	(2,540,131,315)	(3,468,791,744)	(4,169,104,798)	(4,826,278,040)	<b>(5,576,508,718)</b>
<b>Gross profit</b>	1,062,037,455	1,296,507,669	1,854,942,014	1,971,681,554	<b>2,408,713,586</b>
Selling and marketing costs	(444,985,005)	(574,773,574)	(770,366,428)	(945,647,960)	<b>(1,188,369,898)</b>
Administrative expenses	(181,352,062)	(238,878,433)	(367,866,260)	(371,666,865)	<b>(472,403,420)</b>
Other income and gains — net	27,769,484	22,786,442	58,407,732	58,091,368	<b>74,371,838</b>
<b>Operating profit</b>	463,469,872	505,642,104	775,117,058	712,458,097	<b>822,312,106</b>
Finance costs , net	(3,288,678)	18,646,923	(40,712,035)	(12,991,659)	<b>(80,503,475)</b>
Share of post-tax loss of an associate	—	(2,358,175)	(15,934,119)	(26,976,817)	<b>(4,805,242)</b>
<b>Profit before income tax</b>	460,181,194	521,930,852	718,470,904	672,489,621	<b>737,003,389</b>
Income tax expense	(91,235,087)	(116,216,462)	(181,909,149)	(129,581,932)	<b>(143,536,257)</b>
<b>Profit attributable to equity holders of the Company</b>	368,946,107	405,714,390	536,561,755	542,907,689	<b>593,467,132</b>
<b>Other comprehensive income:</b>					
<i>Items that may be reclassified to profit or loss</i>					
Currency translation differences	80,850,222	137,951,695	(357,577)	136,338,309	<b>(13,756,533)</b>
Hedging reserve	—	(3,586,084)	(2,808,603)	4,588,901	<b>1,805,786</b>
Total comprehensive income attributable to equity holders of the Company	449,796,329	540,080,001	533,395,575	683,834,899	<b>581,516,385</b>

## FIVE-YEAR FINANCIAL SUMMARY

### Consolidated Balance Sheet

	As at 31 December				
	2010 HK\$	2011 HK\$	2012 HK\$	2013 HK\$	2014 HK\$
<b>ASSETS</b>					
Property, plant and equipment	2,272,640,034	3,022,040,685	3,987,486,971	5,101,881,171	5,901,730,851
Leasehold land and land use right	160,496,665	184,797,092	185,167,942	290,468,442	297,758,758
Intangible assets	11,085,320	10,445,847	12,954,724	21,235,148	1,400,041,901
Deferred income tax assets	87,688,594	115,700,768	175,685,073	204,808,552	267,405,812
Investment property	—	—	32,435,570	32,427,614	—
Investment in an associate	—	59,800,509	64,357,657	58,757,692	—
Inventories	1,321,689,469	1,372,221,620	1,446,576,241	1,642,844,200	2,029,115,081
Trade receivables, other receivables and prepayments	647,011,913	939,353,259	1,115,984,965	1,286,276,545	1,523,602,317
Prepayments to and receivables from related parties	1,100,830	43,273,883	42,303,573	40,961,155	61,753,224
Restricted bank deposits	45,689	1,292,449	6,101,567	3,567,270	1,301,535
Cash and cash equivalents	389,551,782	714,611,721	753,586,651	689,702,649	720,283,714
<b>Total Assets</b>	<b>4,891,310,296</b>	<b>6,463,537,833</b>	<b>7,822,640,934</b>	<b>9,372,930,438</b>	<b>12,202,993,193</b>
<b>EQUITY</b>					
<b>Capital and reserves attributable to the Company's equity holders</b>					
Share capital	93,673,169	93,818,369	99,938,269	99,836,269	99,840,269
Share premium	1,113,265,875	1,119,423,427	1,668,318,024	1,676,529,981	1,677,023,606
Other reserves	1,481,216,626	1,925,352,703	2,350,661,375	2,870,510,147	3,304,140,930
<b>Total equity</b>	<b>2,688,155,670</b>	<b>3,138,594,499</b>	<b>4,118,917,668</b>	<b>4,646,876,397</b>	<b>5,081,004,805</b>
<b>LIABILITIES</b>					
Long-term borrowings	530,262,883	1,151,334,272	850,317,747	1,705,003,809	878,667,606
Loans from a related party	—	—	—	—	2,030,138,167
Deferred government grants	69,980,811	74,289,746	100,597,180	102,873,484	98,726,406
Derivative financial instruments	—	17,424,745	15,070,503	12,918,422	—
Deferred income tax liabilities	1,713,636	1,662,617	4,491,714	7,222,427	94,787,849
Other current liabilities	1,601,197,296	2,080,231,954	2,733,246,122	2,898,035,899	4,019,668,360
<b>Total Liabilities</b>	<b>2,203,154,626</b>	<b>3,324,943,334</b>	<b>3,703,723,266</b>	<b>4,726,054,041</b>	<b>7,121,988,388</b>
<b>Total equity and liabilities</b>	<b>4,891,310,296</b>	<b>6,463,537,833</b>	<b>7,822,640,934</b>	<b>9,372,930,438</b>	<b>12,202,993,193</b>
<b>Net current assets</b>	<b>758,202,387</b>	<b>990,520,978</b>	<b>631,306,875</b>	<b>752,397,498</b>	<b>316,387,511</b>
<b>Total assets less current liabilities</b>	<b>3,290,113,000</b>	<b>4,383,305,879</b>	<b>5,089,394,812</b>	<b>6,461,976,117</b>	<b>8,183,324,833</b>