THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Vinda International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was affected for transmission to the purchaser or transferee.

VINDA INTERNATIONAL HOLDINGS LIMITED
維 達 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3331)

MAJOR AND CONNECTED TRANSACTIONS

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SCA HYGIENE KOREA CO. LTD., SCA HYGIENE MALAYSIA SDN BHD AND SCA TAIWAN LTD.

Financial Adviser to the Company

HSBC

The Hongkong and Shanghai Banking Corporation Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

SOMERLEY CAPITAL LIMITED

Terms defined in the section headed "Definitions" of this circular have the same meanings when used in this cover page, unless the context otherwise requires.

A letter from the Board is set out on pages 11 to 44 of this circular. A letter from the Independent Board Committee is set out on pages 45 and 46 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 47 to 81 of this circular.

A notice convening the EGM to be held at Camomile & Magnolia Room, Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Wednesday, 13 January 2016 at 10 a.m. is set out on pages 177 and 178 of this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked. This circular is published on the website of The Stock Exchange of Hong Kong Limited at http://www.hkexnews.hk and on the website of the Company at http://www.vindapaper.com.

28 December 2015

CONTENTS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

"Acquisition"	the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement
"Additional Territory"	the territories where the products concerned are being commercialised as at the date of the Licence Agreement other than the Territory
"Amendment Agreement"	the amendment agreement dated 27 December 2015 made between the Company and SCA Group Holding which supplements and amends certain terms and conditions of the Sale and Purchase Agreement
"Announcements"	the announcements of the Company dated 29 October 2015 and 27 December 2015 in relation to, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder including the Acquisition, the issue of the Consideration Shares and the Convertible Note, and the Licence Agreement and the transactions contemplated thereunder
"Board"	the board of directors of the Company
"Brunei"	the Nation of Brunei, the Abode of Peace
"Business Day"	a day (other than a Saturday, Sunday or public holiday or a day on which a tropical cyclone warning no. 8 or above or a "black rainstorm warning signal" is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open for business in Sweden, the Netherlands, Hong Kong, Malaysia, Korea and Taiwan
"Cambodia"	the Kingdom of Cambodia
"close associate(s)"	shall have the meaning given to it in the Listing Rules
"Commercial Loan from Shareholder"	the commercial loan from shareholder in the principal amount of HK$1,093,607,847 less the Estimated Net Debt to be provided by AB SCA Finans (publ) as lender to the Company as borrower upon Second Completion, the entire proceeds of which will be used to settle part of the purchase price payable by the Company under the Sale and Purchase Agreement on Second Completion

"Commercial Loan from Shareholder Agreement"	the loan agreement to be entered into between AB SCA Finans (publ) as lender, the Company as borrower and certain members of the Group as guarantors on or prior to the Second Completion Date in relation to Commercial Loan from Shareholder in the agreed form
"Commitment Fee"	40% per annum of the Margin, calculated on the initial principal amount of the Convertible Note (being HK$502,058,018) for the period from the date of the Amendment Agreement until the earlier of the termination of the Sale and Purchase Agreement and the Second Completion Date
"Company"	Vinda International Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 3331)
"Condition"	the condition being the aggregate shareholding of all members of the SCA Group in the Company drops below 50% at any time after the first 6 years from the Second Completion Date, upon the occurrence of which SCA Group Holding has the right to give a 3 years' notice to terminate certain licences granted under the Licence Agreement
"Connected Person"	shall have the meaning given to it in the Listing Rules
"Consideration Shares"	75,897,034 new Shares to be issued by the Company to SCA Group Holding upon Second Completion to settle part of the purchase price payable by the Company pursuant to the Sale and Purchase Agreement
"Controlling Shareholder(s)"	shall have the meaning given to it in the Listing Rules
"Conversion Shares"	the new Shares to be allotted and issued by the Company upon conversion of the Convertible Note
"Convertible Note"	the convertible note as constituted by a convertible note instrument to be issued by the Company and to be subscribed by SCA Group Holding upon Second Completion
"Deed of Guarantee"	the deed of guarantee to be entered into by the Obligors on the date on which the Convertible Note is constituted, in favour of the holder(s) of the Convertible Note from time to time, pursuant to which the Obligors will jointly and severally guarantee the performance by the Company of its obligations under the Convertible Note

"Director(s)"	the director(s) of the Company
"East Timor"	the Democratic Republic of Timor-Leste
"EBITDA"	Earnings before interest, taxes, depreciation and amortisation
"EGM"	the extraordinary general meeting of the Company to be held at Camomile & Magnolia Room, Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Wednesday, 13 January 2016 at 10:00 a.m. to approve, inter alia, the Sale and Purchase Agreement and the transactions contemplated thereunder including the issue and allotment of the Consideration Shares, the issue of the Convertible Note and, upon conversion of the Convertible Note, the Conversion Shares
"Encumbrance"	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation, equities, adverse claims, or other encumbrances, priority or security interest, deferred purchase, title retention, leasing, sale-and-purchase, sale-and-leaseback arrangement over or in any property, assets or rights of whatsoever nature or interest or any agreement to create any of same
"Enlarged Group"	the Group and the Target Group
"Estimated Net Debt"	the estimated Net Debt of the Target Group at the First Completion Date, to be notified by SCA Group Holding to the Company in writing on or prior to the date falling three Business Days prior to the First Completion Date
"Everbeauty Shanghai"	Everbeauty Industry (Shanghai) Limited (全日美實業(上海)有限公司), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of Sunbond Limited
"Financial Indebtedness"	any indebtedness of the Group (other than the Convertible Note) for or in respect of (among others) moneys borrowed, amount raised under any credit facility or note purchase facility, amount raised by the issue of shares redeemable at the option of the holder, liability in respect of any finance or capital lease, derivative transaction entered into in connection with protection against fluctuation in any rate or price, and liability in respect of any guarantee or indemnity for any of the foregoing
"First Completion"	completion of the sale and purchase of the entire issued share capital of SCA Malaysia pursuant to the Sale and Purchase Agreement

"First Completion Date"	the date on which First Completion takes place, which shall be the first calendar month end date falling on or after the fifth (5th) Business Day after the date on which the conditions to First Completion are satisfied or waived or such other date as SCA Group Holding and the Company may agree in writing. The estimated date of the First Completion Date is 31 January 2016
"First Intellectual Property and Technology Licence Agreement"	the intellectual property and technology licence agreement dated 17 July 2014 entered into between SCA Hygiene AB as licensor and SCA Hong Kong Tissue Limited as licensee (including any subsequent amendments thereto)
"Fu An International"	Fu An International Company Limited, a company incorporated under the laws of British Virgin Islands and a Substantial Shareholder of the Company
"Fu An Trading"	Fu An Trading (Hong Kong) Limited, a company incorporated under the laws of Hong Kong on 3 December 2010
"GAAP"	generally accepted accounting principles
"General Mandate"	the general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 26 May 2015 which entitled the Directors to allot, issue and deal with new shares in the Company representing not exceeding 20% of the issued share capital of the Company as at the date of such annual general meeting, i.e., 199,680,537 Shares, under such other terms and conditions as disclosed in the shareholders' circular of the Company dated 5 March 2015
"Group"	the Company and its subsidiaries, and each, a "Group Company"
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HIBOR"	in relation to the Convertible Note, (a) the applicable Screen Rate; or (b) if no Screen Rate is available for the Convertible Note, the Interpolated Screen Rate; or (c) if (i) no Screen Rate is available for HK$; and (ii) no Screen Rate is available for the Convertible Note and it is not possible to calculate an Interpolated Screen Rate for the Convertible Note, the Reference Bank Rate
"HIBOR (Loan)"	Hong Kong Inter-bank Offered Rate
"Hong Kong"	Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	the independent board committee of the Company comprising all the independent non-executive Directors
"Independent Financial Adviser" or "Somerley"	Somerley Capital Limited, a corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and the independent financial adviser to advise (i) the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the reasons for the duration of the Licence Agreement which exceeds three years
"Independent Shareholders"	the Shareholders except SCA Group Holding and its close associates
"Indonesia"	the Republic of Indonesia
"Insolvency Event"	in relation to any person, includes, among others, any of the following events: (a) such person is unable, admits inability or is deemed or declared under law to be unable to pay its debts as they fall due, suspends or threatens to suspend making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with its creditors with a view to rescheduling any of its indebtedness; (b) the value of the assets of such person is less than its liabilities; (c) a moratorium is declared in respect of any indebtedness of such person; and (d) corporate action or legal proceedings is taken in relation to the winding-up, dissolution, administration or reorganisation of such person
"Interpolated Screen Rate"	in relation to HIBOR for the Convertible Note, the rate (rounded to the same number of decimal places as the two relevant Screen Rates) which results from interpolating on a linear basis between (a) the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the interest period of the Convertible Note of three months; and (b) the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the interest period of the Convertible Note of three months, each as of the relevant time on the Quotation Date for HK$
"Korea"	the Republic of Korea
"KRW"	South Korean Won, the lawful currency of Korea
"Laos"	the Lao People's Democratic Republic

"Latest Practicable Date"	23 December 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Licence Agreement"	the intellectual property and technology licence agreement dated 28 October 2015 and entered into between SCA Hygiene AB and the Company, pursuant to which (among other things) SCA Hygiene AB grants, with effect from the Second Completion Date, to the Company the right to use certain brands, patents and technology specified in the agreement for the purpose of manufacturing, distributing and selling personal care and tissue products in the Territory, upon and subject to the terms and conditions set out therein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Mandatory Conversion Event"	the event upon the occurrence of which the Convertible Note will be converted into Conversion Shares as described in the paragraph headed "Convertible Note — Mandatory Conversion Event" in the section headed "Letter from the Board " of this circular
"Margin"	in relation to the Convertible Note, 1.10% per annum
"Material Adverse Effect"	a material adverse effect on (a) the business, operations, property, condition (financial or otherwise) or prospects of the Group taken as a whole; (b) the ability of the Company to perform its obligations under the Convertible Note; or (c) the validity or enforceability of the instrument constituting the Convertible Note or the rights or remedies of any holder of the Convertible Note under the Convertible Note
"Maximum Optional Principal Amount"	the maximum principal amount of the Convertible Note which can be converted into Conversion Shares upon the occurrence of an Optional Conversion Event as described in the paragraph headed "Convertible Note — Optional Conversion Event" in the section headed "Letter from the Board" of this circular
"Mr. Dong"	Mr. Dong Yi Ping, an executive Director
"Mr. Li"	Mr. Li Chao Wang, an executive Director
"Ms. Yu"	Ms. Yu Yi Fang, an executive Director
"MYR"	Malaysian Ringgit, the lawful currency of Malaysia

"Net Debt"	with respect to the Target Group, the indebtedness of the Target Group as at a given date (including without limitation obligation for payment or repayment of money incurred in respect of money borrowed, any bond, loan stock, debenture or similar instrument, any financial leases, any guarantee or similar instrument, any interest rate or currency swap agreements, any declared but unpaid dividends, and the excess of the aggregate amount of debts owed by the Target Group to SCA Group Holding, its subsidiaries and holding company over the aggregate amount of amounts owed by SCA Group Holding, its subsidiaries and holding company to the Target Group, but excluding bills payable) less the amount of cash and cash equivalents of the Target Group
"Netherlands"	the Kingdom of the Netherlands
"Note Documents"	the instrument constituting the Convertible Note, the terms and conditions of the Convertible Note and the Deed of Guarantee
"Obligors"	certain members of the Group which will, pursuant to the Deed of Guarantee, guarantee the performance by the Company of its obligations under the Convertible Note
"Optional Conversion Event"	the event upon the occurrence of which the Convertible Note will be converted into Conversion Shares as described in the paragraph headed "Convertible Note — Optional Conversion Event" in the section headed "Letter from the Board" of this circular
"Philippines"	the Republic of Philippines
"PRC"	People's Republic of China (excluding Hong Kong, Macau and Taiwan)
"Quotation Date"	in relation to any period for which an interest rate of the Convertible Note is to be determined, two (2) Business Days before the first day of such period
"Reference Bank"	Citibank, Deutsche Bank and ANZ
"Reference Bank Rate"	in relation to HIBOR for the Convertible Note the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to SCA Group Holding at its request by the Reference Banks, as the rate at which the relevant Reference Bank could borrow funds in the Hong Kong interbank market, in HK$ and for the relevant period, were it to do so by asking for and then accepting interbank offers for deposits in reasonable market size in HK$ and for that period

"Sale and Purchase Agreement"	the sale and purchase agreement dated 28 October 2015 made between SCA Group Holding as vendor and the Company as purchaser in respect of, amongst other things, the sale and purchase of the Sale Shares, as amended and supplemented by the Amendment Agreement
"Sale Shares"	collectively, the entire issued share capital of each of SCA Korea, SCA Malaysia and SCA Taiwan
"SCA"	Svenska Cellulosa Aktiebolaget SCA (publ), a company incorporated under the laws of Sweden, a Connected Person of the Company
"SCA Group"	the group of companies of which SCA is the ultimate holding company, including any body corporate controlled by SCA (but excluding the Company and its wholly-owned subsidiaries from time to time)
"SCA Group Holding"	SCA Group Holding BV, a company incorporated under the laws of the Netherlands, the Controlling Shareholder and a Connected Person of the Company
"SCA Hygiene AB"	SCA Hygiene Products AB, a company incorporated under the laws of Sweden and a wholly-owned subsidiary of SCA Group Holding and a Connected Person of the Company
"SCA Indonesia"	PT SCA Hygiene Indonesia, a company incorporated under the laws of Indonesia and an indirect wholly-owned subsidiary of SCA Group Holding immediately prior to First Completion
"SCA Korea"	SCA Hygiene Korea Co. Ltd., a company incorporated under the laws of Korea and a direct wholly-owned subsidiary of SCA Group Holding immediately prior to Second Completion
"SCA Malaysia"	SCA Hygiene Malaysia Sdn. Bhd., a company incorporated under the laws of Malaysia and a direct wholly-owned subsidiary of SCA Group Holding immediately prior to First Completion
"SCA Marketing"	SCA Hygiene Marketing (M) Sdn Bhd., a company incorporated under the laws of Malaysia and an indirect wholly-owned subsidiary of SCA Group Holding immediately prior to First Completion
"SCA Singapore"	SCA Hygiene Singapore Pte Ltd., a company incorporated under the laws of Singapore and an indirect wholly-owned subsidiary of SCA Group Holding immediately prior to First Completion

"SCA Taiwan"	SCA Taiwan Ltd., a company incorporated under the laws of Taiwan and a direct wholly-owned subsidiary of SCA Group Holding immediately prior to Second Completion
"SCA Thailand"	SCA Hygiene (Thailand) Limited, a company incorporated under the laws of Thailand and an indirect wholly-owned subsidiary of SCA Group Holding immediately prior to First Completion
"Screen Rate"	in relation to HIBOR for the Convertible Note, the percentage rate per annum for the relevant period displayed on the appropriate page of the Reuters screen. If the agreed page is replaced or service ceases to be available, SCA Group Holding may specify another page or service displaying the appropriate rate after consultation with the Company
"Second Completion"	completion of the sale and purchase of the entire issued share capital of each of SCA Korea and SCA Taiwan pursuant to the Sale and Purchase Agreement
"Second Completion Date"	the date on which Second Completion takes place, which shall be the Business Day immediately following the First Completion Date or such other date as the Company and SCA Group Holding may agree in writing
"Second Intellectual Property and Technology Licence Agreement"	the intellectual property and technology licence agreement dated 17 July 2014 which was executed between SCA Hygiene AB as licensor and 維達紙業(中國)有限公司 (in English, for identification purpose only, Vinda Paper (China) Company Limited) as licensee (including any subsequent amendments thereto)
"SFO"	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) of the Company
"Share Option Scheme"	the share option scheme adopted by the Company on 19 June 2007
"Singapore"	the Republic of Singapore
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	shall have the meaning given to it in the Listing Rules

"Sunbond Limited"	Sunbond Limited, a company incorporated under the laws of Hong Kong, which was wholly-owned by SCA Taiwan prior to the disposal by SCA Taiwan on 11 December 2015
"Taiwan"	the Republic of China (Taiwan)
"TWD" or "NTD"	New Taiwan dollars, the lawful currency of Taiwan
"Target Companies"	SCA Malaysia, SCA Korea and SCA Taiwan
"Target Group"	collectively, the Target Companies, SCA Marketing, SCA Indonesia, SCA Singapore and SCA Thailand
"Territory(ies)"	PRC, Hong Kong, Macau, Korea, Taiwan, Malaysia, Singapore, Thailand, Philippines, Indonesia, Vietnam, Cambodia, Myanmar, Laos, East Timor and Brunei
"Thailand"	the Kingdom of Thailand
"Vietnam"	the Socialist Republic of Vietnam
"Vinda Household"	Vinda Household Paper (Hong Kong) Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
"Vinda Paper Industrial"	Vinda Paper Industrial (H.K.) Co. Limited (維達紙業(香港)有限公司), a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Vinda Household
"%"	per cent.

In this circular, unless otherwise stated, certain amounts denominated in KRW, MYR and TWD have been translated into HK$ at exchange rates of KRW1 = HK$0.0068, MYR1 = HK$1.80 and TWD1 = HK$0.24 respectively for illustration purpose only. Such conversions shall not be construed as representations that amounts in KRW, MYR or TWD, as the case may be, were or could have been or could be converted into HK$ at such rate or any other exchange rate on such date or any other date.

For ease of reference, the names of the PRC established companies or entities have been included in this circular in both the Chinese and English languages. The English names of these PRC companies and entities are only English translation of their respective official Chinese names. In the event of any inconsistency, the Chinese version shall prevail.

VINDA INTERNATIONAL HOLDINGS LIMITED
維 達 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3331)

Executive Directors:
Mr. LI Chao Wang
Ms. YU Yi Fang
Mr. Johann Christoph MICHALSKI
Mr. DONG Yi Ping
Ms. LI Jielin

Non-executive Directors:
Mr. Jan Christer JOHANSSON
Mr. Carl Magnus GROTH
Mr. Ulf Olof Lennart SODERSTROM

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

Alternate Directors:
Mr. CHIU Bun (alternate to Mr. MICHALSKI and Mr. SODERSTROM)
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)

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
Tsimshatsui East
Kowloon
Hong Kong

Hong Kong, 28 December 2015

To the Shareholders

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTIONS

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SCA HYGIENE KOREA CO. LTD., SCA HYGIENE MALAYSIA SDN BHD AND SCA TAIWAN LTD.

INTRODUCTION

Reference is made to the Announcements in relation to the proposed acquisition by the Company of (1) the entire issued share capital in SCA Korea; (2) the entire issued share capital in SCA Malaysia; and (3) the entire issued share capital in SCA Taiwan. The agreed debt and cash free value (assuming that there is no Net Debt of the Target Group as at the First Completion Date) of the Sale Shares is HK$2,800,000,000. The initial purchase price for the Sale Shares is an amount equal to HK$2,800,000,000 less the Estimated Net Debt, subject to post-completion adjustments by reference to the amount of actual Net Debt and working capital of the Target Group as at the First Completion Date, and such purchase price will be settled by the Company partly by cash, partly by the Company's issuance of the Convertible Note and partly by the Company's issuance of the Consideration Shares on the Second Completion Date.

The purpose of this circular is to provide the Shareholders with (i) further details of the Sale and Purchase Agreement and the Licence Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder including the issue of the Consideration Shares and the Convertible Note; (iv) financial information of the Target Group; (v) the unaudited pro forma financial information of the Enlarged Group; and (vi) a notice convening the EGM.

REASONS FOR AND BENEFITS OF THE SALE AND PURCHASE AGREEMENT AND THE LICENCE AGREEMENT

The Acquisition will result in the transformation of the Group into a leading Pan-Asian personal hygiene company. Through the Acquisition, the Group will further expand its business into markets in Asia including Malaysia, Taiwan, Korea, Singapore, Thailand, the Philippines, Indonesia, Vietnam, Cambodia, Myanmar, East Timor and Brunei, thereby allowing it to seek opportunities in, and exposure to, the high-growth Southeast Asian markets in particular.

Personal hygiene and incontinence care demand in Southeast Asia is increasing rapidly, driven by growing level of disposable income, population growth, as well as an increase in life expectancy and an ageing population. Due to the ever increasing demands and needs of the Asian consumers, as evidenced by current and projected healthcare spending patterns, the Acquisition presents a significant opportunity for the Group to expand their business and capitalise on the long term growth trends in the Territory.

The Target Companies are among the leading players in the Asian personal care markets, notable in baby diapers, incontinence care products and feminine hygiene. Some highlighted markets and categories include:

- Baby diapers:
    - o number 1 in Malaysia[(1)]

- o number 2 in Singapore(2)
- o significant presence also in Thailand, Philippines, Taiwan, Korea and other countries

- Feminine hygiene:
  - o number 2 in Malaysia(1)
  - o presence in other markets

- Incontinence care:
  - o number 1 in Taiwan(2)
  - o number 1 in Malaysia, Singapore and Indonesia(3)
  - o market leader in Asia (excluding Japan)(3)

(1) *Source: Kantar Worldpanel, market ranking based on aggregate value for the twelve months ended October 2015.*

(2) *Source: Nielsen, SCA's calculation based in part on data reported by Nielsen MarketTrack Service for the baby diaper and incontinence categories. based on aggregate volume (for Singapore) and value (for Taiwan) for the twelve months ended October 2015 in total Singapore and Taiwan scan channels. Copyright© 2015. The Nielsen Company.*

(3) *Source: According to Target Companies' internal estimates.*

The Target Group's leadership in the Territory will be a strong complement to the Company's knowledge of the Chinese consumer market. The Acquisition would enable the Company to gain immediate access to the Target Group's extensive distribution platform in the Territories for Vinda's tissue products. At the same time, personal care products of the Target Group can be distributed via the Company's channels in the PRC, Hong Kong and Macau.

In addition, the Company will also acquire 3 production facilities (2 in Malaysia and 1 in Taiwan) as part of the Acquisition. With enlarged scale, a larger manufacturing footprint and stronger bargaining power, lower sourcing and manufacturing costs are expected. The Company will also be able to manage its production with more flexibility for maximum efficiency.

The Acquisition will add many well-known SCA brands in the personal hygiene space to the Company's portfolio. The Company will receive ongoing cost-free support from the SCA Group in areas including but not limited to technology, personnel, product development and branding:

- *Global Brands and Tissue (Tempo)*: The Company will have perpetual, exclusive and royalty-free license to use the Tempo brand; as well as perpetual (subject to Condition) and exclusive license to use the Tork, Tena, Libresse and Libero brands (the "**Global Brand**") on a royalty free basis for the first 9 years, including an extension of the existing license fee waiver in Hong Kong and the PRC and Macau (renewed to 9 years from Second Completion Date). The Company will also benefit from SCA Group's global sourcing, product development and marketing & advertising development.

- *Non-Global Brands*: The Company will own Dr. P, Control Plus, Sealer, Drypers (including Drypantz, Drynights and Drysoft), Prokids, EQ Dry and Hey Baby in the Territory. The Company will also have access to SCA Group's product knowledge and patent portfolio, as well as technology support for as long as the Global Brand licence is in force.

- *Research & Development ("**R&D**")*: SCA Group's R&D centre and development resources based in Asia will continue to support the Company. The Company also has access to SCA Group's R&D centres in Europe and USA.

- *Others*: The Company will receive IT services and support for a transitional period.

It is expected that the Acquisition will further deepen the strategic partnership, establish better collaboration and ensure efficient cooperation between the Company and the SCA Group.

SALE AND PURCHASE AGREEMENT

Date

28 October 2015 (and 27 December 2015, being the date of Amendment Agreement)

Parties

(1) the Company as purchaser; and

(2) SCA Group Holding as vendor.

Assets to be acquired

The Sale Shares, comprising the entire issued share capital of each of SCA Korea, SCA Malaysia and SCA Taiwan.

Upon completion of the Acquisition, the Target Companies will become indirect wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group. Information on the Target Group is set out in the paragraph headed "Information relating to the Target Group" below.

Purchase price

The agreed debt and cash free value (assuming that there is no Net Debt of the Target Group as at the First Completion Date) for the Sale Shares is HK$2,800,000,000. The initial purchase price for the Sale Shares is the sum of HK$2,800,000,000 less the Estimated Net Debt, payable in the following manner (or such other manner as may be agreed between SCA Group Holding and the Company) by the Company on the Second Completion Date:

(a) as to the sum of HK$1,204,334,136, by allotting and issuing to SCA Group Holding the Consideration Shares, free from any Encumbrance;

(b) as to the sum of HK$502,058,018, by issuing the Convertible Note to SCA Group Holding; and

(c) as to the sum of HK$1,093,607,847 less the Estimated Net Debt, in cash by way of directing AB SCA Finans (publ) to pay such amount out of the proceeds of the Commercial Loan from Shareholder to SCA Group Holding.

The initial purchase price for the Sale Shares is subject to the following post-completion adjustments:

(a) (i) if the actual Net Debt of the Target Group as at the First Completion Date as shown in the statement of Net Debt of the Target Group to be prepared in accordance with the terms of the Sale and Purchase Agreement is less than the Estimated Net Debt, the Company will pay SCA Group Holding the difference in cash; or (ii) if the actual Net Debt of the Target Group as at the First Completion Date as shown in the statement of Net Debt of the Target Group to be prepared in accordance with the terms of the Sale and Purchase Agreement is more than the Estimated Net Debt, SCA Group Holding will pay the Company the difference in cash; and

(b) (i) if the amount of the working capital of the Target Group as at the First Completion Date as shown in the working capital statement of the Target Group to be prepared in accordance with the terms of the Sale and Purchase Agreement is less than the agreed aggregate amount of normalised working capital of the Target Group of HK$143,709,000, SCA Group Holding will pay the Company the difference in cash; or (ii) if the amount of the working capital of the Target Group as at the First Completion Date as shown in the working capital statement of the Target Group to be prepared in accordance with the terms of the Sale and Purchase Agreement is more than the agreed aggregate amount of normalised working capital of the Target Group of HK$143,709,000, the Company will pay SCA Group Holding the difference in cash,

in each case within 5 Business Days from the date when the actual Net Debt or the working capital (as the case may be) of the Target Group as at the First Completion Date is determined or agreed among the parties after First Completion pursuant to the terms of the Sale and Purchase Agreement.

The purchase price was determined after arm's length negotiations between the Company and SCA Group Holding, after taking into account, amongst others, the financial and operating performance and future development potential of the Target Group, in particular the enterprise value to adjusted EBITDA ratio which reflects the Target Group's ability to generate cash on a recurring basis and is customary for the industry the Target Group operates in. The agreed debt and cash free value for the Sale Shares represents an enterprise value to adjusted EBITDA (for the trailing 12 months ended 30 September 2015) ratio of 11.2 times based on the combined financial information from the accountants' report of the Target Group, which the Company considers relatively attractive when compared to other companies with similar business in the region. Since the capital structure of the Target Group is not comparable with many of the other companies in the industry as it has a lower gearing than the industry average, the Company does not consider the price-to-earnings ratio as the most relevant valuation metric.

In addition to the historical financial performance, the Target Companies were also evaluated based on the future potential given the expected future growth of the personal care markets in the Asian countries where the Target Group operates and the potential synergies generated from the combination of the Group and the Target Group as discussed in the paragraph headed "Reasons for and benefits of the Sale and Purchase Agreement and the Licence Agreement" above.

The Consideration Shares will be issued to SCA Group Holding at a price of HK$15.868 per Consideration Share and the Convertible Note will be convertible into Conversion Shares at an initial conversion price of HK$15.868 per Conversion Share (subject to adjustments). The issue price of the Consideration Shares and the initial conversion price of the Convertible Note were determined after arm's length negotiations between the Company and SCA Group Holding with reference to the average closing price of the Shares as quoted on the Stock Exchange on the last five trading days immediately prior to the date of the Sale and Purchase Agreement, which (i) represents a premium of approximately 4.53% to the closing price of HK$15.18 per Share as quoted on the Stock Exchange on the Latest Practicable Date, (ii) represents a discount of approximately 1.07% to the closing price of HK$16.04 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement, (iii) is equivalent to the average closing price of HK$15.868 per Share as quoted on the Stock Exchange on the last five trading days immediately prior to the date of the Sale and Purchase Agreement, and (iv) a premium of approximately 198.8% over the unaudited consolidated net asset value attributable to the Shareholders as of 30 June 2015 of approximately HK$5.31 per Share.

The Board considers the purchase price of the Sale Shares, the issue price of the Consideration Shares and the initial conversion price of the Convertible Note to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Particulars of the Commercial Loan from Shareholder, the Consideration Shares and the Convertible Note are set out in the paragraphs headed "Commercial Loan from Shareholder", "Consideration Shares" and "Convertible Note" below respectively.

Commercial Loan from Shareholder

At or prior to Second Completion, the Company as borrower and AB SCA Finans (publ), a wholly-owned subsidiary of SCA and hence, a Connected Person of the Company, as lender will enter into the Commercial Loan from Shareholder Agreement, pursuant to which AB SCA Finans (publ) will provide a loan in the principal amount of HK$1,093,607,847 less the Estimated Net Debt to the Company upon Second Completion. At Second Completion, the Company intends to direct AB SCA Finans (publ) to pay an amount equal to the entire proceeds from the Commercial Loan from Shareholder to SCA Group Holding to settle part of the purchase price of the Sale Shares. Since the grant of the Commercial Loan from Shareholder will be conducted on normal commercial terms and will not be secured by the assets of the Group, it will constitute financial assistance from a Connected Person under Chapter 14A of the Listing Rules which is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

The Commercial Loan from Shareholder will be a three-year loan, at a fixed margin over HIBOR (Loan). The margin is to be determined after arm's length negotiation prior to Second Completion taking into consideration the then market conditions, amongst other things. The terms under the Commercial Loan from Shareholder will be substantially the same as the terms of the existing commercial loan provided by AB SCA (Finans) publ to the Company pursuant to the facility agreement entered into by the parties on 19 September 2014.

Consideration Shares

The Consideration Shares represent (i) approximately 7.60% of the issued share capital of the Company as at the Latest Practicable Date and (ii) approximately 7.06% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares but not the Conversion Shares, and (iii) approximately 6.86% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares and the Conversion Shares.

The Consideration Shares, when issued, will rank equally in all respects with the Shares in issue on the date of allotment and issuance, including the right to receive all distributions declared, paid or made by the Company after the Second Completion Date, and free and clear of any pledges, liens, encumbrances and restrictions on transfer.

The Consideration Shares will be issued under the General Mandate. Application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

Convertible Note

The principal terms of the Convertible Note are as follows:

Issuer:	The Company
Principal amount:	HK$502,058,018
Term:	From the date of issue of the Convertible Note (being the Second Completion Date) until 31 March 2017
Interest:	HIBOR plus the Margin, payable every 3 months in arrears
Conversion period:	Any time during the term of the Convertible Note
Conversion price:	HK$15.868 per Share (subject to the adjustments as described in "Adjustments to conversion price" below)
Conversion Shares:	The outstanding principal amount of the Convertible Note will be convertible into Conversion Shares at the conversion price as set out above. The Conversion Shares will rank pari passu in all respects with all existing Shares in issue as at the date of allotment and issue of the Conversion Shares.
Mandatory Conversion Event:	A Mandatory Conversion Event occurs if after trading hours of any trading day in Hong Kong during the term of the Convertible Note, the entire outstanding principal amount of the Convertible Note at that time can be converted into Conversion Shares without resulting in the percentage of issued share capital of the Company in the hands of the public shareholders being less than 25% (after taking into account the dilutive effect of the Conversion Shares).

Mandatory conversion:	Upon the occurrence of a Mandatory Conversion Event, the Company shall notify SCA Group Holding in writing within one business day from the date of occurrence of such Mandatory Conversion Event and, within 5 business days from the date of such notice, the entire outstanding principal amount of the Convertible Note held by SCA Group Holding shall be converted into Conversion Shares based on the conversion price applicable at the time, provided that if upon the actual issuance of the Conversion Shares pursuant to Mandatory Conversion Event, the percentage of issued share capital of the Company in the hands of the public shareholders will be less than 25% (after taking into account the dilutive effect of the Conversion Shares), no conversion of the Convertible Note shall take place and the Company shall notify SCA Group Holding in writing again upon the next occurrence of a Mandatory Conversion Event.
Optional Conversion Event:	An Optional Conversion Event occurs if after trading hours of any trading day in Hong Kong during the term of the Convertible Note: (a) no Mandatory Conversion Event has occurred; and (b) at least 10% of the initial principal amount of the Convertible Note can be converted into Conversion Shares without resulting in the percentage of issued share capital of the Company in the hands of the public shareholders being less than 25% (after taking into account the dilutive effect of the Conversion Shares). The maximum principal amount of the Convertible Note which can be converted into Conversion Shares without resulting in the percentage of issued share capital of the Company in the hands of the public shareholders being less than 25% (after taking into account the dilutive effect of the Conversion Shares) upon the occurrence of an Optional Conversion Event shall be referred to as the "**Maximum Optional Principal Amount**".

Optional conversion at the election of SCA Group Holding:	Upon the occurrence of an Optional Conversion Event, the Company shall notify SCA Group Holding in writing within one business day from the date of occurrence of such Optional Conversion Event. SCA Group Holding shall have the option (but not any obligation) to elect at its sole discretion, by way of notice in writing to the Company within 5 business days from the date of occurrence of such Optional Conversion Event, to convert in full or in part such outstanding principal amount of the Convertible Note held by it up to the Maximum Optional Principal Amount into Conversion Shares based on the conversion price applicable at the time.

Upon such election by SCA Group Holding, the Company shall issue the Conversion Shares to SCA Group Holding within 5 business days from the date of the notice of such election by SCA Group Holding, provided that if:

(a) upon the actual issuance of the Conversion Shares pursuant to an Optional Conversion Event, the percentage of issued share capital of the Company in the hands of the public shareholders will be less than 25% (after taking into account the dilutive effect of the Conversion Shares), no conversion of the Convertible Note shall take place and the Company shall notify SCA Group Holding in writing again upon the next occurrence of an Optional Conversion Event; or

(b) a Mandatory Conversion Event occurs at any time after the occurrence of an Optional Conversion Event but prior to the actual issuance of Conversion Shares pursuant to such Optional Conversion Event, no conversion of the Convertible Note shall take place pursuant to such Optional Conversion Event, and the provisions relating to the Mandatory Conversion Event shall apply.

For the avoidance of doubt, SCA Group Holding shall not convert the Convertible Note into Conversion Shares if no Mandatory Conversion Event or Optional Conversion Event has occurred.

Adjustments to conversion price:

The conversion price of the Convertible Note shall be adjusted upon the occurrence of the following events:

(a) Bonus issue

If the Company shall issue Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves which does not constitute any dividend or distribution, the conversion price shall be adjusted by multiplying the conversion price in effect immediately prior to the date of issue of such Shares by the following fraction:

$$\frac{A}{B}$$

where:

A = the number of Shares in issue immediately before the issue of such Shares; and

B = the number of Shares in issue immediately after the issue of such Shares.

(b) Alteration to nominal value of the Shares

If there shall be an alteration to the nominal value of the Shares as a result of consolidation or subdivision, the conversion price shall be adjusted by multiplying the conversion price in effect immediately prior to the date on which such alteration becomes effective by the following fraction:

$$\frac{A}{B}$$

where:

A = the number of Shares in issue immediately before such alteration; and

B = the number of Shares in issue immediately after such alteration.

(c) Demerger

If the Company or any of its subsidiary or (pursuant to arrangements with the Company or any of its subsidiaries) any other person or entity shall offer any securities in connection with which offer Shareholders as a class are entitled to participate in arrangements whereby such securities may be acquired by them, the conversion price shall be adjusted by multiplying the conversion price in effect immediately prior to the first date on which the Shares are traded ex-rights on the Stock Exchange by the following fraction:

$$\frac{A-B}{A}$$

where:

A = the Current Market Price (as defined in the terms and conditions of the Convertible Note) of one Share on the business day immediately preceding the date of the first public announcement of such offer; and

B = the Fair Market Value (as defined in the terms and conditions of the Convertible Note), on the date of the first public announcement of such offer, of the portion of such offer attributable to one Share (or if such date is not a business day, the immediately preceding business day).

(d) Other events; contemporaneous events

If any holder of the Convertible Note reasonably determines that (i) an adjustment should be made to the conversion price as a result of event(s) or circumstance(s) not referred to in the abovementioned price adjustment events; or (ii) more than one event which gives rise or may give rise to an adjustment to the conversion price has occurred or will occur within such a short period of time that a modification to the operation of the adjustment provisions is required in order to give the intended result; or (iii) one event which gives rise or may give rise to more than one adjustment to the conversion price has occurred or will occur such that a modification to the operation of the adjustment provisions is required in order to give the intended result, it shall notify the Company and the Company shall, at its own expense, use all reasonable endeavours to procure that such adjustment (if any) to the conversion price as is fair and reasonable to take account thereof and the date on which such adjustment should take effect shall be determined by an expert provided that the conversion price may not be increased pursuant to this price adjustment event.

Prepayment/early repayment: The Company shall not be entitled to prepay or early repay any portion of the Convertible Note during the term of the Convertible Note.

Events of default: Each of the following events is an event of default:

(a) the Company or an Obligor does not pay on the due date any amount payable in respect of the Convertible Note unless its failure to pay is caused by administrative or technical error and payment is made within three (3) business days of its due date;

(b) the Company or an Obligor does not comply with any provision of the Note Documents (other than those referred to in paragraph (a) above), unless the failure to comply is capable of remedy and is remedied within ten (10) business days of the earlier of the holder of the Convertible Note giving notice to the Company or the relevant Obligor, or the Company or the relevant Obligor becoming aware of the failure to comply;

(c) any Financial Indebtedness of the Company or any Group Company is not paid when due or within any originally applicable grace period, or, as a result of an event of default, any Financial Indebtedness of any Group Company becomes or may become due and payable prior to its specified maturity or any commitment for any Financial Indebtedness of any Group Company is cancelled, provided that the aggregate amount of the relevant Financial Indebtedness in respect of which the foregoing events have occurred exceeds HK$10,000,000;

(d) an Insolvency Event has occurred in relation to the Company or any Group Company;

(e) any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction is levied affecting any asset of a Group Company having an aggregate value of HK$10,000,000 or more and is not (i) discharged within 30 business days or (ii) contested in good faith by such Group Company and by all appropriate means;

(f) any thing at any time required to be done in order (i) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Convertible Note, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Note Documents admissible in evidence in the courts of the British Virgin Islands, the Cayman Islands and/or Hong Kong is not done;

(g) any representation or statement made or deemed to be made by the Company or an Obligor in the Note Documents or any other document delivered by or on behalf of the Company in connection with any Note Document is or proves to have been incorrect or misleading in a material respect when made or deemed to be made;

(h) any Group Company suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of its business which, when taken together, will constitute a Material Adverse Effect;

(i) an Obligor is not or ceases to be a subsidiary of the Company;

(j) the auditors of the Group qualify the audited consolidated financial statements of the Company;

(k) the Company or an Obligor rescinds or purports to rescind or repudiates or purports to repudiate or evidences an intention to rescind or repudiate a Note Document;

(l) any material adverse change occurs to the Company or an Obligor which has or, in the reasonable opinion of the holder(s) of the Convertible Note, is likely to have a Material Adverse Effect;

(m) it is or will become unlawful for the Company or an Obligor to perform or comply with any of its obligations under any of the Note Documents; or

(n) the Shares shall cease to be listed on the Stock Exchange or steps are taken by or on behalf of the Company to effect such cessation.

Redemption at maturity:	Upon maturity of the Convertible Note, if the Convertible Note has not been converted into Conversion Shares, the Company shall redeem all the outstanding principal amount of the Convertible Note at par plus accrued interest on the last day of the term of the Convertible Note.
Redemption upon event of default:	Upon the occurrence of an event of default, SCA Group Holding may, by notice to the Company, request the Company to redeem all the outstanding principal amount of the Convertible Note plus accrued interest.
Issuer shall have no right to redeem:	During the term of the Convertible Note, the Company shall not have the right to redeem any portion of the Convertible Note at its election.
Transfer/assignment:	SCA Group Holding can freely transfer/assign the Convertible Note to its affiliates without the Company's prior consent.

The performance by the Company of its obligations under the Convertible Note will be jointly and severally guaranteed by the Obligors pursuant to the terms of the Deed of Guarantee.

Assuming that the Convertible Note is fully converted into Conversion Shares at the initial conversion price of HK$15.868 per Conversion Share, a total of 31,639,653 Conversion Shares will be issued which represent (i) approximately 3.17% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 3.07% of the issued share capital of the Company as enlarged by the issue and allotment of the Conversion Shares but not the Consideration Shares, and (iii) approximately 2.86% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares and the Conversion Shares.

The Conversion Shares will be issued under the General Mandate. Application will be made to the Stock Exchange for the listing of and permission to deal in the Conversion Shares.

Commitment Fee

In consideration of SCA Group Holding agreeing to fix the Margin in respect of the Convertible Note, the Company has agreed to pay the Commitment Fee to the SCA Group Holding in cash on the earlier of the termination of the Sale and Purchase Agreement and the Second Completion Date (or such later date as the Company and SCA Group Holding may agree in writing).

Conditions precedent

First Completion is conditional upon the following conditions being fulfilled or waived in accordance with the terms of the Sale and Purchase Agreement:

(a) the approval by the Independent Shareholders of the Company at the EGM of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained;

(b) all approvals, consents, authorisations and licences (so far as are necessary) in relation to the transactions contemplated under the Sale and Purchase Agreement having been obtained from the relevant governmental authorities; and

(c) the Listing Committee of the Stock Exchange having granted listing of and permission to deal in, the Consideration Shares (subject to the allotment and issue of the Consideration Shares) and the Conversion Shares to be issued and allotted upon conversion of the Convertible Note.

Second Completion is conditional upon the following conditions being fulfilled or waived in accordance with the terms of the Sale and Purchase Agreement:

(i) First Completion having taken place in accordance with the terms of the Sale and Purchase Agreement; and

(ii) the conditions to First Completion remaining satisfied.

If the conditions to First Completion and the conditions to Second Completion set out above have not been satisfied or waived by 5:00 p.m. on 31 March 2016 (or such later date as agreed between SCA Group Holding and the Company in writing), the Sale and Purchase Agreement shall lapse and have no further effect (save to several clauses as provided under the Sale and Purchase Agreement).

As at the Latest Practicable Date, the Company had no intention to waive any of the above conditions and will not waive any of the conditions if such waiver will materially affect the interest of the Company and the Shareholders.

Completion

First Completion

The Company will procure Vinda Paper Industrial, an indirect wholly-owned subsidiary of the Company, to complete the acquisition of the entire issued share capital of SCA Malaysia pursuant to the Sale and Purchase Agreement. Such completion will take place at the Hong Kong offices of the Company at 5:00 p.m. on the First Completion Date or at such other place or time as may be agreed between SCA Group Holding and the Company.

Second Completion

The Company will procure SCA Malaysia to complete the acquisition of the entire issued share capital of each of SCA Korea and SCA Taiwan pursuant to the Sale and Purchase Agreement. Such completion will take place at the Hong Kong offices of the Company at 5:00 p.m. on the Second Completion Date or at such other place or time as may be agreed between SCA Group Holding and the Company.

Undertakings by SCA Group Holding

SCA Group Holding has undertaken to the Company as follows:

(a) as soon as practicable after the date of the Sale and Purchase Agreement, SCA Group Holding shall procure that all rights, title and goodwill to, and the use of, the trademark registrations and applications "DRYNIGHTS", "DRYPERS TOUCH" and "DRYSOFT" set out in the Sale and Purchase Agreement in Korea, Taiwan, Malaysia, Singapore, Thailand, Philippines, Indonesia, Vietnam, Cambodia, Myanmar, Laos, East Timor and Brunei be transferred and assigned to one or more companies within the Target Group at no additional consideration; and

(b) prior to First Completion, SCA Group Holding shall procure SCA Taiwan to transfer the legal and beneficial ownership of the entire issued share capital in Sunbond Limited to SCA Group Holding or any of its subsidiaries or its holding company (other than the Company or any of its subsidiaries or its holding company, or any company within the Target Group).

SHAREHOLDING STRUCTURE OF THE COMPANY IMMEDIATELY BEFORE AND AFTER SECOND COMPLETION

As at the Latest Practicable Date, the number of authorised Shares of the Company was 80,000,000,000, and except for 12,191,000 options granted under the Share Option Scheme, each of which is convertible into one new Share upon exercise, there were no outstanding convertible securities issued or options granted which carry rights to acquire Shares.

Details of the shareholding structure of the Company (i) as at the Latest Practicable Date, (ii) immediately after Second Completion and the issue and allotment of the Consideration Shares, and (iii) immediately after Second Completion and the issue and allotment of the Consideration Shares and the Conversion Shares (assuming that the Convertible Note is fully converted but pursuant to the terms of the Convertible Note, no conversion of the Convertible Note into the Conversion Shares will be permitted if the issuance of the Conversion Shares would result in the percentage of issued share capital of the Company in the hands of the public Shareholders being less than 25%), assuming that there are no other changes in the share capital of the Company, are set out below:

	As at the Latest Practicable Date		**Immediately after Second Completion and the issue and allotment of the Consideration Shares**		**Immediately after Second Completion and the issue and allotment of the Consideration Shares and the Conversion Shares**	
Shareholders	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
SCA Group Holding	513,200,425	51.37	589,097,459	54.80	620,737,112	56.09
Fu An International *(Note 1)*	216,341,581	21.65	216,341,581	20.13	216,341,581	19.55
Ms. Yu- Director	50,000	0.0050	50,000	0.0047	50,000	0.0045
Public Shareholders	269,495,680	26.97	269,495,680	25.07	269,495,680	24.35
Total *(Note 2)*	999,087,686	100.00	1,074,984,720	100.00	1,106,624,373	100.00

Notes:

(1) Fu An International 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 Mr. Li, the chairman and executive director of the Company. Under the SFO, Sentential Holdings Limited and Mr. Li are deemed to be interested in the Shares held by Fu An International.

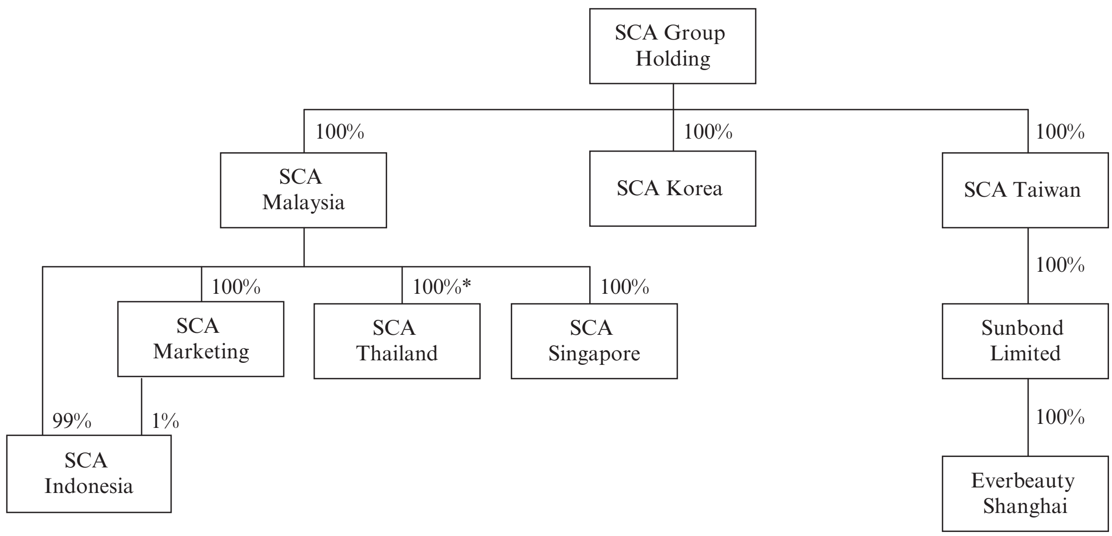
(2) The percentages may not add up to 100% due to rounding.

The Acquisition will not result in a change in control of the Company.

INFORMATION RELATING TO THE TARGET GROUP

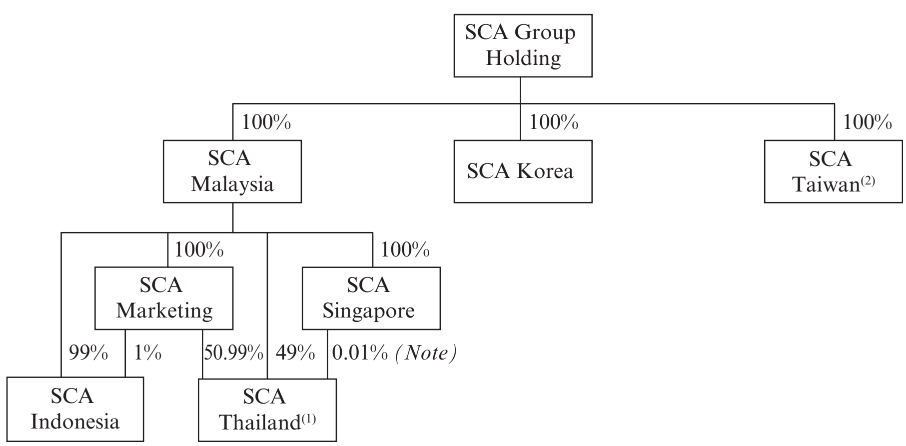
Corporate structure

The corporate structure as at the date of the Sale and Purchase Agreement was as follows:



(* denotes beneficial ownership)

The corporate structure as at the Latest Practicable Date was as follows:

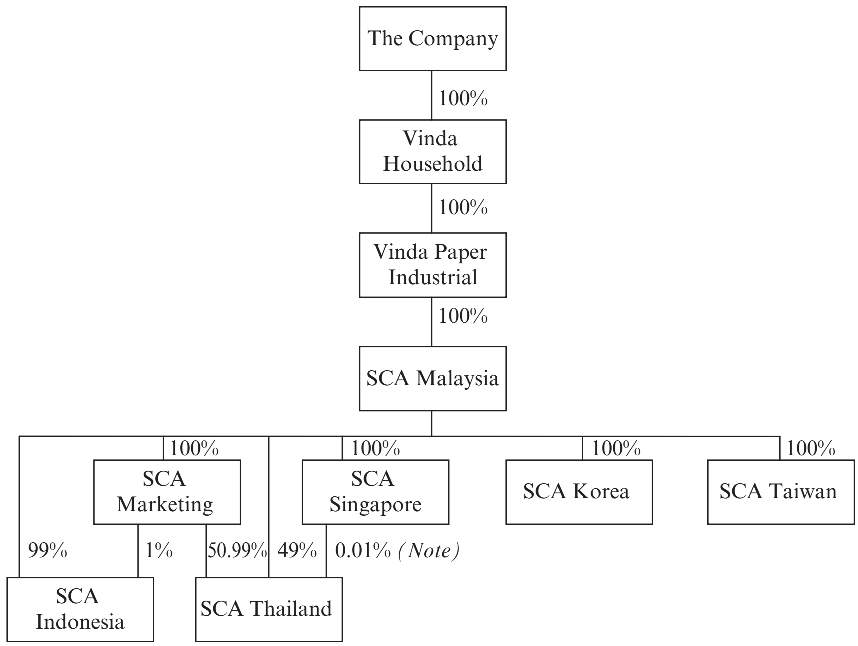


Notes:

(1) As at the date of the Sale and Purchase Agreement, the shares of SCA Thailand were beneficially owned by SCA Malaysia. Pursuant to the Sale and Purchase Agreement, SCA Thailand completed a reorganisation on 30 October 2015, as a result of which SCA Thailand was owned as to 50.99% by SCA Marketing, 49% by SCA Malaysia and 0.01% by SCA Singapore as at the Latest Practicable Date.

(2) As at the date of the Sale and Purchase Agreement, SCA Taiwan held the entire issued share capital of Sunbond Limited. Pursuant to the provisions of the Sale and Purchase Agreement, SCA Taiwan completed a disposal of Sunbond Limited on 11 December 2015, as a result of which Sunbond Limited and Everbeauty Shanghai were no longer subsidiaries of SCA Taiwan as at the Latest Practicable Date.

The corporate structure immediately after Second Completion is as follows:



Information of the Target Companies

SCA Malaysia and its subsidiaries

SCA Malaysia is a limited company incorporated by SCA Group Holding under the laws of Malaysia on 21 October 1994 and wholly-owned by SCA Group Holding and whose principal activity is the manufacture and distribution of baby diapers, incontinence products, feminine hygiene and other related products. SCA Malaysia owns (1) the entire equity interest of SCA Marketing; (2) the entire equity interest of SCA Singapore; (3) the entire equity interest of SCA Indonesia; and (4) the entire equity interest of SCA Thailand. SCA Marketing is a limited company incorporated under the laws of Malaysia and wholly-owned by SCA Malaysia and whose principal activity is the sale and distribution of baby diapers, incontinence products, feminine hygiene and other related products. SCA Indonesia is a limited company incorporated under the laws of Indonesia and owned as to 99% by SCA Malaysia and 1% by SCA Marketing and whose principal activity is the sale and distribution of baby diapers and other related products. SCA Singapore is a limited company incorporated under the laws of Singapore and wholly-owned by SCA Malaysia and whose principal activity is the sale and distribution of baby diapers, incontinence products and other personal care products. SCA Thailand is a limited company incorporated under the laws of Thailand and owned as to 50.99% by SCA Marketing, 49% by SCA Malaysia and 0.01% by SCA Singapore. To the best knowledge, information and belief of the Directors having made all reasonable enquiries and based on the results of the due diligence exercise, SCA Thailand had no business operations as at the Latest Practicable Date. The previous business operations of SCA Thailand, which include the sale and distribution of baby diapers and other related products, are currently being carried out by SCA Marketing.

SCA Korea

SCA Korea is a limited company incorporated by SCA Group Holding under the laws of Korea on 25 November 2009 and wholly-owned by SCA Group Holding and whose principal activity is the sale and distribution of baby diapers, incontinence products and other personal care products.

SCA Taiwan

SCA Taiwan is a limited company incorporated by SCA Group Holding under the laws of Taiwan on 21 September 1986 and wholly-owned by SCA Group Holding and whose principal activity is manufacturing and trading of baby diapers, incontinence products and other related products.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Set out below is the management discussion and analysis on the results of the Target Group for the three years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015 based on the accountants' report on the Target Group set out in Appendix II to this circular.

Business and financial review

The Target Companies are principally engaged in the manufacture and sale of baby diapers, incontinence products and other personal care products including feminine hygiene products under various brands including (among others) Drypers, Tena, Dr P, Libresse, Libero and Sealers. The Target Companies operate across the Territory.

Market Review

It is expected that the personal care markets (incontinence, feminine care and baby diapers) in Asian countries, including Malaysia, Taiwan, Korea, Singapore, Thailand, Japan, the Philippines and Indonesia, will experience strong growth over the next few years. The Target Companies have market leading positions in incontinence and baby diapers across the region, especially in Malaysia, Taiwan and Singapore.

According to Kantar, the Target Companies maintained a strong leadership in baby products in Malaysia since 2013 with 37.5% market share by value in the twelve months ended October 2015, widening the gap with the closest competitor with 21.0% market share. The popularity of the brand continues to grow whilst maintaining both repertoire and loyal users. Furthermore, in Malaysia, the feminine care brand Libresse was ranked second with 23.6% market share by value for the twelve months ended October 2015, up from 16.8% in the same period in 2013.

In the Singapore baby diapers market, SCA was the number 2 player based on the aggregate volume for the twelve months ended October 2015. SCA Taiwan also has a market leadership position in incontinence with Dr. P and TENA having a combined market share by value of 36.6% in October 2015.

In addition to the above, the Target Companies have presence in baby diapers markets in Thailand, Taiwan, Korea and Philippines and Indonesia as well as selected export markets, Feminine products in selected export markets and incontinence products in Malaysia, Singapore, Indonesia, Korea, Philippines and selected export markets. The company also estimates that it is the market leader in incontinence products in the Asian markets excluding Japan. SCA is also the global market leader in incontinence care with a global market share more than double that of the second largest player.

Financial Performance

For each of the three years ended 31 December 2012, 2013 and 2014, the Target Companies recorded revenues of HK$2,387.1 million, HK$2,891.6 million and HK$2,834.8 million, respectively. For the nine months ended 30 September 2015, the Target Companies recorded revenues of HK$1,896.9 million versus revenues of HK$2,087.8 million in the same period in 2014.

Adjusted EBITDA from operations of the Target Companies was HK$154.8 million, HK$241.4 million and HK$239.0 million, for each of the three years ended 31 December 2012, 2013 and 2014. The adjusted EBITDA for the nine months ended 30 September 2015 was HK$166.3 million versus adjusted EBITDA of HK$156.0 million in the same period in 2014. Historically, the Target Companies incurred headquarter costs under its current ownership. The headquarter costs are not expected to be incurred post completion of the Acquisition. As such, they have been excluded to reflect an adjusted EBITDA which shows the actual performance of the Target Companies.

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	HKD million	*HKD million*	*HKD million*	*HKD million*	*HKD million*
EBITDA	202.0	255.1	182.0	125.9	(84.6)
Headquarter cost	43.0	49.7	56.9	30.1	49.0
Adjusted EBITDA *(Note)*	154.8	241.4	239.0	156.0	166.3

Note: Adjustments include non-recurring headquarter cost previously charged by SCA to the Target Companies; one-off gain on disposal of property, plant and equipment of HK$75.3 million, one-off gain on disposal of assets classified as held for sale of HK$14.9 million in 2012; one-off gain on disposal of property, plant and equipment of HK$0.8 million, one-off gain on disposal of assets classified as held for sale of HK$62.6 million in 2013; one off loss on disposal of property, plant and equipment of HK$0.1 million in 2014; and one-off loss on disposal of property, plant and equipment of HK$0.4 million, one-off impairment of HK$201.4 million in 2015 in relation to the impairment charge of trademarks.

For each of the three years ended 31 December 2012, 2013 and 2014, the Target Companies recorded profit before tax of HK$97.8 million, HK$157.0 million and HK$82.9 million, respectively. The Target Companies recorded profit after tax of HK$113.6 million, HK$123.1 million and HK$35.5 million for each of the three years ended 31 December 2012, 2013 and 2014.

During the year ending 31 December 2012, the Target Companies acquired the entire issued share capital of Everbeauty Corporation (subsequently renamed to SCA Taiwan and also taking over the former SCA business in Taiwan) and the financial results of the Group for the year ended 31 December 2012 reflect only the financial results of SCA Taiwan for 7 months.

Revenue increased by 21.1% for the year ended 31 December 2013 as compared with the year ended 31 December 2012. The increase in revenue was mainly due to (i) full-year results reflected from SCA Taiwan in 2013; (ii) growth in Malaysia baby, incontinence and feminine business; and (iii) positive developments of the business in Singapore. In addition, adjusted EBITDA margin improved due to lower spending on advertising and promotion and a decreased level of selling and marketing costs offset by unfavourable foreign exchange rates (due to devaluation in some currencies) and a lower net sales per piece due to increased competition. As a result, from the year ended 31 December 2012 to 2013, adjusted EBITDA increased by 56.0%.

Revenue decreased by 2.0% for the year ended 31 December 2014 as compared with the year ended 31 December 2013. The slight decrease in revenue was mainly due to (i) an exit of a private label baby contract in the Philippines combined with a change in business model where the Target Companies transitioned the business from an own sales force to a distributor in Philippines, and (ii) lower sales in Taiwan and Thailand due to the competitive situation in the local market. Meanwhile, the Target Group's business in Malaysia and Singapore both outperformed the broader market growth. In addition, adjusted EBITDA margin declined due to the combination of higher raw material costs and unfavourable foreign exchange rates (a devaluation in some currencies) despite flat advertising and promotion expenses and reduced sales, general and administration expenses. As a result, from the year ended 31 December 2013 to 2014, adjusted EBITDA decreased by 1.0%.

In particular, for the year ended 31 December 2012 and 31 December 2013, the Target Companies recorded large one-off items, representing profit from the disposal of property, plant and equipment and profit from the sale of excess properties and assets in Taiwan associated with the acquisition of Everbeauty Shanghai respectively.

For the nine months ended 30 September 2015, revenues decreased by 9.1%, driven by lower sales in Taiwan from both baby and incontinence care categories due to increased competition combined with a slower than expected transition of the business model in the

Philippines and exit from non-profitable business in Thailand. As at the Latest Practicable Date, the transition of business model in the Philippines had been completed. The Target Companies recorded a 6.6% increase in adjusted EBITDA from the nine months ended 30 September 2014 to the same period in 2015. The improvement was primarily due to (i) increased prices in Taiwan, (ii) a positive effect from the strong USD from export sales priced in USD (iii) a better product mix and efficiencies in production and (iv) sourcing savings offsetting the negative effect of higher raw material costs due to weaker Asian currencies (particularly the MYR).

For the nine months ended 30 September 2015, the Target Companies recorded a loss before tax of HK$149.4 million, compared with a profit before tax of HK$53.1 million in the same period in 2014, primarily due to a HK$201.4 million impairment loss in relation to trademarks booked in the nine months ended 30 September 2015 which arose from a difference between the fair value as appraised by an independent valuer as at 30 September 2015 and the net book value as at 31 December 2014 in light of lower than originally estimated results from the Taiwan market and the expected divestment value of these assets (as foreseen during the negotiation process of the Acquisition). The Target Companies are not expected to incur significant impairment loss in the foreseeable future.

Capital structure, liquidity and financial resources

The Target Companies' daily operation and capital expenditures are mainly funded by cash generated from the operations. As at 31 December 2012, 2013 and 2014, the total assets of the Target Companies amounted to HK$2,227.5 million, HK$1,986.2 million and HK$1,865.1 million, respectively. As at 31 December 2012, 2013 and 2014, the total liabilities of the Target Companies amounted to approximately HK$937.0 million, HK$892.1 million and HK$1,010.1 million, respectively. As at 30 September 2015, the total assets and total liabilities of the Target Companies amounted to HK$1,576.4 million. HK$987.8 million respectively. As at 31 December 2012, 2013 and 2014, the net asset value of the Target Companies was HK$1,290.5 million, HK$1,094.1 million, and HK$855.1 million, respectively. As at 30 September 2015, the net asset value of the Target Companies was HK$588.6 million.

As at 31 December 2012, 2013 and 2014, the Target Companies had cash and cash equivalents of HK$318.4 million, HK$229.5 million, and HK$228.3 million, respectively, and has consistently generated healthy net cash from operations during the relevant periods. As at 30 September 2015, the Target Companies had cash and cash equivalents of HK$299.8 million.

The gearing ratio (total borrowings and loans from related party less cash and cash equivalents divided by total equity) was approximately (11.2)%, (15.4)%, 3.6% and (11.7)% as at 31 December 2012, 2013, 2014 and 30 September 2015, respectively. Negative gearing ratio denotes net cash position.

As at 31 December 2012, 2013 and 2014, the Target Companies had HK$188.9 million, HK$83.2 million and HK$98.9 million, respectively, in borrowings (excluding loans from related party). As at 30 September 2015, the Target Companies had borrowings of HK$90.6

million. The Target Companies' borrowings are priced under floating rates, for further details please refer to Appendix II — Financial Information of the Target Group in this circular.

Pledge and charges on assets

The Target Companies did not have any material pledges and/or charges over its assets as at 31 December 2012, 2013 and 2014 and 30 September 2015.

Foreign exchange exposure

The business operation of the Target Companies is primarily conducted in MYR, NTD, SGD, USD and KRW and the foreign exchange risk is managed through measures such as pricing negotiation with overseas suppliers and customers and working capital management. The main foreign exchange exposure that the Target Companies are exposed to is between the USD and MYR exchange rate as a substantial part of raw materials are bought in USD. The Target Companies attempts to mitigate this exposure by selling finished products in USD in export markets.

Significant investment held

For the years ended 31 December 2012, 2013, 2014 and for the period from 1 January 2015 to 30 September 2015, the Target Companies did not have any significant investments.

Intellectual properties rights

The Target Companies own significant intellectual properties in the form of ownership of trademarks such as Dr. P, Control Plus, Sealer, Drypers, among others. Further details of the trademark rights can be found in the section headed "Letter from the Board — B. License Agreement — Exempted Continuing Connected Transactions" in this circular.

As at 31 December 2012, 2013, 2014 and 30 September 2015, the Target Companies' intangible assets amounted to HK$267.6 million, HK$263.3 million, HK$244.2 million and HK$32.7 million, respectively. In 2015, the Target Companies had an impairment charge on trademarks of HK$201.4 million.

Material acquisition or disposal of subsidiary or associated company

On 1 June 2012, the Target Companies acquired the entire issued share capital of Everbeauty Corporation (subsequently renamed to SCA Taiwan and also taking over the former business in SCA Taiwan) which held the entire issued share capital of Sunbond Limited, which in turn held the entire issued share capital of Everbeauty Shanghai.

On 11 December 2015, SCA Taiwan transferred the entire issued share capital of Sunbond Limited to SCA Group Holding.

Future plans for material investments or capital assets

As at the Latest Practicable Date, the Target Companies did not have any plans for material investments or capital assets. The Target Companies continue to explore opportunities as they arise as part of their ordinary and usual course of businesses.

Employees and Remuneration Policies

Group	Taiwan	Korea	Malaysia	Total
As at 30 September 2015				
— Staff Headcount	271	35	1,318	1,624
As at 31 December 2014				
— Staff Headcount	296	31	1,313	1,640
As at 31 December 2013				
— Staff Headcount	316	33	1,290	1,639

The total staff costs were HK$268.1 million, HK$316.9 million, HK$290.2 million and HK$199.0 million, respectively, for the years ended 31 December 2012, 2013 and 2014 and for the period from 1 January 2015 to 30 September 2015.

The total remuneration for the employees of the Target Companies in each of the above Territory are in line with market practice. The Target Companies do not have any share option scheme in place.

Contingent liabilities

The Target Companies had no material contingent liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015.

LICENCE AGREEMENT — EXEMPTED CONTINUING CONNECTED TRANSACTIONS

On 28 October 2015, as part of the transactions contemplated under the Sale and Purchase Agreement, SCA Hygiene AB, a wholly-owned subsidiary of SCA Group Holding, and the Company entered into the Licence Agreement, pursuant to which SCA Hygiene AB will grant to the Company a licence to use in the Territory and/or the Additional Territory (i) certain brands used by SCA Hygiene AB in relation to its personal care and tissue product business; and (ii) certain patents and technology and related intellectual property relating to the manufacture of personal care and tissue products.

The Licence Agreement is conditional on Second Completion and becomes effective on the Second Completion Date. It will continue until terminated in accordance with the terms thereof.

The following table summarises the Group's entitlement to the intellectual property rights under the licence granted by SCA Hygiene AB pursuant to the Licence Agreement upon the Licence Agreement becoming effective at Second Completion:

Brand name	**Licensed Territory**	**Major products under the brand**	**Ownership of trademark**	**License to use the brand**	**License to use the relevant patents**	**License to use the relevant technology associated with the brand (Remarks)**
Tempo	Territory	Consumer tissue products (including toilet paper, facial tissue and wet wipes)	No	Perpetual and exclusive, royalty-free	non-exclusive, licence fee-free for first nine years	exclusive or non-exclusive, licence fee-free for first nine years
Tork	Territory	Away from home products (tissue, object wipes, soap and product dispensers)	No	Perpetual (subject to Condition) and exclusive, royalty-free for first nine years	non-exclusive, royalty-free for first nine years	exclusive or non-exclusive, royalty-free for first nine years
Tena	Territory	Incontinence care products	No	Perpetual (subject to Condition) and exclusive, royalty-free for first nine years	non-exclusive, royalty-free for first nine years	exclusive or non-exclusive, royalty-free for first nine years
Libresse	Territory	Feminine care products	No	Perpetual (subject to Condition) and exclusive, royalty-free for first nine years	non-exclusive, royalty-free for first nine years	exclusive or non-exclusive, royalty-free for first nine years
Libero	Territory	Baby diapers and baby care products	No	Perpetual (subject to Condition) and exclusive, royalty-free for first nine years	non-exclusive, royalty-free for first nine years	exclusive or non-exclusive, royalty-free for first nine years
Dr. P, Control Plus	Territory and Additional Territory	Baby diapers products and baby care products	Yes	Not applicable	non-exclusive, licence fee-free for first nine years	exclusive or non-exclusive, licence fee-free for first nine years
Sealer	Territory and Additional Territory	Baby diapers products and baby care products	Yes	Not applicable	non-exclusive, licence fee-free for first nine years	exclusive or non-exclusive, licence fee-free for first nine years
Drypers, Drypantz, Drynights& Drysoft	Territory and Additional Territory	Baby diapers products and baby care products	Yes	Not applicable	non-exclusive, licence fee-free for first nine years	exclusive or non-exclusive, licence fee-free for first nine years
Prokids, EQ Dry, Hey Baby	Territory and Additional Territory	Baby diapers products and baby care products	Yes	Not applicable	non-exclusive, licence fee-free for first nine years	exclusive or non-exclusive, licence fee-free for first nine years

Remarks: Under the Licence Agreement, the Company shall be granted the licence to use the technology know-how and product designs (a) on an exclusive basis to the extent SCA Hygiene AB has the right to grant the licence on an exclusive basis or (b) on an non-exclusive basis to the extent SCA Hygiene AB only has the right to grant the licence on a non-exclusive basis, in respect of TORK, TENA, Libresse, Libero, Dr. P, Sealer, Drypers, (including DRYPANTZ, DRYNIGHTS, DRYSOFT), Prokids, EQ Dry, Hey Baby, Control Plus and Tempo's branded products.

During the first nine years from the Second Completion Date, no royalties or licence fee shall be payable by the Company in respect of the brand patent and technology licence under the Licence Agreement. Thereafter, should the Company decide to continue such licence, the Company and SCA Hygiene AB shall agree on the amount of the royalties and the licence fee payable by the Company.

If the Company and SCA Hygiene AB fail to reach an agreement on the amount of licence fee in respect of the patent and technology licence for Dr. P, Sealer, Drypers, Prokids, EQ Dry, Hey Baby, Control Plus and Tempo payable by the Company, such licence shall continue to be valid and effective on a non-exclusive, licence fee-free basis for another three years after the expiry of the first nine years from the Second Completion Date. Upon the expiry of the licence, the Company can decide whether to extend such licence in respect of any products manufactured using patents or previously licensed technology, taking into consideration the then business and operational requirements, the terms of the licence and the impact on profitability, amongst other things. The Company has the option, but not the obligation, to extend such licence by paying a licence fee equal to 1% of the net sales of all products incorporating or using such patent(s) or technology(ies) and sold; otherwise, the licence will be terminated. The Company will comply with the relevant requirements of Chapter 14A of the Listing Rules, including, if applicable, the requirement to issue an announcement and/or seek the approval of the independent Shareholders, as and when appropriate in respect of any renewal or continuation of the Licence Agreement after the initial nine or twelve years (as applicable) of royalty-free and licence fee-free period.

In respect of Tena, Tork, Libero and Libresse, the patent and technology licence shall continue as long as the licence to use these 4 brands (which is a perpetual one) continues. As mentioned above, the licence to use these 4 brands is royalty-free for the first nine years from the Second Completion Date and thereafter, the amount of royalties shall be mutually agreed by the parties in good faith.

Upon Second Completion, the Licence Agreement shall supersede the existing (i) First Intellectual Property and Technology Licence Agreement and (ii) Second Intellectual Property and Technology Licence Agreement, since the Licence Agreement has been extended to also cover the territories (HK, Macau and the PRC) and brands as previously covered by the said two existing agreements.

The Company has taken into consideration the Licence Agreement as a whole, amongst other things, when determining the purchase price of the Sale Shares under the Sale and Purchase Agreement.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon completion of the Acquisition, the Target Companies will each become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

As disclosed in the audited consolidated statement of financial position of the Group as at 31 December 2014, the unaudited total assets and liabilities of the Group were approximately HK$12,203 million and HK$7,122 million respectively. As set out in Appendix III to this circular, the audited total assets and liabilities of the Target Group as at 30 September 2015 were approximately HK$1,576 million and HK$988 million respectively and the unaudited pro forma total assets and pro forma total liabilities of the Enlarged Group following the Acquisitions will be HK$16,004 million and HK$9,901 million, respectively.

The financial effects of the Acquisition on the Group are set out in Appendix III to this circular and as follows:

(a) As of 31 December 2014, the consolidated total assets of the Group were approximately HK$12,203 million. According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular, the unaudited pro forma consolidated total assets of the Enlarged Group would have increased to approximately HK$16,004 million.

(b) As of 31 December 2014, the consolidated total liabilities of the Group were approximately HK$7,122 million. According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular, the unaudited pro forma consolidated total liabilities of the Enlarged Group would have increased to approximately HK$9,901 million.

(c) As of 31 December 2014, the net assets of the Group was approximately HK$5,081 million. According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular, the unaudited pro forma net assets of the Enlarged Group would have increased to approximately HK$6,103 million.

Please refer to Appendix III to this circular for more details of the unaudited pro forma financial information of the Enlarged Group and the basis of preparation thereon.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Target Companies have an experienced senior management team who are expected to stay with the Target Companies on completion of the Acquisition. The management team of the Target Companies has previously worked closely with the Company's senior management team. As a result, the Board believes that there will be a smooth transition which will continue to drive performance and synergies within the Enlarged Group.

Given the expected growth in the Territory and further loosening of the one-child policy in China, the Company believes that the personal hygiene market will continue to demonstrate healthy growth in the foreseeable future. Furthermore, it has always been the Group's intention to diversify and expand its business into additional markets in Asia and to expand its product range and brand portfolio, with a long-term vision to become the most preferred personal hygiene products company in Asia. As the Target Companies are market leaders within certain personal hygiene markets in their respective countries, the Acquisition is expected to result in the transformation of the Company into a leading Pan-Asian personal hygiene company. The transformation would allow the Company to further solidify its presence in China with a wider product selection whilst introducing new brands and products in previously untapped countries.

As a result of the Acquisition, it is expected that the Target Companies will give the Group immediate access to a Pan-Asian distribution network with opportunities to widen the sales of the Company's tissue products and also allows the integration of SCA Group's personal care products provided by the Target Companies in Asia into the Company's existing sales channels. This is expected to improve net sales and trading term efficiency. Furthermore, the Company can leverage on SCA Group's strong distribution and logistics platform across the Territory, and improve efficiencies in overlapping regions. With enlarged scale and stronger bargaining power, lower sourcing and manufacturing costs are expected.

GENERAL

The Group is principally engaged in the manufacturing and sale of household consumable paper products and personal care products in the PRC, Hong Kong and Macau, and its principal products include toilet paper, paper handkerchiefs, facial tissue paper, paper napkins, baby diapers, incontinence products and feminine care products.

The SCA Group is a leading global hygiene and forest products group which develops and produces sustainable personal care, tissue and forest products. The SCA Group conducts sales in about 100 countries under many strong brands and its parent company, SCA, is listed on NASDAQ OMX Stockholm.

Completion of the transactions contemplated under the Sale and Purchase Agreement is conditional upon the satisfaction of the conditions set out in the section headed "Letter from the Board — Conditions precedent" in this circular, including the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM. Accordingly, the transactions contemplated under the Sale and Purchase Agreement may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

IMPLICATION UNDER THE LISTING RULES

Sale and Purchase Agreement

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Sale and Purchase Agreement is higher than 25% but below 100%, the transactions contemplated under the Sale and Purchase Agreement constitute major transactions of the Company and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

SCA Group Holding is the Controlling Shareholder of the Company and therefore a Connected Person of the Company. Hence, the transactions contemplated under the Sale and Purchase Agreement also constitute connected transactions of the Company. As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Sale and Purchase Agreement exceeds 5%, the transactions contemplated under the Sale and Purchase Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A of the Listing Rules.

Commitment Fee

As each of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the obligation on the Company to pay SCA Group Holding the Commitment Fee pursuant to the Sale and Purchase Agreement is less than 0.1%, the obligation on the Company to pay the Commitment Fee is fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Licence Agreement

SCA Hygiene AB is a wholly-owned subsidiary of SCA Group Holding, the Controlling Shareholder of the Company. Hence, SCA Hygiene AB is a Connected Person of the Company and the transactions contemplated under the Licence Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

De minimis transactions

Pursuant to the terms of the Licence Agreement, no royalties or licence fee will be payable by the Company to SCA Hygiene AB for the first nine years after the Licence Agreement have taken effect. As such, the continuing connected transactions contemplated under the Licence Agreement during such period are fully exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will comply with the relevant requirements of Chapter 14A of the Listing Rules, including, if applicable, the requirement to issue an announcement and/or seek the approval of the independent Shareholders, as and when appropriate in respect of any renewal or continuation of the Licence Agreement after the initial nine years of royalty-free and licence fee-free period.

Term of Licence Agreement exceeding three years

Further, pursuant to Rule 14A.52 of the Listing Rules, should the term of an agreement for continuing connected transaction exceeds three years, the Company must appoint an independent financial adviser to explain why the agreement requires a longer period and to confirm that it is normal business practice for such duration. The Company, accordingly, has appointed Somerley as the independent financial adviser to advise the Directors on the length of term of the Licence Agreement. Details of the advice of the independent financial adviser, together with the principal factors and reasons it has taken into consideration in giving its advice pursuant to Rule 14A.52 of the Listing Rules, are set out on pages 47 to 81 of this circular.

None of the Directors has a material interest in the transactions contemplated under the Sale and Purchase Agreement or the Licence Agreement and hence no Director is required to abstain from voting on the relevant board resolutions approving those transactions. Mr. Johann Christoph Michalski, Mr. Jan Christer Johansson, Mr. Carl Magnus Groth and Mr. Ulf Olof Lennart Soderstrom, who are former employees or current employees of SCA, elected to abstain from voting on the relevant board resolutions approving the transactions contemplated under the Sale and Purchase Agreement and the Licence Agreement.

Upon First Completion, the Group and SCA shall also enter into a service agreement in respect of the provision of services between the Group and SCA for a transitional period as well as a procurement agreement in respect of the supply of products between the parties. The Company will comply with the relevant requirements of Chapter 14A of the Listing Rules, including, if applicable, the requirement to issue an announcement and/or seek the approval of the independent Shareholders, as and when appropriate in respect of the entering into of these agreements by the Company.

EGM

The notice convening the EGM to be held at Camomile & Magnolia Room, Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Wednesday, 13 January 2016 at 10:00 a.m. is set out on pages 177 and 178 of this circular. An ordinary resolution will be proposed to the Independent Shareholders at the EGM to consider and, if thought fit, approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder. The votes on the resolution proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A form of proxy for use at the EGM is accompanied with this circular. A proxy need not be a member of the Company. Whether or not you intend to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre,183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

SCA Group Holding, the Controlling Shareholder of the Company, and its close associates will abstain from voting on the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder pursuant to Rule 14A.36 of the Listing Rules. As at the Latest Practicable Date, SCA Group Holding held 513,200,425 Shares, representing approximately 51.37% of the issued share capital of the Company.

The Independent Board Committee comprising all of the independent non-executive Directors has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Sale and Purchase Agreement. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this connection.

RECOMMENDATIONS

The Independent Board Committee, having considered the terms of the Sale and Purchase Agreement and the reasons for and benefits of the Sale and Purchase Agreement and the Licence Agreement, as well as the advice and recommendations of the Independent Financial Adviser set out in the section headed "Letter from the Independent Financial Adviser" in this circular, considers that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are normal commercial terms which are fair and reasonable so far as the Company and the Shareholders are concerned, the entering into of the Sale and Purchase Agreement by the Company is in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole. As such, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares and the Convertible Note).

On the basis of the information set out in this circular, the Directors (including members of the Independent Board Committee but excluding Mr. Johann Christoph Michalski, Mr. Jan Christer Johansson, Mr. Carl Magnus Groth and Mr. Ulf Olof Lennart Soderstrom, who are former employees or current employees of SCA elected to abstain from voting on the relevant board resolutions) consider that the terms of the Sale and Purchase Agreement are normal commercial terms which are fair and reasonable, and the transactions contemplated under the Sale and Purchase Agreement (including the issue of the Consideration Shares and the Convertible Note) are in the interests of the Company and the Shareholders as a whole. The Directors (excluding Mr. Johann Christoph Michalski, Mr. Jan Christer Johansson, Mr. Carl Magnus Groth and Mr. Ulf Olof Lennart Soderstrom, who are former employees or current employees of SCA elected to abstain from voting on the relevant board resolutions), therefore, recommend the Independent

Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 45 and 46 of this circular, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders set out on pages 47 to 81 of this circular and the information set out in the appendices to this circular.

Yours faithfully,
By order of the board
Vinda International Holdings Limited
LI Chao Wang
Chairman

VINDA INTERNATIONAL HOLDINGS LIMITED
維 達 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3331)

28 December 2015

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS

We refer to the circular dated 28 December 2015 issued by the Company (the "**Circular**") of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

We have been formed to advise the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. Somerley has been appointed by the Company as the Independent Financial Adviser to advise us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 47 to 81 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix to the Circular.

After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its views and consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are normal commercial terms which are fair and reasonable so far as the Company and the Shareholders are concerned, the entering into of the Sale and Purchase Agreement by the Company is in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders should vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares and the Convertible Note).

Yours faithfully
For and on behalf of the
Independent Board Committee

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

Independent non-executive Directors

The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

28 December 2015

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTIONS AND EXEMPTED CONTINUING CONNECTED TRANSACTIONS EXCEEDING THREE YEARS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder and the term of the exempted continuing connected transactions i.e. the transactions contemplated under the Licence Agreement exceeding three years. Details of the Sale and Purchase Agreement and the transactions contemplated thereunder and the exempted continuing connected transactions are set out in the circular of the Company dated 28 December 2015 (the "**Circular**"), of which this letter forms a part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 28 October 2015, the Company (as the purchaser) and SCA Group Holding (as the seller), the controlling shareholder of the Company, entered into the Sale and Purchase Agreement (as amended and supplemented by the Amendment Agreement) in relation to the sale and purchase of (i) the entire issued share capital in SCA Korea; (ii) the entire issued share capital in SCA Taiwan; and (iii) the entire issued share capital in SCA Malaysia, for a consideration (the "**Consideration**"), on debt and cash free basis, of HK$2,800,000,000 which will be settled partly by cash, partly by issuance of the Convertible Note and partly by issuance of the Consideration Shares upon Second Completion.

The transactions contemplated under the Sale and Purchase Agreement constitute major transactions for the Company under Rule 14.06(3) of the Listing Rules. As SCA Group Holding is a Connected Person of the Company by virtue of it being the Controlling

Shareholder of the Company, the Acquisition also constitutes connected transactions of the Company and, accordingly, are subject to the approval of the Independent Shareholders at the EGM.

As part of the transactions contemplated under the Sale and Purchase Agreement, the draft Amendment Agreement, the Licence Agreement was entered into between SCA Hygiene AB as licensor and the Company as licensee. Pursuant to the terms of the Licence Agreement, all the transactions will be conducted on a royalty-free or licence fee-free basis for the first nine years from the Second Completion Date. As such, the continuing connected transactions contemplated under the Licence Agreement are fully exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. However, pursuant to Rule 14A.52 of the Listing Rules, given the term of the Licence Agreement exceeds three years, the Company must appoint an independent financial adviser to explain why the Licence Agreement requires a longer period and to confirm that it is normal business practice for agreement of this type to be of such duration.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Kam Robert, Mr. Tsui King Fai, Mr. Wong Kwai Huen, Albert and Mr. Chia Yen On, has been formed to advise the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder and the Licence Agreement. We, Somerley Capital Limited, have been appointed as the independent financial adviser to advise (i) the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the reasons for the term of the Licence Agreement exceeds three years.

In formulating our opinion and recommendation, we have reviewed, among other things, the Sale and Purchase Agreement, the Licence Agreement, the annual reports of the Company for each of the two years ended 31 December 2013 and 31 December 2014 (the "**Annual Reports**"), the interim report (the "**Interim Report**") of the Company for the six months ended 30 June 2015 and the information as set out in the Circular. We have also discussed the businesses and future prospects of the Group with the management of the Group. We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete in all material aspects at the time they were made and will remain so up to the time of the EGM. We have also sought and received confirmation from the Directors, that all material relevant information has been supplied to us and that no material facts have been omitted or withheld from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our opinion and recommendation as set out in this letter. However, we have not conducted any independent investigation into the business and affairs of the Group or the Target Group.

As at the Latest Practicable Date, Somerley Capital Limited does not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Somerley Capital Limited. In the last two years, except for another independent financial adviser engagement (in relation to the discloseable and connected transactions of the Company, details of which have been set out in the announcement of the Company dated 2 November 2015), there is no other engagement between the Company and Somerley Capital Limited. Accordingly, we do not consider any conflict of interest arises for Somerley Capital Limited in acting as the independent financial adviser of the transactions contemplated under the Sale and Purchase Agreement and the Licence Agreement. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the Sale and Purchase Agreement and the term of the exempted continuing connected transactions, we have taken into account the following principal factors and reasons:

A. The Sale and Purchase Agreement

1. Industry overview

The growth of the economy in China has slowed down in recent years with a decreasing annual growth rate in its gross domestic products, affecting the consumer goods market in China. The tissue paper industry in China is facing downward pressure as a result of the excessive capacity added in late 2014 and the first half of 2015. Keen competition is expected and market participants are encouraged to devote more resources in product development and upgrade, and at the same time improving the product mix in order to maintain its profitability.

For personal care markets, mainly incontinence, feminine care and baby diapers, in Asian countries, including Malaysia, Taiwan, Korea, Singapore, Thailand, Japan, Philippines and Indonesia, according to an independent market research agency, there would be a growing trend for those markets from 2015 to 2019.

In view of the expected growth in the industry of these personal care products in the coming few years and higher demand for quality products, we consider the outlook remains positive in the near future.

2. Background and financial information of the Group

The Company is an investment holding company and the Group is principally engaged in sales of household paper products including toilet roll, hanky, softpack, box tissue, paper napkin and wet wipe, and other personal care products including incontinence care, feminine care and baby care products. SCA Group increased its equity stake and became the controlling shareholder of the Company in 2013. In July 2014, the Company acquired remaining 59% equity interests in Vinda Personal Care

Holdings Limited, which is principally engaged in production and distribution of disposable diapers and sanitary napkins. As a result of the acquisition, the Group has increased its presence in Mainland China personal care markets, and has reduced costs through economies of scale. In October 2014, the Company acquired certain companies with businesses in China and associated intellectual property rights of brand names and designs from SCA Group to extend business diversity of the Group and market share in Hong Kong and the PRC.

In 2014, sales of household paper products and personal care products accounted for approximately 98% and 2% of total revenue of the Group respectively. As for the six months ended 30 June 2015, sales of household paper products accounted for approximately 97% while the sales of personal care products accounted for approximately 3%. As disclosed in the Interim Report, the Group targets to enhance the awareness and reputation of personal care products, to further broaden the penetration of sales channels and to achieve better synergies from the integration with SCA's businesses.

Set out below is a summary of the consolidated financial results of the Group for the two years ended 31 December 2013 and 2014 as extracted from the Annual Reports, and for the six months ended 30 June 2014 and 2015 as extracted from the Interim Report:

	Six months ended 30 June		**Year ended 31 December**	
	2015	**2014**	**2014**	**2013**
	HK$	*HK$*	*HK$*	*HK$*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	4,743,233,642	3,679,961,616	7,985,222,304	6,797,959,594
Cost of sales	**(3,246,713,720)**	**(2,594,435,872)**	**(5,576,508,718)**	**(4,826,278,040)**
Gross profit	1,496,519,922	1,085,525,744	2,408,713,586	1,971,681,554
Sales and marketing costs	(728,337,933)	(527,190,462)	(1,188,369,898)	(945,647,960)
Administrative expenses	(285,600,462)	(207,999,030)	(472,403,420)	(371,666,865)
Other income and (losses) — net	(14,387,099)	(4,638,352)	74,371,838	58,091,368
Operating profit	**468,194,428**	**345,697,900**	**822,312,106**	**712,458,097**
Finance costs, net	**(53,505,275)**	**(59,290,971)**	**(80,503,475)**	**(12,991,659)**
Share of post-tax loss of an associate	—	(4,358,121)	(4,805,242)	(26,976,817)
Profit before income tax	**414,689,153**	**282,048,808**	**737,003,389**	**672,489,621**
Income tax expense	(83,887,932)	(59,872,905)	(143,536,257)	(129,581,932)
Profit attributable to equity holders of the Company	**330,801,221**	**222,175,903**	**593,467,132**	**542,907,689**

(a) Six months ended 30 June 2015 compared to six months ended 30 June 2014

Revenue for the six months ended 30 June 2015 increased by approximately 28.9% to approximately HK$4.7 billion, as compared to approximately HK$3.7 billion for the corresponding period in 2014. Revenue contributed from household paper products during the same period increased by approximately HK$931.0 million, mainly attributable to the effective marketing strategies adopted which enhanced its market share by leveraging its brand power. Additionally, there was an increase in revenue contributed from personal care products of approximately HK$132.3 million due to the rising demand from the PRC market with the increased market size.

Profit attributable to the equity holders of the Company for the six months ended 30 June 2015 was approximately HK$330.8 million, as compared to approximately HK$222.2 million for the corresponding period in 2014. Such increase in profit was mainly attributable to the overall increase in gross profit, partially offset by the increased in marketing expenses as more resources have been allocated for research and development purpose.

(b) 2014 compared to 2013

Revenue increased by approximately 17.5% from approximately HK$6.8 billion in 2013 to approximately HK$8.0 billion in 2014, mainly attributable to (i) the increased market share with new revenue contribution from Tempo; (ii) optimised product portfolio with significant sales growths of higher-margin products such as softpack, hanky and wet wipe; and (iii) diversification of business. Overall gross profit margin increased slightly from approximately 29.0% in 2013 to approximately 30.2% in 2014, mainly due to the slightly lower cost of wood pulp and optimisation of product mix during the year.

Profit attributable to the equity holders of the Company increased from approximately HK$542.9 million in 2013 to approximately HK$593.5 million in 2014, mainly attributable to the gain on the fair value remeasurement of the pre-existing holding related to the acquisition of Vinda Personal Care Holdings Limited of approximately HK$40.9 million and the higher gross profit during 2014, and partially offset by (i) the increased efforts to strengthen its market share, leading to higher sales and marketing costs during the year; (ii) the foreign exchange loss in 2014 due to the fluctuations in the exchange rates between Renminbi ("**RMB**") and Hong Kong dollars; and (iii) the increased financing costs to fund capital investments and acquisitions.

Set out below is the summary of the consolidated statements of financial position of the Group as at 31 December 2013 and 2014 as extracted from the Annual Reports and as at 30 June 2015 as extracted from the Interim Report:

	As at 30 June 2015 *HK$* (Unaudited)	**As at 31 December 2014** *HK$* (Audited)	**As at 31 December 2013** *HK$* (Audited)
NON-CURRENT ASSETS			
Property and equipment	6,150,283,382	5,901,730,851	5,101,881,171
Leasehold land and land use rights	320,227,436	297,758,758	290,468,442
Intangible assets	1,392,712,163	1,400,041,901	21,235,148
Deferred income tax assets	277,092,294	267,405,812	204,808,552
Investment property	—	—	32,427,614
Investment in an associate	—	—	58,757,692
Total non-current assets	8,140,315,275	7,866,937,322	5,709,578,619
CURRENT ASSETS			
Inventories	1,880,332,300	2,029,115,081	1,642,844,200
Trade receivables, other receivables and prepayments	1,471,577,451	1,523,602,317	1,286,276,545
Prepayments to and receivables from related parties	71,816,874	61,753,224	40,961,155
Restricted bank deposits	330,327	1,301,535	3,567,270
Cash and cash equivalents	513,665,562	720,283,714	689,702,649
Total current assets	3,937,722,514	4,336,055,871	3,663,351,819
CURRENT LIABILITIES			
Trade payables, other payables and accrued expenses	1,921,131,906	2,309,379,397	1,820,064,171
Borrowings	370,960,027	1,555,998,871	1,032,432,973
Derivative financial instruments	—	—	12,918,422
Due to related parties	50,518,053	39,899,848	5,217,791
Current income tax liabilities	86,326,551	114,390,244	40,320,964
Total current liabilities	2,428,936,537	4,019,668,360	2,910,954,321
Net current assets	1,508,785,977	316,387,511	752,397,498
Total assets less current liabilities	9,649,101,252	8,183,324,833	6,461,976,117
NON-CURRENT LIABILITIES			
Borrowings	1,586,299,392	878,667,606	1,705,003,809
Loan from a related party	2,570,420,999	2,030,138,167	—
Deferred government grants	97,024,257	98,726,406	102,873,484
Deferred income tax liabilities	94,108,903	94,787,849	7,222,427
Total non-current liabilities	4,347,853,551	3,102,320,028	1,815,099,720
Net assets	**5,301,247,701**	**5,081,004,805**	**4,646,876,397**

	As at 30 June 2015 HK$ (Unaudited)	As at 31 December 2014 HK$ (Audited)	As at 31 December 2013 HK$ (Audited)
Equity			
Share capital	99,889,769	99,840,269	99,836,269
Share premium	1,685,582,546	1,677,023,606	1,676,529,981
Other reserves	3,515,775,386	3,304,140,930	2,870,510,147
TOTAL EQUITY	**5,301,247,701**	**5,081,004,805**	**4,646,876,397**
Net asset value ("NAV") per Share (HK$)	5.31	5.09	4.65

As at 30 June 2015, non-current assets of the Group mainly comprised (a) property, plant and equipment of approximately HK$6.2 billion, principally land and buildings and machinery; and (b) intangible assets, representing goodwill, trademarks and licences, contractual customer relationships and computer software amounted to approximately HK$1.4 billion.

As at 30 June 2015, current assets of the Group mainly comprised (a) inventories of approximately HK$1.9 billion; (b) trade receivables, other receivables and prepayments of approximately HK$1.5 billion; and (c) cash and cash equivalents of approximately HK$513.7 million.

As at 30 June 2015, liabilities of the Group mainly represented (a) bank and other borrowings of approximately HK$4.5 billion; and (b) trade payables, other payables and accrued expenses of approximately HK$1.9 billion.

Gearing ratio, being total borrowings divided by total Shareholders' equity, was approximately 85.4% as at 30 June 2015. Bank and other borrowings of approximately HK$4.5 billion were much higher than cash and cash equivalents of approximately HK$513.7 million as at 30 June 2015, giving rise to a net debt position. The Group had negative investing and financing cash flows of approximately HK$499.6 million and HK$51.4 million respectively for the six months ended 30 June 2015.

(c) Third quarter financial highlight

Revenue for the three months ended 30 September 2015 increased by approximately 22.9% year-on-year to approximately HK$2.4 billion. Both gross profit and gross profit margin have increased, however, operating profit decreased by approximately 29.0% year-on-year to approximately HK$155 million. It is mainly attributable to the fluctuations in exchange rates of RMB against HK$ and United States dollar ("**USD**"), leading to foreign exchange losses and has a negative impact on the operating profit of the Group.

3. *Background and financial information of the Target Group*

The Target Companies, SCA Malaysia, SCA Korea and SCA Taiwan, are limited companies incorporated by SCA Group Holding and wholly-owned by SCA Group Holding. SCA Group, the controlling shareholder of the Company, is a leading global hygiene and forest products company which develops and produces sustainable personal care, tissue and forest products. SCA Group conducts sales in about 100 countries under many strong brands and its parent company is listed on NASDAQ OMX Stockholm.

As set out in the Letter from the Board of the Circular, the Target Companies are among the leading players in the Asian personal care markets, notable in baby diapers, incontinence care products and feminine hygiene. In particular, the Target Companies maintained a strong leadership in baby products in Malaysia (according to Kantar Worldpanel). SCA Taiwan also has a market leadership position incontinence with Dr. P and TENA, having a combined market share by value of 36.6% in October 2015.

(i) SCA Malaysia and its subsidiaries

SCA Malaysia is principally engaged in manufacture and distribution of baby diapers, incontinence products, feminine hygiene and other related products and, directly and indirectly owns:

(i) the entire equity interest of SCA Marketing which is principal engaged in sale and distribution of baby diapers, incontinence products, feminine hygiene and other related products;

(ii) the entire equity interest of SCA Singapore which is principally engaged in sale and distribution of baby diapers, incontinence products and other personal care products;

(iii) the entire equity interest of SCA Indonesia which is principally engaged in sale and distribution of baby diapers and other related products; and

(iv) the entire equity interest of SCA Thailand.

(ii) SCA Korea

SCA Korea is a limited company incorporated by SCA Group Holding under the laws of Korea and wholly-owned by SCA Group Holding and whose principal activity is manufacturing and sale of baby diapers, incontinence products and other personal care products.

(iii) SCA Taiwan

SCA Taiwan is a limited company incorporated by SCA Group Holding under the laws of Taiwan and wholly-owned by SCA Group Holding and whose principal activity is manufacturing and trading of diapers, feminine hygiene and other related products.

(iv) Financial information of the Target Group

The accountants' report on the Target Group is set out in Appendix II to the Circular. Set out below is a summary of the combined statements of comprehensive income of the Target Group for each of the three years ended 31 December 2012, 2013 and 2014, and for the nine months ended 30 September 2014 and 2015 respectively.

	Nine months ended 30 September		Year ended 31 December		
	2015	**2014**	**2014**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	1,896,872	2,087,825	2,834,837	2,891,568	2,387,086
Cost of sales	(1,394,142)	(1,569,312)	(2,112,943)	(2,114,670)	(1,737,328)
Gross profit	**502,730**	**518,513**	**721,894**	**776,898**	**649,758**
Selling and marketing costs	(296,640)	(354,893)	(494,037)	(518,137)	(483,449)
Administrative expenses	(136,210)	(112,197)	(150,613)	(170,037)	(147,589)
Other income and gain/ (losses) — net	(213,225)	5,502	(11,537)	71,426	86,505
Operating (loss)/profit	**(143,345)**	**56,925**	**88,781**	**160,150**	**105,225**
Interest income	863	1,628	2,020	952	492
Finance cost	(6,884)	(5,420)	(7,911)	(4,085)	(7,954)
Profit/(loss) before income tax	**(149,366)**	**53,133**	**82,890**	**157,017**	**97,763**
Income tax credit/(expense)	11,176	(44,589)	(47,373)	(33,919)	15,869
Profit for the period/year attributable to owners of the Target Group	**(138,190)**	**8,544**	**35,517**	**123,098**	**113,632**

For each of the three years ended 31 December 2012, 2013 and 2014, the Target Group recorded revenues of approximately HK$2,387.1 million, HK$2,891.6 million and HK$2,834.8 million, respectively. For the nine months ended 30 September 2015, the Target Group recorded revenues of approximately HK$1,896.9 million.

The EBITDA and adjusted EBITDA for (i) each of the three years ended 31 December 2012, 2013 and 2014; and (ii) the nine months ended 30 September 2014 and 2015 are summarised as follow:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
EBITDA	202.0	255.1	182.0	125.9	(84.6)
Headquarter cost	43.0	49.7	56.9	30.1	49.0
Adjusted EBITDA *(Note)*	154.8	241.4	239.0	156.0	166.3

Note: The EBITDA of the Target Group is adjusted for, among others, headquarter costs which is the management fee charged by SCA Group in relation to the management services and other support services. As advised by the management of the Company, these overheard costs would no longer be borne by the Target Group upon completion of the Acquisition. For details of our analysis, please refer to the sub-section headed "5. Principal terms of the Sale and Purchase Agreement — (ii) Consideration".

For the nine months ended 30 September 2015, revenue decreased by approximately 9.1% as compared to the same period in 2014 and was driven by lower sales in Taiwan from both baby and incontinence categories due to increased competition combined with a slower than expected change in the business model in Philippines and exit from non-profitable business in Thailand. However the results represented an improvement in adjusted EBITDA for the nine months ended 30 September 2015 when compared with the same period for 2014. The improvement was primarily due to (i) increased prices in Taiwan; (ii) a positive effect from strong USD from export sales priced in USD; (iii) a better product mix and efficiencies in production; and (iv) sourcing savings offsetting the negative effect of higher raw material costs due to weaker Asian currencies.

For the nine months ended 30 September 2015, the Target Group recorded loss after tax of approximately HK$138.2 million, compared with profit after tax of approximately HK$8.5 million in the same period for 2014, primarily due to an impairment loss of approximately HK$201.4 million in relation to trademarks booked which arose from a difference between the fair value as appraised by an independent valuer as at September 2015 and the net book value of the trademarks as at 31 December 2014. The significant impairment loss of the trademarks incurred for the nine months ended 30 September 2015 is attributable to, among other things, an updated view from the current owner of the Target Group, taking into consideration the lower than originally estimated results from the Taiwan market and the expected divestment value of these assets (as foreseen during the negotiation process of the Acquisition). According to the accountants' report on the Target Group (as set out in Appendix II to the Circular), the remaining net book value of the trademarks is approximately HK$23.6 million, further significant impairment loss on such trademarks is not expected to be incurred in the future.

Revenue decreased by approximately 2.0% for the year ended 31 December 2014 as compared with the year ended 31 December 2013. The decrease in revenue was mainly due to (i) change in business model in Philippines; and (ii) competitive situations in Taiwan and Thailand. Meanwhile, the Target Group's business in Malaysia and Singapore both outperformed the market growth. In addition, adjusted EBITDA declined due to the combination of higher raw material costs and unfavourable foreign exchange rates despite stable advertising and promotion expenses and reduced sales, general and administration expenses. As a result, adjusted EBITDA decreased by approximately 1.0% for the year ended 31 December 2014 when compared with 2013.

Revenue increased by approximately 21.1% for the year ended 31 December 2013 as compared with the year ended 31 December 2012. The increase in revenue was mainly due to (i) full-year results reflected from SCA Taiwan in 2013; (ii) growth in Malaysia baby, incontinence and feminine business; and (iii) positive developments of the business in Singapore. In addition, adjusted EBITDA improved due to lower spending on advertising and promotion and a decreased level of selling and marketing costs offset by unfavourable foreign exchange rates and a lower net sales per piece due to increased competition. As a result, adjusted EBITDA increased by approximately 55.9% for the year ended 31 December 2013 when compared with 2012.

The Target Group recorded profit after tax of approximately HK$113.6 million, HK$123.1 million and HK$35.5 million for each of the three years ended 31 December 2012, 2013 and 2014, respectively. The significant decrease of the profit after tax for the year ended 31 December 2014 was mainly due to profits recorded as a result of the disposal of property, plant and equipment and the sale of properties and assets in Taiwan associated with the acquisition of Everbeauty Shanghai for the year ended 31 December 2012 and 2013 respectively.

The accountants' report on the Target Group is set out in Appendix II to the Circular. Set out below is a summary of the combined statements of financial position of the Target Group as at 31 December 2013, 2014, 2015 and 30 September 2015.

	As at 30 September 2015	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property and equipment	543,379	620,829	686,650	751,959
Intangible assets	32,730	244,193	263,304	267,553
Deferred income tax assets	10,685	26,005	49,268	54,590
Available for sale financial assets	1,432	1,489	1,995	3,283
Total non-current assets	588,226	892,516	1,001,217	1,077,385
CURRENT ASSETS				
Inventories	257,012	280,821	291,051	312,685
Trade receivables, other receivables and prepayments	390,643	394,290	410,641	434,526
Due from related parties	40,766	69,195	53,785	48,407
Cash and cash equivalents	299,751	228,317	229,483	318,387
Total current assets	988,172	972,623	984,960	1,114,005
Assets classified as held for sale	—	—	—	36,103
CURRENT LIABILITIES				
Trade payables, other payables and accrued expenses	543,123	538,934	558,769	508,257
Borrowings	90,553	98,933	83,218	188,864
Due to related parties	74,541	46,476	58,911	40,464
Loans from a related party	147,717	160,892	—	—
Dividend payable	23,500	—	—	—
Current income tax liabilities	7,590	1,802	13,251	19,910
Total current liabilities	887,024	847,037	714,149	757,495
Net current assets	101,148	125,586	270,811	356,510
Total assets less current liabilities	231,697	206,502	56,434	13,377
NON-CURRENT LIABILITIES				
Post-employment benefit obligations	45,023	56,063	63,364	67,054
Deferred income tax liabilities	55,773	106,969	114,566	112,479
Total non-current liabilities	100,796	163,032	177,930	179,533
EQUITY				
Combined capital	60,220	60,220	60,220	60,220
Reserves	528,358	794,850	1,033,878	1,230,245
TOTAL EQUITY	**588,578**	**855,070**	**1,094,098**	**1,290,465**

As shown in the table above, the non-current assets of the Target Group mainly consist of property, plant and equipment and intangible assets. The current assets of the Target Group mainly consist of inventories, trade receivables, other receivables and prepayments and cash and cash equivalents.

As at 31 December 2012, 2013 and 2014, the total assets of the Target Group amounted to approximately HK$2,227.5 million, HK$1,986.2 million and HK$1,865.1 million respectively. As at 31 December 2012, 2013 and 2014, the total liabilities of the Target Group amounted to approximately HK$937.0 million, HK$892.0 million and HK$1,010.1 million, respectively. As at 30 September 2015, the total assets and total liabilities of the Target Group amounted to approximately HK$1,576.4 million and HK$987.8 million respectively. As at 31 December 2012, 2013 and 2014, the net asset value of the Target Group was approximately HK$1,290.5 million, HK$1,094.1 million, and HK$855.1 million, respectively. As at 30 September 2015, the net asset value of the Target Group was approximately HK$588.6 million.

As at 31 December 2012, 2013 and 2014, the Target Group had cash and cash equivalents of approximately HK$318.4 million, HK$229.5 million, and HK$228.3 million, respectively, and has consistently generated healthy net cash from operations during the relevant periods. As at 30 September 2015, the Target Group had cash and cash equivalents of approximately HK$299.8 million.

As at 31 December 2012, 2013 and 2014, the Target Group had approximately HK$188.9 million, HK$83.2 million and HK$98.9 million, respectively, in borrowings (excluding loans from related party). As at 30 September 2015, the Target Group had borrowings (excluding loans from related party) of approximately HK$90.6 million with floating interest rates.

4. *Reasons for and benefits of the Sale and Purchase Agreement*

SCA Group Holding became the controlling shareholder of the Company in 2013. In October 2014, the Group acquired the Hong Kong, Macau and PRC operations of SCA Group. Apart from expansion of the Group's business and strengthening of the Group's position in the consumable paper product markets in Asia, the Group also expanded into personal care product categories, such as baby care, incontinence care and feminine care, and managed to leverage on the strong brand equity of SCA's global brands. The strategic relationship with SCA has been strengthened through the acquisitions. Financial performance for the six months ended 30 June 2015 of the Group improved as compared to the corresponding period last year, demonstrating the benefits from the acquisitions.

The acquisition of the Target Group from SCA Group is expected to result in the transformation of the Company into a leading Pan-Asian personal hygiene company. As disclosed in the Interim Report, the Group had plans to expand its overseas business. The acquisition of the Target Group are an effective way for the Group to tap into the Southeast Asian market and become one of the regional participants of the industry. It has always been the Group's intention to diversify and expand its business into the markets in Asia and to expand its products range and brands offered, with a long-term vision to become the most preferred personal hygiene products manufacturer in Asia. The transactions contemplated under the Sale and Purchase Agreement are in line with the Group's business strategies.

Through completing the transactions contemplated under the Sale and Purchase Agreement, the Group will further expand its business into the markets in Asia including Korea, Taiwan, Malaysia, Singapore, Thailand, Philippines, Indonesia, Vietnam, Cambodia, Myanmar, East Timor and Brunei and further strengthen its strategic relationship with SCA Group. As part of the transactions, the Group will receive ongoing cost-free support from SCA Group in the areas of technology, personnel, product development and branding. The complementary operations and geographies of the Company and SCA Group in Asia create multiple areas of potential synergy for such acquisition.

In terms of revenue synergies, it grants immediate access to a Pan-Asian distribution network for the Company's tissue products and also integrates SCA Group's personal care products provided by the Target Group in Asia into the Company's channels in the PRC, Hong Kong and Macau, enabling a comprehensive hygiene and personal care offering for customers. This is expected to improve net sales and trading term efficiency.

In terms of cost synergies, savings on costs are expected through the transfer of local expertise, the sharing of best practice, integration of operating principles and overall financial management, as well as optimisation of infrastructure of central support services, such as sales and marketing. The Company can leverage on SCA Group's strong distribution and logistics platform across the Territory, and improve efficiencies in overlapping regions. With enlarged scale and stronger bargaining power, lower sourcing and manufacturing costs are expected.

Upon Second Completion, the Group will be able to enjoy ongoing cost-free support from SCA Group in areas including but not limited to technology, personnel, product development and branding:

- Global brands and tissue (Tempo): The Company will have perpetual, exclusive and royalty-free licence to use the Tempo brand; as well as perpetual (subject to Condition) and exclusive licence to use the Tork, Tena, Libresse and Libero brands on a royalty free basis for the first nine years, including an extension of the existing licence fee waiver in Hong Kong, the PRC and Macau (renewed to nine years from the Second Completion Date).

- Non-global brands: The Company will own Dr. P, Control Plus, Sealer, Drypers (including Drypantz, Drynights and Drysoft), Prokids, EQ Dry and Hey Baby in the Territory. The Company will also have access to SCA Group's product knowledge and patent portfolio, as well as technology support for as long as the Global Brand licence is in force.

- Research & development ("**R&D**"): SCA Group's R&D centre and development resources based in Asia will continue to support the Company. The Company also has access to SCA Group's R&D centres in Europe and USA.

- Others: The Company will receive information technology services and support for a transitional period.

In conclusion, the Sale and Purchase Agreement and the Licence Agreement will enhance the Group's distribution network in Asia, diversify its business and create synergies in multiple areas for the Group. The Group will be well-positioned on both cost and quality competitiveness when expanding in Southeast Asia, Taiwan and Korea. We concur with the Company's view that the transactions contemplated under the Sale and Purchase Agreement are in the interests of the Company and the Shareholders as a whole.

5. *Principal terms of the Sale and Purchase Agreement*

(i) Conditions precedent of the Sale and Purchase Agreement

Completion of the transactions contemplated under the Sale and Purchase Agreement is conditional upon certain conditions being fulfilled pursuant to the terms of the Sale and Purchase Agreement. Details of the conditions precedent to the completion of the transactions contemplated under the Sale and Purchase Agreement are set out in the paragraph headed "Conditions precedent" in the Letter from the Board of the Circular.

First Completion is scheduled to take place on the first calendar month end date falling on or after the fifth Business Day after the date on which the conditions of the Sale and Purchase Agreement are satisfied or waived. Second Completion is scheduled to take place on the date following the First Completion Date.

(ii) Consideration

The Consideration for the sale and purchase of the entire issued share capital of the Target Group is HK$2,800,000,000 less the Estimated Net Debt, which is constituted by:

a) as to the sum of HK$1,204,334,136, which will be satisfied by the issue of the Consideration Shares at a price of HK$15.868 per Consideration Share;

b) as to the sum of HK$502,058,018, which will be satisfied by the issue of the Convertible Note at an initial conversion price of HK$15.868; and

c) as to the sum of HK$1,093,607,847 less the Estimated Net Debt, in cash by way of directing AB SCA Finans (publ) to pay such amount out of the proceeds of the Commercial Loan from Shareholder to SCA Group Holding.

As set out in the Letter from the Board of the Circular, the purchase price was arrived after arm's length negotiations between the Company and SCA Group Holding, after taking into account of, among others, the historical financial performance and future development potential of the Target Group.

The Group is principally engaged in the manufacture and sales of household consumable paper and other personal care products including incontinence products, feminine care and baby care products, while the Target Group is principally engaged in other personal care products as mentioned. For the purpose of assessing the reasonableness and fairness of the Consideration, we have reviewed a number of comparable companies which are principally engaged in production of the aforementioned products (the "**Comparable Companies**"). The Comparable Companies have been selected based on the following criteria: (i) listed on the stock exchange in Asia-Pacific countries, excluding Australia and Japan, under the industry of "**Household Products Manufacturing**" as classified by the Bloomberg Industry Classification System; (ii) principally engaged in manufacturing/production/distribution of household consumable paper products or other personal care products including incontinence, feminine care and baby care products; and (iii) having a market capitalisation ranging from HK$2 billion to HK$20 billion, taken into account the Consideration of HK$2.8 billion and scale of the Group, a ceiling has been set as companies with large capitalisations have larger scale of operations and may not provide meaningful comparisons. We consider the Comparable Companies an exhaustive list of relevant comparable companies based on the said criteria above and are fair and representative samples. In addition, we have reviewed Hengan International Group Company Limited ("**Hengan**") which is considered a close competitor to the Company with its shares listed on the Main Board of the Stock Exchange. Hengan is principally engaged in manufacturing, distribution and sale of personal hygiene products (including sanitary napkins, disposable diapers and tissue papers products).

Though the Target Group is an unlisted entity which is different from the Comparable Companies, we are of the view (i) only the audited financial information for listed companies are available and reliable information to produce an accurate comparison; and (ii) the Target Group is part of SCA Group which is a listed company.

We have considered the trading multiples of enterprise value ("**EV**") to earnings before interest, tax, depreciation and amortisation ("**EBITDA**"), price to earnings ("**P/E**") and, to a less extent, price to book value ("**P/B**"), of the Comparable Companies and the Target Group. EV to EBITDA ("**EV/EBITDA**") is a commonly used metric for comparing the value of a company, which can avoid distortion of taxation and capital structure. A lower P/E or EV/EBITDA indicates a company might be undervalued and would appear more attractive to potential acquirers.

EBITDA of the Target Group is adjusted by (i) China headquarter shared overhead costs charged by SCA Group, which will no longer be incurred in the future as the Group will be involved in the management of the Target Group as a whole; and (ii) non-recurring item adjustments (as illustrated below). Based on (a) the Consideration of HK$2,800,000,000; and (b) the adjusted financial figures of the Target Group for the trailing 12 months ended 30 September 2015, the results of the EV/EBITDA, the P/E and the P/B are set out in the table below.

	Trailing 12 months ended 30 September 2015 financial information *HK$' million (Approximately)*	*Remarks*
Adjusted financial figures of the Target Group		
Profit after tax	(111.2)	A
EBITDA *(note a)*	(28.4)	B
Net book value	588.6	N
Non-recurring item adjustments:		
— shared overhead costs *(note b)*	75.8	C
— impairment loss of intangible assets rebate *(note c)*	201.4	D
— loss of disposal of property, plant & equipment *(note d)*	0.5	E
Adjusted EBITDA	249.3	F = B + (C + D + E)
Estimated tax impact of the non-recurring item adjustments	(54.8)	G
Adjusted profit after tax	111.7	H = A + (C + D + E) + G
Consideration (debt and cash free value)	2,800.0	I
Estimated Net Debt	11.9	J
Consideration (after deducting Estimated Net Debt)	2,788.1	K = I–J
EV/adjusted EBITDA	**11.2**	**L = I/F**
Consideration/adjusted profit after tax	**25.0**	**M = K/H**
Consideration/net book value	**4.7**	**P = K/N**

Note:

(a) The EBITDA represented the trailing 12 months ended 30 September 2015 EBITDA of the Target Group based on the financial information of the accountant's report on the Target Group.

(b) The shared overhead costs represented the management fee charged by SCA Group in relation to the management services, other support services including brand development, research and development, information technology services and management reporting services provided to the Target Group by SCA Group. As advised by the management of the Company, these overheard costs would no longer be borne by the Target Group upon completion of the Acquisition and considered to be non-recurring in nature.

(c) The impairment loss of the intangible assets mainly represented the impairment charge based on the fair value of the trademarks held by SCA Taiwan as appraised by the valuer and the net book value of such trademarks as at 30 September 2015. These trademarks including Dr. P and Sealer arose from the acquisition of SCA Taiwan in the past. As advised by the management of the Company, the impairment loss is considered as a non-recurring item as (i) this is an accounting treatment put through so as to reflect the fair value of the acquiring assets of the Target Group, which is unlikely to incur in the normal course of the business of the Target Group in the future; and (ii) according to the accountants' report on the Target Group (as set out in Appendix II to the Circular), the remaining net book value of the trademarks is approximately HK$23.6 million, further significant impairment loss on such trademarks is not expected to be incurred in the future.

(d) The loss on disposal of property, plant & equipment, as advised by the management of the Company, is a non-recurring item.

Company name	**Stock code**	**Market capitalisation as at the Latest Practicable Date** *(Note i)* *HK$ billion*	**EV/ EBITDA** *(Note ii)*	**P/E** *(Note iii)*	**P/B** *(Note iv)*
Hengan International Group Company Limited	1044.HK	87.9	11.9	21.6	4.8
Vinda International Holdings Limited	3331.HK	15.2	13.9	21.6	2.9
C&S Paper Co Ltd	002511.CH	6.4	18.2	54.8	2.2
Average			**14.7**	**32.7**	**3.3**
Target Group			11.2	25.0	4.7

Note:

i. The market capitalisation of each of the Comparable Companies is extracted from Bloomberg as at the Latest Practicable Date.

ii. The EV is calculated as the market capitalisation as at the Latest Practicable Date plus the sum of interest bearing debts, preferred equity and non-controlling interests minus cash and cash equivalents of a company according to the latest published financial statements and results of a company. It is the value of a company's business and operations as a whole.

iii. The P/E is calculated based on the market price of shares of each of the Comparable Companies and financial information extracted from the respective annual reports, interim reports and quarterly report, if applicable.

iv. The P/B is calculated based on the market price of shares of each of the Comparable Companies and financial information extracted from the respective annual reports, interim reports and quarterly report, if applicable.

As set out in the table above, the EV/EBITDA of the Target Group is lower than those of the Comparable Companies while the P/E of the Target Group is within the range and lower than the average of the Comparable Companies.

Hengan is considered the most relevant Comparable Company, as Hengan is principally engaged in manufacturing, distribution and sale of personal hygiene products, including sanitary napkins products and disposable diapers products, which is close to the product mix of the Target Group. In contrast, the Group is principally engaged in sales of household paper products. In 2014, sales of household paper products accounted for approximately 98% of total revenue of the Group. C&S Paper Co Ltd also focuses on the sales of household paper products, and it is listed on Shenzhen Stock Exchange, with potentially different investor profile and characteristics.

Having looked into the capital structure of Hengan and the Target Group, we noted that the financial leverage of Hengan (i.e. total debt over total equity) as at 31 December 2014 was approximately 113.8% (as extracted from Bloomberg) while the financial leverage of the Target Group as at 30 September 2015 was approximately 53.1%. The higher financial leverage of Hengan might be considered, from the investor perspective, risky in the current economic environment and hence a lower valuation on P/E would be reckoned by the market.

Therefore, after considering the P/E of Hengan (21.6x), we are of the view that further comparison of the Target Group with the Comparable Companies is necessary to separate, in particular, the impact of capital structure.

We compared the EV/EBITDA of the Target Group and those of the Comparable Companies as we are of the view that EV/EBITDA would be useful in assessing the Consideration in this situation as the multiple is unaffected by the capital structure of each of the Comparable Companies and the Target Group and is more suitable to use as a parameter for comparison purpose.

Given that (i) EV/EBITDA of the Target Group is lower than those of the Comparable Companies while the P/E of the Target Group is within the range even though is higher than that of Hengan; and (ii) potential benefits of the Acquisition to the Group as mentioned in the section headed "Reasons for and benefits of the Sale and Purchase Agreement" above, in particular (1) the revenue synergies; (2) cost synergies; and (3) the ongoing cost-free support from SCA Group, we consider the Consideration is reasonable.

We also compared the P/B of the Target Group and those of the Comparable Companies. We are of the view that adopting trading multiples including EV/EBITDA and P/E can provide a more meaningful comparison than P/B when valuing a profitable business. The P/B of the Target Group is within the range of the Comparable Companies and slightly lower than the P/B of Hengan.

Estimated Net Debt adjustment

The consideration for the sale and purchase of the Target Group is HK$2,800,000,000 less the Estimated Net Debt. As at 30 September 2015, the amount of the Estimated Net Debt was approximately HK$11.9 million, which only constituted approximately 0.4% of the Consideration, and the management of the Company does not foresee any material change on such amount at First Completion. HK$2,800,000,000 is the "net of debt and cash" value (which is similar to concept of "enterprise value" as elaborated above) determined after arm's length negotiations between the Company and SCA Group Holding.

The purchase price for the Sale Shares will be adjusted such that it will be determined by taking into account the difference (i) between the amount of actual net debt of the Target Group as at the First Completion Date and the Estimated Net Debt; and (ii) between the amount of working capital of the Target Group as at the First Completion Date and the agreed aggregate amount of normalised working capital of the Target Group of HK$143,709,000.

6. *Issue Price of the Consideration Shares*

The total number of the Consideration Shares will be 75,897,034 Shares and the issue price will be HK$15.868 per Consideration Share. The issue price ("**Issue Price**") of the Consideration Shares represents:

- a discount of approximately 1.1% to the closing price of the Shares of HK$16.04 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;
- equivalent to the average of the closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement of approximately HK$15.868 per Share;
- a discount of approximately 0.5% to the average of the closing price of the Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Sale and Purchase Agreement of approximately HK$15.950 per Share;
- a premium of approximately 6.1% over the average of the closing price of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to date of the Sale and Purchase Agreement of approximately HK$14.956 per Share;
- a premium of approximately 198.8% over the net asset value attributable to the Shareholders of approximately HK$5.31 per Share as at 30 June 2015; and

- equivalent to the issue price of consideration shares to be issued under the discloseable and connected transactions of the Company, details of which have been set out in the announcement of the Company dated 2 November 2015.

(i) Trading volume

Set out in the table below are the monthly trading volumes of the Shares and the percentages of such monthly trading volumes to the issued share capital and the public float of the Company during the period from 1 January 2014 up to and including the Latest Practicable Date:

	Total monthly trading volume of the Shares ('000) *(Note 1)*	**Total percentage of the monthly trading volume of the Shares to the issued share capital of the Company** *(Note 2)*	**Total percentage of the monthly trading volume of the Shares to the public float** *(Notes 2 & 3)*
2014			
January	16,620	1.66%	6.18%
February	12,301	1.23%	4.58%
March	7,231	0.72%	2.69%
April	7,818	0.78%	2.91%
May	4,914	0.49%	1.83%
June	4,792	0.48%	1.78%
July	18,678	1.87%	6.95%
August	6,138	0.61%	2.28%
September	5,232	0.52%	1.95%
October	7,736	0.77%	2.88%
November	3,887	0.39%	1.45%
December	6,752	0.68%	2.51%
2015			
January	10,805	1.08%	4.02%
February	10,126	1.01%	3.77%
March	6,794	0.68%	2.53%
April	28,341	2.84%	10.53%
May	42,236	4.23%	15.68%
June	21,568	2.16%	8.01%
July	36,144	3.62%	13.41%
August	18,302	1.83%	6.79%
September	18,522	1.85%	6.87%
October	12,605	1.26%	4.68%
November	9,604	0.96%	3.56%
December (Up to the Latest Practicable Date)	7,743	0.77%	2.87%

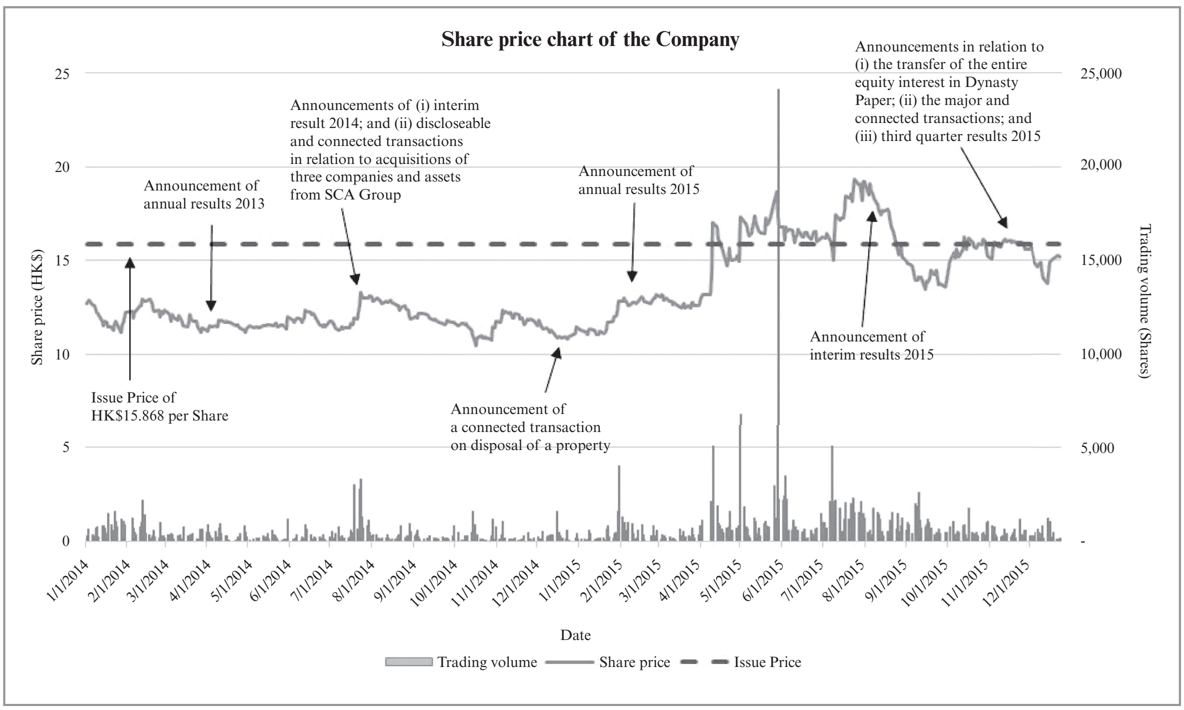
Notes:

1. Source: Bloomberg

2. The calculation is based on the total monthly trading volume of the Shares divided by the total issued share capital of the Company or the total number of Shares in public hands at the end of each month or as at the Latest Practicable Date.

3. The total number of Shares in public hands is calculated based on the number of total issued Shares excluding those held by SCA Group or Fu An International Company Limited (a substantial shareholder of the Company).

(ii) Share price



Source: Bloomberg

We have looked at the Share price movement in the past two years preceding the date of the announcement of the Company dated 29 October 2015 in relation to the Sale and Purchase Agreement and transactions contemplated thereunder (the "**Announcement**"). As shown in the chart above, the Shares closed between HK$10.48 and HK$19.32 during the period from 2 January 2014 up to and including the Latest Practicable Date. In general, there was an upward trend of the Share price from 2014 to July 2015 and recorded at the highest level of HK$19.32 on 24 July 2015. The share price has been maintained at a price level above HK$15 for most of the time during 2015.

After the publication of the Announcement, the closing price of Shares decreased slightly from HK$16.04 on 28 October 2015 (the date of the Sale and Purchase Agreement) to HK$15.6 on 29 October 2015 (the first trading day after the publication of the Announcement), representing a decrease of approximately 2.7% to the closing price on the trading day before the publication of the Announcement. On the same day, 2015 third quarter results of the Group was announced. In our view, the slight decrease in the Share price was possibly attributable to the market reaction to the decrease in operating profit in the third quarter of 2015 as compared to the same period in 2014.

From the date immediately after publication of the Announcement to the Latest Practicable Date, the closing price of the Shares was within a range of HK$13.78 to HK$16.16. As at the Latest Practicable Date, the price of the Shares closed at HK$15.18.

Having taken into account that (i) the Issue Price represents over 2.0 times of the latest NAV per Share of HK$5.31; (ii) the Issue Price is equivalent to the average closing price of shares of the Company for the five trading days immediately prior to the date of the Sale and Purchase Agreement; (iii) the Issue Price represents a premium of approximately 6.1% over the average closing price of shares of the Company for the 30 trading days immediately prior to the date of the Sale and Purchase Agreement; and (iv) the Issue Price represents minimal discounts of approximately 0.5% and approximately 1.1% to the closing price on the date of the Sale and Purchase Agreement and the average closing price of shares of the Company for the ten trading days immediately prior to the date of the Sale and Purchase Agreement, we are of the view that the Issue Price is acceptable.

7. *Terms of the Convertible Note*

The total number of the Conversion Shares will be 31,639,653 Shares and the conversion price will be HK$15.868 per Conversion Share.

The principal terms of the Convertible Note are as follows (for details, please refer to the section headed "Letter from the Board — Reasons for and benefits of the Sale and Purchase Agreement and the Licence Agreement — Convertible Note" in the Circular):

Principal amount	HK$502,058,018
Term	From the date of issue of the Convertible Note (being the Second Completion Date) until 31 March 2017
Interest	HIBOR plus 1.10% per annum, payable every 3 months in arrears
Conversion period	Any time during the term of the Convertible Note
Conversion price ("**Conversion Price**")	HK$15.868 per Conversion Share (subject to adjustments)

Conversion Shares	The outstanding principal amount of the Convertible Note is convertible into Convertible Shares based on the Conversion Price. The Conversion Shares will rank pari passu in all respects with all existing Shares in issue as at the date of allotment and issue of the Conversion Shares.
Mandatory Conversion Event	A Mandatory Conversion Event occurs if after trading hours of any trading day in Hong Kong during the term of the Convertible Note, the entire outstanding principal amount of the Convertible Note at that time can be converted into Conversion Shares without resulting in the percentage of issued share capital of the Company in the hands of the public shareholders being less than 25% (after taking into account the dilutive effect of the Conversion Shares).
Mandatory conversion	Upon the occurrence of a Mandatory Conversion Event, the Company shall notify SCA Group Holding in writing within one Business Day from the date of occurrence of such Mandatory Conversion Event and, within 5 business days from the date of such notice, the entire outstanding principal amount of the Convertible Note held by SCA Group Holding shall be converted into Conversion Shares based on the conversion price applicable at the time, provided that if upon the actual issuance of the Conversion Shares pursuant to the Mandatory Conversion Event, the percentage of issued share capital of the Company in the hands of the public shareholders will be less than 25% (after taking into account the dilutive effect of the Conversion Shares), no conversion of the Convertible Note shall take place and the Company shall notify SCA Group Holding in writing again upon the next occurrence of a Mandatory Conversion Event.
Prepayment/early repayment	The Company shall not be entitled to prepay or early repay any portion of the Convertible Note during the term of the Convertible Note.
Redemption at maturity	Upon maturity of the Convertible Note, if the Convertible Note has not been converted into Conversion Shares, the Company shall redeem all the outstanding principal amount of the Convertible Note at par plus accrued interest on the last day of the term of the Convertible Note.

Issuer shall have no right to redeem	During the term of the Convertible Note, the Company shall not have the right to redeem any portion of the Convertible Note at its election.
Transfer/assignment	SCA Group Holding can freely transfer/assign the Convertible Note to its affiliates without the Company's prior consent.

The payment mechanism is divided into the Consideration Shares, the Convertible Note and cash. The using of the Convertible Note could be viewed as a deferred consideration, given: (i) the issue of the Convertible Note would not pose immediate pressure on the liquidity of the Group; (ii) holder of the Convertible Note can only convert when a Mandatory and/or Optional Conversion Event occurs to ensure fulfilment of the public float limitation as required under the Listing Rules; and (iii) holder of the Convertible Note would convert, but not demand repayment, from the Group if the Shares performing well over the term of the Convertible Note.

(iii) Conversion price

Having taken into account that the (i) Conversion Price is equivalent to the Issue Price; (ii) the Convertible Note represents deferred issue of Shares as elaborated above; and (iii) analysis on the Issue Price in the previous section, we are of the view that the Conversion Price is reasonable.

(iv) Interest rate, term to maturity and redemption price

The interest rate of the Convertible Note shall be HIBOR plus 1.10% per annum (subject to adjustment), payable every 3 months in arrears. The 3-month HIBOR as at the Latest Practicable Date was approximately 0.39% (as quoted from Bloomberg). As disclosed in the Interim Report, (i) the weighted average interest rate as at 30 June 2015 was approximately 2.16% for loans from a group company of SCA Group; and (ii) the annual interest rates of loans borrowed by the Group as at 30 June 2015 ranged from approximately 0.80% to approximately 6.51%. The interest rate of the Convertible Note (of approximately 1.49% as at the Latest Practicable Date) is lower than weighted average interest rate for loans from a group company of SCA Group and is at the lower end of the range of approximately 0.80% to approximately 6.51%. As such, it is considered that the interest rate of the Convertible Note is acceptable.

We note that the term of the Convertible Note is approximately one year, the term is relatively short. The redemption price of the Convertible Note shall be the outstanding principal amount of the Convertible Note at par plus accrued interest on the last day of the term, which is commonly found in the market and is considered to be fair to both parties. In view of this, we are of the view that the interest rate, the term and the redemption price of the Convertible Note are acceptable.

8. Commercial Loan from Shareholder

At or prior to Second Completion, the Company as borrower and AB SCA Finans (publ), a wholly-owned subsidiary of SCA and hence a Connected Person of the Company, as lender will enter into the Commercial Loan from Shareholder Agreement, pursuant to which AB SCA Finans (publ) will provide a loan in the principal amount of HK$1,093,607,847 less the Estimated Net Debt to the Company upon Second Completion. The Company intends to direct AB SCA Finans (publ) to pay an amount equal to the entire proceeds from the Commercial Loan from Shareholder to SCA Group Holding to settle part of the purchase price of the Sale Shares on Second Completion. The Commercial Loan from Shareholder will be a three-year loan, at a fixed margin over HIBOR (Loan). The margin is to be determined after arm's length negotiation prior to Second Completion taking into consideration the then market conditions, among other things. As advised by the management of the Company, the terms of the Commercial Loan from Shareholder is yet to be fixed as at the Latest Practicable Date, however, the grant of the Commercial Loan from Shareholder will be conducted on normal commercial terms and will not be secured by the assets of the Group. The Commercial Loan from Shareholder will constitute financial assistance from a Connected Person under Chapter 14A of the Listing Rules which is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules. As advised by the Directors, if that is not the case, the Company will comply with the relevant requirements of Chapter 14A of the Listing Rules prior to agreeing to the terms of the Commercial Loan from Shareholder. On such basis, we consider the Commercial Loan from Shareholder is acceptable.

9. Financial effects of the Acquisition

The unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular illustrates the effects of the Acquisition on the Group.

(i) Equity attributable to the Shareholders

As of 31 December 2014, the net assets of the Group was approximately HK$5,081 million. According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to the Circular, the unaudited pro forma net assets of the Enlarged Group would have increased to approximately HK$6,103 million. The NAV per Share would increase from approximately HK$5.09 per Share as at 31 December 2014 to approximately HK$5.68 per Share immediately after completion of the Acquisition (and before the allotment and issuance of the Conversion Shares). The asset enhancement is considered to be in the interests of the Company and the Shareholders.

(ii) Gearing and liquidity

As of 31 December 2014, the gearing ratio (defined as total borrowings, including loans from and amounts due to related parties and bank and other borrowings, divided by total assets) of the Group was approximately 36.9%. According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to the Circular, the gearing ratio of the Enlarged Group immediately after completion of the Acquisition would have slightly increased to approximately 39.6%, as a result of (i) the Commercial Loan from Shareholder of approximately HK$1,093.6 million; and (ii) the fair value of the Convertible Note of approximately HK$501.5 million, partially offset by the asset enhancement as mentioned in the sub-section headed "Equity attributable to the Shareholders" above.

Given (i) the advantages for the Acquisition, in particular, as elaborated in the section headed "Reasons for and benefits of the Sale and Purchase Agreement"; and (ii) the terms of (1) the Commercial Loan from Shareholder; and (2) the Convertible Note are acceptable, as illustrated in the analysis above, we consider a slight increase of gearing ratio to be acceptable.

(iii) Earnings

Upon completion of the Acquisition, the Target Companies will become wholly owned subsidiaries of the Company and the results of the Target Group will be consolidated into that of the Group.

(iv) Dilution

The Consideration Shares and the Conversion Shares (assuming the Convertible Note are fully converted upon maturity) represent approximately 10.76% of the issued share capital of the Company as at the Latest Practicable Date and approximately 9.72% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Conversion Shares (assuming the Convertible Note is fully converted upon maturity).

The existing public Shareholders' shareholdings will be diluted from approximately 26.97% as at the Latest Practicable Date to approximately 25.07% immediately after Completion and allotment and issuance of the Consideration Shares, and to approximately 24.35% after allotment and issuance of the Consideration Shares and the Conversion Shares (assuming that the Convertible Note is fully converted but pursuant to the terms of the Convertible Note, no conversion of the Convertible Note into the Conversion Shares will be permitted if the issuance of the Conversion Shares would result in the percentage of issued share capital of the Company in the hands of the public Shareholders being less than 25%). The dilution in their shareholdings will be approximately 2.6% and such dilution effect is considered to be immaterial.

	As at the Latest Practicable Date		Immediately after Second Completion and allotment and issuance of the Consideration Shares		Immediately after Second Completion and allotment and issuance of the Consideration Shares and the Conversion Shares	
	Number of Shares	*%* *(Note)*	*Number of Shares*	*%* *(Note)*	*Number of Shares*	*%* *(Note)*
SCA Group	513,200,425	51.37	589,097,459	54.80	620,737,112	56.09
Fu An International Company Limited	216,341,581	21.65	216,341,581	20.13	216,341,581	19.55
Ms. Yu Yi Fang	50,000	0.005	50,000	0.0047	50,000	0.0045
Public Shareholders	269,495,680	26.97	269,495,680	25.07	269,495,680	24.35
Total	**999,087,686**	**100**	**1,074,984,720**	**100**	**1,106,624,373**	**100**

Note: The percentages may not add up to 100% due to rounding.

Given the aforementioned potential benefits of the Acquisition to the Group and the terms of the Sale and Purchase Agreement are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned, we are of the view that the potential dilution is acceptable.

B The Licence Agreement

1. Duration of the Licence Agreement

As part of the transactions contemplated under the Sale and Purchase Agreement, the Licence Agreement was entered into and pursuant to which SCA Hygiene AB will grant to the Company a licence to use in the Territory and/or the Additional Territory (i) certain brands used by SCA Hygiene AB in relation to its personal care and tissue product business; and (ii) certain patents and technology and related intellectual property rights relating to the manufacture of personal care and tissue products. The Licence Agreement is conditional on Second Completion and becomes effective on the Second Completion Date. For the details of the Group's entitlement to the intellectual property rights under the licence granted by SCA Hygiene AB pursuant to the Licence Agreement, please refer to the section headed "Licence Agreement — exempted continuing connected transactions" in the Letter from the Board of the Circular.

Pursuant to the terms of the Licence Agreement, all the transactions will be conducted on a royalty-free or licence fee-free basis for the first nine years commencing from the Second Completion Date. As such, the continuing connected transactions contemplated under the Licence Agreement are fully exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. However, pursuant to Rule 14A.52 of the Listing Rules, given the term of the Licence Agreement exceeds three years, we are to explain why the Licence Agreement requires a longer period and to confirm that it is normal business practice for agreement of this type to be of such duration.

The intellectual property rights under the Licence Agreement are essential for the operations of the business of the Group. The Group is required to devote marketing efforts in promoting and maintaining the brand names and the relevant products. As all the transactions will be conducted on a royalty-free or licence fee-free basis for the first nine years, a term with three years or less would expose the Company to a possibility that future extension of the term of the Licence Agreement may involve royalty and/or licence fee. In the case that the Licence Agreement is not extended, the Company might have to put in extra costs and efforts in developing its own brands. The Licence Agreement with a longer period is required and offers a protection to the Group for a longer period of time and enables the Group to develop an effective business plan in the long term, hence it is in the interests of the Group.

The Group entered into similar intellectual property and technology licence agreements with SCA Hygiene AB on 17 July 2014 (the "**Existing Licence Agreements**") in relation to the licences to use certain brands in Hong Kong, Macau and the PRC with durations exceeding three years, it was confirmed that it was a normal business practice for agreements of this type to have a term exceeding three years. Given that the Licence Agreement (i) is of similar nature as the Existing Licence Agreements; and (ii) shall supersede the Existing Licence Agreements, it is considered that it is normal business practice for agreements of this type to be of such duration.

In addition, in considering whether it is normal business practice for agreement of similar nature to the Licence Agreement to have a term of such duration, we have, on a best endeavour basis, identified a number of comparable transactions involving the granting of licences for the use of intellectual property rights, such as trademarks, patents, brands and/or technology know-how (the "**Comparable Licensing Transactions**"). The Comparable Licensing Transactions are identified based on the following criteria: (i) one of the parties to the relevant transaction is a company listed on the Stock Exchange; (ii) the transactions were announced by way of announcement made pursuant to the Listing Rules in the year 2015 up to the date of the Licence Agreement; and (iii) the transactions relate to the granting of licences for the use of intellectual property rights, including trademarks, patents, brands and/or technology know-how.

Set out below is a summary of the Comparable Licensing Transactions with selected details:

Date of announcement	Company name	Nature of transactions	Duration
16 February 2015	Feiyu Technology International Company Ltd. (stock code: 1022)	An exclusive right to publish, operate, market and promote both the Android and iOS versions of a game — San Guo Zhi Ren (Traditional Chinese version) in Hong Kong, Macau and Taiwan	3 years
30 March 2015	TPV Technology Limited (stock Code: 903)	Exclusive right and licence to use Philips trademarks in specific areas, including the right and licence to develop, assemble and manufacture outside specific areas for sales, marketing and distribution in specific areas, in relation to specific products	Initial term of 5 years, may be renewable or extended by mutual agreement after the 4th year
5 July 2015	Zhong Fa Zhan Holdings Limited (stock code: 475)	An exclusive right and licence to exploit the technology within the solar thermal powered indoor climate solutions for buildings in Greater China	15 years
16 September 2015	Global Brands Group Holding Limited (stock code: 787)	An exclusive right to use the trademarks in the promotion, design, manufacture and distribution of certain products under its specific brand	Approximately 5 years and 3 months, with an option to renew the agreement for a further term of five years
25 September 2015	Yashili International Holdings Limited (stock code: 1230)	Non-transferable and non-exclusive right to use the trademarks in the manufacturing, sale, promotion, marketing, advertising and distribution of pediatric milk formula products and milk powder products for adults	50 years or the operation period, whichever longer
30 October 2015	San Miguel Brewery Hong Kong Ltd. (stock code: 236)	(i) exclusive for the production, sale and distribution of "San Miguel" beer in Hong Kong (ii) exclusive for the sale and distribution of "San Miguel" beer in Macau (iii) non-exclusive only for the importation, sale and distribution in China, Guam and Vietnam of "San Miguel" pilsener beer produced in Hong Kong by the licensee (iv) exclusive for the production, sale and distribution of "SUN LIK" beer in Hong Kong; exclusive for the importation, sale and distribution of "SUN LIK" beer in Macau and the continental United States, such beer to be produced in Hong Kong by the licensee	1 year

Given that (i) the duration of the Licence Agreement falls within range of the licence term of the Comparable Licensing Transactions of one year to 50 years; (ii) the Group has entered into an agreement with similar nature previously; and (iii) it is normally in the interest of the licensee to obtain a longer period of licence to enhance the long-term business development, we consider that it is normal business practice for the duration of agreement with similar nature to the Licence Agreement exceeding three years.

DISCUSSION AND ANALYSIS

1. Prospects of the Group

A strategic move

Since SCA Group became the controlling shareholder of the Company in 2013, the Group has been strengthening its personal care product categories by acquiring Hong Kong, Macau and PRC operations of SCA Group in 2014. As such, products with SCA's global brands are being sold through the Company's established distribution network.

Now, the Acquisition would be able to allow the Company to consolidate SCA Group's existing operations in Asia including Korea, Taiwan, Malaysia, Singapore, Thailand, the Philippines, Indonesia, Vietnam, etc. The Group could not only leverage SCA Group's established distribution network in Asia to sell its products but also utilise the production facilities of the Target Group to allow for flexibility in production.

As a result, the Acquisition would transform the Company from a company with nationalwide coverage to a regional company with presence in most of Asian countries in terms of sales and manufacturing of personal hygiene products.

Support from SCA Group

After the Acquisition, the Group will further expand its business and strengthen its strategic relationship with SCA Group. As part of the transactions, the Group will receive ongoing cost-free support from SCA Group in the areas of technology, personnel, product development and branding. The complementary operations and geographies of the Company and SCA Group in Asia create multiple areas of potential synergy for such acquisition.

In particular, the Company will have perpetual, exclusive and royalty-free licence to use the Tempo brand; as well as perpetual and exclusive licence to use the Tork, Tena, Libresse and Libero brands on a royalty-free basis for the first nine years. Also, the Company will own regional brands like Dr. P, Control Plus, Sealer, Drypers (including Drypantz, Drynights and Drysoft), Prokids, EQ Dry and Hey Baby in the Territory. The Company will also have full access to SCA Group's product knowledge and patent portfolio, as well as technology support.

In conclusion, the Sale and Purchase Agreement and the Licence Agreement will enhance the Group's distribution network in Asia, diversify its business and create synergies in multiple areas for the Group. We concur with the Company's view that the transactions contemplated under the Sale and Purchase Agreement are in the interests of the Company and the Shareholders as a whole.

2. Consideration

The Consideration was determined after arm's length negotiations between the Company and SCA Group Holding after taking into account, among others, the historical financial performance of the Target Group for the financial year ended 31 December 2014 and the nine months ended 30 September 2015 and the future development potential of the Target Group.

We have identified the Comparable Companies which are principally engaging in similar business with the Group and the Target Group. Given that (i) EV/EBITDA of the Target Group is lower than those of the Comparable Companies while the P/E of the Target Group is within the range and even though is higher than that of Hengan; and (ii) potential benefits of the Acquisition to the Group, we consider the Consideration is reasonable.

3. Settlement of the consideration

The Consideration will be settled by the issue of Consideration Shares at Issue Price and the issue of the Convertible Note by the Company. The use of the Convertible Note allows the Company to obtain buffer in fulfilling the requirement of public float under the Listing Rules.

(a) Issue Price compared to market price and net asset value

The Issue Price of HK$15.868 per Share (i) represents a discount of approximately 1.1% to the closing price of the Shares as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement and is equivalent to the average of the closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and (ii) represents a premium of approximately 198.8% over the NAV per Share as at 30 June 2015. We consider the Issue Price is acceptable.

(b) Terms of the Convertible Note

The Conversion Price of HK$15.868 per Conversion Share represents (i) represents a discount of approximately 1.1% to the closing price of the Shares as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement and is equivalent to the average of the closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and (ii) represents a premium of approximately 198.8% over the NAV per Share as at 30 June 2015. As such, we are of the view that the Conversion Price is acceptable.

We note that the term of the Convertible Note is approximately one year, which is relatively short. The redemption price of the Convertible Note shall be the outstanding principal amount of the Convertible Note at par plus accrued interest on the last day of the term, which is commonly found in the market and is considered to be fair to both parties. In view of this, we are of the view that the interest rate, the term and the redemption price of the Convertible Note are acceptable.

4. Financial effects

The NAV per Share would increase from approximately HK$5.09 per Share as at 31 December 2014 to approximately HK$5.68 per Share immediately after completion of the Acquisition (and before the allotment and issuance of the Conversion Shares). The asset enhancement is considered to be in the interests of the Company and the Shareholders.

As at 31 December 2014, the gearing ratio (defined as total borrowings, including loans from a related party, amounts due to related parties, convertible notes and bank and other borrowings, divided by total assets) of the Group was approximately 36.9%. According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to the Circular, the gearing ratio of the Enlarged Group immediately after completion of the Acquisition would have slightly increased from approximately 36.9% as at 31 December 2014 to approximately 39.6%. Given (i) the advantages for the Acquisition; and (ii) the terms of (1) the Commercial Loan from Shareholder; and (2) the Convertible Note are acceptable, we consider a slight increase in gearing ratio to be acceptable.

5. Decrease in public Shareholders' percentage shareholding

Public Shareholders' shareholding is expected to be diluted from approximately 26.97% as at the Latest Practicable Date to approximately 25.07% immediately after Second Completion and allotment and issuance of the Consideration Shares and to approximately 24.35% immediately after allotment and issuance of the Consideration Shares and the Conversion Shares. The dilution is itself an unattractive feature, but in our view should be assessed in the context of the transactions contemplated under the Sale and Purchase Agreement as a whole, which we consider the potential dilution effect is immaterial and acceptable.

6. Duration of the Licence Agreement

Given that (i) the duration of the Licence Agreement falls within range of the licence term of the Comparable Licensing Transactions of one year to 50 years; (ii) the Group has entered into an agreement with similar nature previously; and (iii) it is normally in the interest of the licensee to obtain a longer period of licence to enhance the long-term business development, we consider that it is normal business practice for the duration of agreement with similar nature to the Licence Agreement exceeding three years.

OPINION AND RECOMMENDATION

Taking into account the above principal factors and reasons, we consider that the Sale and Purchase Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. We also consider that the duration of the Licence Agreement is required and it is normal business practice for a licence agreement of this type exceeding three years. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
David Ching
Director

Mr. David Ching is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.

1. THREE-YEAR FINANCIAL INFORMATION OF THE COMPANY

Details of the financial information of the Group for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 respectively have been set out in the Company's annual reports for the years ended 31 December 2012 (from pages 49 to 134), 31 December 2013 (from pages 53 to 146) and 31 December 2014 (from pages 77 to 170). Details of the financial information of the Group for the six months ended 30 June 2015 have been set out in the Company's interim report for the six months ended 30 June 2015 (from pages 22 to 48).

All annual reports of the Company have been posted on the website of the Company at http://www.vindapaper.com. Please visit the Company's website for more details.

2. INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 31 October 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had an aggregate outstanding indebtedness of approximately HK$4,796 million which are set out as follows:

	As at 31 October 2015 *(HK$'000)*
The Group	
— interest-bearing bank borrowings, unsecured	2,603,528
— interest-bearing loans from a fellow subsidiary, unsecured	1,866,166
The Target Group	
— interest-bearing bank borrowings, unsecured and guaranteed	172,593
— capital lease liability, secured	141
— interest-bearing loans from a fellow subsidiary, unsecured	153,274
	4,795,702

As at the close of business on 31 October 2015, the Group had outstanding borrowings and indebtedness amounted to approximately HK$4,470 million, comprising of interest-bearing unsecured and non-guaranteed bank borrowings of HK$2,604 million and interest-bearing unsecured and non-guaranteed loans from Aktiebolaget SCA Fianas (Publ), a fellow subsidiary to the Group, amounted to HK$1,866 million.

As at the close of business on 31 October 2015, the Target Group had outstanding borrowings and indebtedness amounted to approximately HK$326 million, comprising of interest-bearing unsecured short-term bank borrowings of HK$173 million guaranteed by Svenska Cellulosa Aktiebolaget SCA (Publ), the ultimate holding company of the Target Group, a capital lease liability of HK$0.1 million and interest-bearing unsecured loans from Aktiebolaget SCA Fianas (Publ) amounted to HK$153 million.

Save as disclosed above and apart from intra-group liabilities and normal accounts payables in the ordinary course of business, the Enlarged Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts, liabilities under acceptance (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges, guarantees or other contingent liabilities as at the close of business on 31 October 2015.

3. WORKING CAPITAL SUFFICIENCY OF THE ENLARGED GROUP

The Directors are of the opinion that, taking into account the cash flows generated from the operating activities, the financial resources available to the Enlarged Group including internally generated funds, the available credit facilities and the Commercial Loan from Shareholder, and the effect of the Acquisition, the working capital available to the Enlarged Group is sufficient for the Enlarged Group's requirements for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2014 (being the date to which the latest published audited financial statements of the Group were made up).

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

羅兵咸永道

28 December 2015

The Board of Directors
Vinda International Holdings Limited
Penthouse, East Ocean Centre,
98 Granville Road, Tsim Sha Tsui East,
Kowloon, Hong Kong

Dear Sirs,

We report on the combined financial information of the business of manufacturing, distributing and selling incontinence care products, baby diapers and other related products carried on by SCA Hygiene Malaysia Sdn. Bhd. ("SCA Malaysia") and its subsidiaries, SCA Hygiene Korea Co. Ltd. ("SCA Korea") and SCA Taiwan Ltd. ("SCA Taiwan") (collectively referred to as the "Target Companies") through a network of independent retailers in Asia Pacific (together the "Target Business"), which comprises the combined balance sheets of the Target Business as at 31 December 2012, 2013 and 2014 and 30 September 2015, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Business for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Vinda International Holdings Limited (the "Company") and is set out in Sections I to III below for inclusion in Appendix II to the circular of the Company dated 28 December 2015 (the "Circular") in connection with the proposed acquisition of the Target Business by the Company.

As at the date of this report, SCA Malaysia has direct and indirect interests in the subsidiaries as set out in Note 1(a) of the section II below. All of these companies are private companies and have adopted 31 December as their financial year end date.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

The financial statements of the Target Companies were prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The statutory auditors of SCA Korea, SCA Taiwan and SCA Malaysia for the years ended 31 December 2012, 2013 and 2014 were Samil PricewaterhouseCoopers, PricewaterhouseCoopers Taiwan and PricewaterhouseCoopers Malaysia, respectively.

The directors of the Target Companies are responsible for the preparation of the respective company's financial statements that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as the directors determine is necessary to enable the preparation of the respective companies' financial statements that are free from material misstatement, whether due to fraud or error. The directors of the Company are responsible for the preparation of the combined financial statements of the Target Business for the Relevant Periods that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon and on the basis set out in Note 1(b) of Section II below.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 1(b) of Section II below and in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the annual report of the Company for the year ended 31 December 2014.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 1(b) of Section II below, a true and fair view of the combined state of affairs of the Target Business as at 31 December 2012, 2013 and 2014 and 30 September 2015 and of the Target Business' combined results and cash flows for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix II to the Circular which comprises the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows of the Target Business for the nine months ended 30 September 2014 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and the accounting policies set out in Note 1(b) and Note 2 of Section II below and the accounting policies adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2014.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report and presented on the basis set out in Note 1(b) of Section II below, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I FINANCIAL INFORMATION OF THE TARGET BUSINESS

The following is the combined financial information of the Target Business prepared by the directors of the Company as at 31 December 2012, 2013, 2014 and 30 September 2015 and for each of the years ended 31 December 2012, 2013, 2014 and the nine months ended 30 September 2014 and 2015 (the "Financial Information"), presented on the basis set out in Note 1(b) of Section II below:

Combined statements of comprehensive income

		Year ended 31 December			**Nine months ended 30 September**	
		2012	**2013**	**2014**	**2014**	**2015**
	Note	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Revenue	5	2,387,086	2,891,568	2,834,837	2,087,825	1,896,872
Cost of sales	7	(1,737,328)	(2,114,670)	(2,112,943)	(1,569,312)	(1,394,142)
Gross profit		649,758	776,898	721,894	518,513	502,730
Selling and marketing costs	7	(483,449)	(518,137)	(494,037)	(354,893)	(296,640)
Administrative expenses	7	(147,589)	(170,037)	(150,613)	(112,197)	(136,210)
Other income and gains/ (losses) — net	6	86,505	71,426	11,537	5,502	(213,225)
Operating profit/(loss)		105,225	160,150	88,781	56,925	(143,345)
Interest income	9	492	952	2,020	1,628	863
Finance cost	9	(7,954)	(4,085)	(7,911)	(5,420)	(6,884)
Finance income and cost, net	9	(7,462)	(3,133)	(5,891)	(3,792)	(6,021)
Profit/(loss) before income tax		97,763	157,017	82,890	53,133	(149,366)
Income tax credit/(expense)	10	15,869	(33,919)	(47,373)	(44,589)	11,176
Profit/(loss) for the year/period		113,632	123,098	35,517	8,544	(138,190)
Other comprehensive income/ (loss):						
Items that may be reclassified to profit or loss						
Currency translation differences		46,067	(47,857)	(73,801)	(14,542)	(106,759)
Item that will not be reclassified subsequently to profit or loss						
Remeasurement of post-employment benefit obligations		19	6,615	3,926	3,566	3,097
Total comprehensive income/ (loss) for the year/period		159,718	81,856	(34,358)	(2,432)	(241,852)

Combined balance sheets

		As at 31 December			As at 30 September
		2012	2013	2014	2015
	Note	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Assets					
Non-current assets					
Property, plant and equipment	11	751,959	686,650	620,829	543,379
Intangible assets	12	267,553	263,304	244,193	32,730
Deferred income tax assets	24	54,590	49,268	26,005	10,685
Available for sale financial assets	15	3,283	1,995	1,489	1,432
		1,077,385	1,001,217	892,516	588,226
Current assets					
Inventories	13	312,685	291,051	280,821	257,012
Trade receivables, other receivables and prepayments	16	434,526	410,641	394,290	390,643
Due from related parties	30	48,407	53,785	69,195	40,766
Cash and cash equivalents	18	318,387	229,483	228,317	299,751
		1,114,005	984,960	972,623	988,172
Assets classified as held for sale	17	36,103	—	—	—
Total assets		2,227,493	1,986,177	1,865,139	1,576,398
Equity and liabilities					
Equity attributable to Owners of the Target Business					
Combined capital	19	60,220	60,220	60,220	60,220
Reserves	20	1,230,245	1,033,878	794,850	528,358
Total equity		1,290,465	1,094,098	855,070	588,578
Liabilities					
Non-current liabilities					
Post-employment benefit obligations	23	67,054	63,364	56,063	45,023
Deferred income tax liabilities	24	112,479	114,566	106,969	55,773
		179,533	177,930	163,032	100,796
Current liabilities					
Trade payables, other payables and accrued expenses	21	508,257	558,769	538,934	543,123
Borrowings	22	188,864	83,218	98,933	90,553
Due to related parties	30	40,464	58,911	46,476	74,541
Loans from a related party	22	—	—	160,892	147,717
Dividend payable		—	—	—	23,500
Current income tax liabilities		19,910	13,251	1,802	7,590
		757,495	714,149	847,037	887,024
Total liabilities		937,028	892,079	1,010,069	987,820
Total equity and liabilities		2,227,493	1,986,177	1,865,139	1,576,398
Net current assets		356,510	270,811	125,586	101,148
Total assets less current liabilities		1,469,998	1,272,028	1,018,102	689,374

Combined statements of changes in equity

	Note	Combined capital HKD'000	Reserves HKD'000	Total HKD'000
Balance at 1 January 2012		60,220	456,783	517,003
Profit for the year		—	113,632	113,632
Other comprehensive income:				
Actuarial gain on post-employment benefit obligation		—	19	19
Currency translation differences		—	46,067	46,067
Total comprehensive income for the year		—	159,718	159,718
Contribution from owner	27	—	613,744	613,744
At 31 December 2012		60,220	1,230,245	1,290,465
Balance at 1 January 2013		60,220	1,230,245	1,290,465
Profit for the year		—	123,098	123,098
Other comprehensive income:				
Actuarial gain on post-employment benefit obligations		—	6,615	6,615
Currency translation differences		—	(47,857)	(47,857)
Total comprehensive income for the year		—	81,856	81,856
Transaction with owners				
Dividend paid	29	—	(55,677)	(55,677)
Distribution to owner by reduction of capital	20	—	(222,546)	(222,546)
At 31 December 2013		60,220	1,033,878	1,094,098
Balance at 1 January 2014		60,220	1,033,878	1,094,098
Profit for the year		—	35,517	35,517
Other comprehensive income:				
Actuarial gain on post-employment benefit obligations		—	3,926	3,926
Currency translation differences		—	(73,801)	(73,801)
Total comprehensive loss for the year		—	(34,358)	(34,358)
Transaction with owners				
Dividend paid	29	—	(204,670)	(204,670)
At 31 December 2014		60,220	794,850	855,070

	Note	Combined capital HKD'000	Reserves HKD'000	Total HKD'000
Balance at 1 January 2015		60,220	794,850	855,070
Loss for the period		—	(138,190)	(138,190)
Other comprehensive income:				
Actuarial gain on post-employment benefit obligations		—	3,097	3,097
Currency translation differences		—	(106,759)	(106,759)
Total comprehensive loss for the period		—	(241,852)	(241,852)
Transaction with owners				
Dividend declared	29	—	(24,640)	(24,640)
At 30 September 2015		60,220	528,358	588,578
Balance at 1 January 2014 (unaudited)		60,220	1,033,878	1,094,098
Profit for the period		—	8,544	8,544
Other comprehensive income:				
Actuarial loss on post-employment benefit obligations		—	3,566	3,566
Currency translation differences		—	(14,542)	(14,542)
Total comprehensive loss for the period		—	(2,432)	(2,432)
Transaction with owners				
Dividend paid	29	—	(204,670)	(204,670)
At 30 September 2014		60,220	826,776	886,996

Combined statements of cash flows

		Year ended 31 December			Nine months ended 30 September	
		2012	2013	2014	2014	2015
	Note	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
					(unaudited)	
Cash flows from operating activities						
Cash generated from operating activities	25	223,217	288,235	123,670	84,803	106,480
Interest paid		(7,113)	(3,067)	(6,158)	(5,365)	(5,582)
Income tax paid		(22,440)	(27,792)	(36,902)	(16,133)	(19,891)
Net cash generated from/(used in) operating activities		193,664	257,376	80,610	63,305	81,007
Cash flows from investing activities						
Purchases of property, plant and equipment ("PPE")		(25,520)	(58,274)	(71,782)	(39,058)	(69,688)
Purchase of intangible assets		—	(1,043)	(70)	(70)	—
Proceeds from disposal of PPE	25(b)	104,395	1,187	2	2	14
Interest received		251	619	92	1,730	902
Proceeds from disposal of assets classified as held for sale		21,650	94,777	—	—	—
Cash acquired through acquisition of SCA Taiwan	28	82,931	—	—	—	—
Net cash (used in)/generated from investing activities		183,707	37,266	(71,758)	(37,396)	(68,772)
Cash flows from financing activities						
Proceeds from borrowings		851,324	431,350	923,052	284,939	58,019
Repayments of borrowings		(955,749)	(537,127)	(731,629)	(126,242)	—
Reduction of capital		—	(222,546)	—	—	—
Dividends paid		—	(55,677)	(204,670)	(204,670)	—
Net cash (used in)/generated from financing activities		(104,425)	(384,000)	(13,247)	(45,973)	58,019
Net increase/(decrease) in cash and cash equivalents		272,946	(89,358)	(4,395)	(20,064)	70,254
Effect of foreign exchange rate changes		(471)	454	3,229	7,416	1,180
Cash and cash equivalents at the beginning of the year/period		45,912	318,387	229,483	229,483	228,317
Cash and cash equivalents at the end of the year/period		318,387	229,483	228,317	216,835	299,751

II NOTES TO THE FINANCIAL INFORMATION OF THE TARGET BUSINESS

1(a) GENERAL INFORMATION

The Target Business comprises certain businesses, assets and liabilities of SCA Hygiene Malaysia Sdn. Bhd. ("SCA Malaysia") and its subsidiaries, SCA Hygiene Korea Co. Ltd. ("SCA Korea") and SCA Taiwan Ltd. ("SCA Taiwan") (collectively referred to as the "Target Companies").

SCA Malaysia is incorporated on 21 October 1994 and domiciled in Malaysia. The registered office of SCA Malaysia is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur.

SCA Korea is incorporated on 25 November 2009 and domiciled in the Republic of Korea. The registered office is located at 10 Yulgok-ro, Jongro-gu, Seoul, Korea.

SCA Taiwan, formerly known as Everbeauty Corporation, was incorporated on 21 September 1986 as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.). On 1 June 2012, SCA Group Holding B.V. ("SCA Group") acquired the entire issued share capital of Everbeauty Corporation which held the entire issued share capital of Sunbond Limited, which in turn held the entire issued share capital of Everbeauty Industry (Shanghai) Limited ("Everbeauty Shanghai"). On 11 December 2015, SCA Taiwan transferred the entire issued share capital of Sunbond Limited to SCA Group.

The Target Companies are primarily engaged in manufacturing, distributing and selling incontinence care products, baby diapers and other related products through a network of independent retailers in Asia Pacific area.

This financial information is presented in Hong Kong Dollar ("HKD"), unless otherwise stated.

As at 30 September 2015, the Target Companies are 100% owned by SCA Group, a company incorporated in the Netherlands.

On 28 October 2015, Vinda International Holdings Limited (the "Company") entered into a sales and purchase agreement with SCA Group to acquire 100% equity interest of the Target Companies.

As at the date of this report, SCA Malaysia had direct or indirect interests in the following subsidiaries:

Company	Date of incorporation	Place of incorporation	Equity interest	Statutory auditors
SCA Hygiene Marketing (M) Sdn. Bhd. ("SCA Marketing")	25 August 1994	Malaysia	100%	PwC Malaysia
SCA Hygiene Thailand Limited ("SCA Thailand")	3 May 2001	Thailand	100%	PwC Malaysia
SCA Hygiene Singapore Pte. Ltd. ("SCA Singapore")	12 June 1997	Singapore	100%	PwC Singapore
PT SCA Hygiene Indonesia ("SCA Indonesia")	30 August 2010	Indonesia	100%	Budiman, Wawan, Pamudji & Rekan

1(b) BASIS OF PRESENTATION

The Financial Information has been prepared by including the financial information of the Target Companies engaged in the Target Business, under the common control of SCA Group. The combined financial information has been prepared to present the combined statements of comprehensive income, the combined balance sheets, the combined statements of changes in equity and the combined statements of cash flows of the Target Business for the Relevant Periods.

The Target Business is held by SCA Group and conducted through SCA Malaysia and its subsidiaries, SCA Korea and SCA Taiwan, which are all 100% owned subsidiaries of SCA Group. For the purpose of this report, the Financial Information has been prepared and measured at the carrying amounts of the Target Business under the consolidated financial statements of SCA Group for all periods presented.

For companies acquired from a third party during each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015, they are included in the Financial Information from the date of the acquisition.

Inter-company transactions, balances and unrealised gains/losses on transactions between Target Companies are eliminated on combination.

The Financial Information has not included the assets, liabilities and results of operations of Sunbond Limited and Everbeauty Shanghai that were historically subsidiaries of SCA Taiwan as described in Note 1(a) above, on the basis that these companies are engaged in dissimilar businesses from those of the Target Companies, have separate management personnel and accounting records and have no more than incidental common facilities and costs shared with the Target Companies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, which are carried at fair value.

The preparation of financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

The existing standards that are effective as at 30 September 2015 have been adopted by the Target Business consistently during the Relevant Periods.

(a) New standards and amendments not yet adopted

The following are standards and amendments to existing standards that have been published and are relevant and mandatory for the accounting periods beginning on or after 1 January 2016 or later periods, but have not been early adopted by the Target Business.

		Effective for annual periods beginning on or after
Amendments to HKFRS 10	Consolidated financial statements	1 January 2016
Amendments to HKFRS 11	Joint arrangements	1 January 2016
Amendments to HKFRS 12	Disclosure of interests in other entities	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
Amendments to HKAS 16	Property, plant and equipment	1 January 2016
Amendments to HKAS 27	Consolidated and separate financial statements	1 January 2016
Amendments to HKAS 28	Investment in associate	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 2018
HKFRS 9	Financial instruments	1 January 2018

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

		Effective for annual periods beginning on or after
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 Target Business will apply the above new standards and amendments to standards when they become effective. The management is in the process of making an assessment of the impact of the above new standards and amendments to standards.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Target Business has control. The Target Business controls an entity when the Target Business 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 Target Business. They are deconsolidated from the date that control ceases.

Business combinations

The Target Business 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 Target Business. 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 Target Business 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 Target Business is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 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.

Consolidation

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 bargain purchase, the difference is recognised directly in the income statement.

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

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Target Companies are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of each of the companies comprised in the

Target Business is Malaysia Ringgit ("MYR"), Thai Baht ("THB"), Indonesian Rupiah ("IDR"), Singapore Dollar ("SG$"), Korea Won ("KRW") and New Taiwan Dollar ("NT$"). HKD is chosen as the presentation currency to present the combined 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 combined statement of comprehensive income.

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

(c) Target companies

The results and financial position of all the Target Companies (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, disposal of the Target Business'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 Target Business are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Target Business 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 Target Business's ownership interest in associates or joint ventures that do not result in the Target Business losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.4 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 Target Business 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 combined 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:

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 asset's 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 2.6).

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

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

2.5 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 acquiree and the acquisition-date fair value of any previous equity interest in the acquiree 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

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Certain trademarks that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

(c) 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 estimate useful lives and the contract terms.

2.6 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 is 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.

2.7 Financial assets

2.7.1 Classification

The Target Business classifies its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) 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 Target Business's loans and receivables comprise 'trade and other receivables', 'receivables due from related parties' and 'cash and cash equivalents' in the balance sheet (notes 2.9 and 2.10).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.7.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Target Business 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 combined 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 Target Business has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Target Business' right to receive payments is established.

2.7.3 Impairment of financial assets

(a) Assets carried at amortised cost

The Target Business 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 measureable 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 differences 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 combined 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 Target Business 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 combined statement of comprehensive income.

(b) Assets classified as available for sale

The Target Business assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.8 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.

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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 combined 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 Target Business has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs and related exchange 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 combined statement of comprehensive income in the period in which they are incurred.

2.14 Current and deferred income tax

The tax expense for the year/period comprises current and deferred tax. Tax is recognised in combined 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 Target Business operates and generates 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 provision where appropriate on the basis of amounts expected to pay 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 combined 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 nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

(c) Offsetting

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

2.15 Employee benefits

(a) Post-employment benefits

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

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

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

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

Past-service costs are recognised immediately in income statements.

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

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

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

(b) Employee leave entitlements

A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Short term employee benefits

Wages, salaries, bonuses and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Target Business.

(d) Bonus plans

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

2.16 Provisions

Provisions are recognised when the Target Business has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

2.17 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 goods and services taxes. The Target Business 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 Target Business's activities, as described below. The Target Business 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 Target Business 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.

2.18 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 combined statement of comprehensive income on a straight-line basis over the period of the lease.

2.19 Non-current assets held-for-sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

2.20 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 Target Business. 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 combined 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 Target Business.

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

2.21 Dividend distribution

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

3 FINANCIAL MANAGEMENT

3.1 Financial risk factors

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

Risk management is carried out by the Target Business's finance department under policies approved by the directors of the Target Business. The Target Business's finance department identifies and evaluates financial risks in close co-operation with the Target Business's operating units. The directors of the Target Business provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk, use of non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Target Business is using the currency of the primary economic environment in which the entity operates as functional currency. Since part of the Target Business's sales and purchase are from overseas, foreign exchange risk arises from the future commercial transactions of sales to and purchases from overseas.

As at 31 December 2012, 2013, 2014 and 30 September 2015, if US$ had strengthened/weakened by 10% against MYR, KRW and NT$ with all other variables held constant, the post-tax profit for each year/period 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:

				Period ended
	Year ended 31 December			**30 September**
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Post-tax profit increase/ (decrease)				
— Strengthened by 10%	7,751	(2,648)	4,899	(3,733)
— Weakened by 10%	(7,751)	2,648	(4,899)	3,733

As at 31 December 2012, 2013, 2014 and 30 September 2015, if EUR had strengthened/weakened by 10% against MYR, KRW and NT$ with all other variables held constant, the post-tax profit for each year/period would have changed mainly as a result of foreign exchange gains/losses on translation of EUR denominated cash and cash equivalents, trade and other receivables, trade and other payables and borrowings. Details of the changes are as follows:

	Year ended 31 December			Period ended 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Post-tax profit increase/ (decrease)				
— Strengthened by 10%	(2,073)	(2,696)	(2,309)	(1,279)
— Weakened by 10%	2,073	2,696	2,309	1,279

(ii) Cash flow and fair value interest rate risk

The Target Business's income and operating cash flows are substantially independent of changes in market interest rates. The Target Business's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Target Business to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Target Business to fair value interest rate risk. Details of the Target Business's borrowings have been disclosed in Note 22.

As at 31 December 2012, 2013, 2014 and 30 September 2015, if interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, the post-tax profit for each year/period would have changed mainly as a result of higher/ lower interest expense on floating rate borrowings. Details of the changes are as follows:

	Year ended 31 December			Period ended 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Post-tax profit (decrease)/ increase				
— 10 basis points higher	(184)	(49)	(211)	(185)
— 10 basis points lower	184	49	211	185
As at:				
Owners' equity (decrease)/increase				
— 10 basis points higher	(184)	(49)	(211)	(185)
— 10 basis points lower	184	49	211	185

(b) Credit risk

The Target Business has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, due from related parties, and trade and other receivables represent the Target Business'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 2012, 2013, 2014 and 30 September 2015, all cash and cash equivalents were deposited in high rating 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 14(b).

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

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Target Business and aggregated by the finance department. The Target Business's finance department monitors rolling forecasts of the Target Business's liquidity requirements to ensure it has sufficient cash to meet operational needs.

The table below analyses the Target Business's non-derivative financial liabilities into relevant maturity grouping 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.

	Less than 1 year
	HKD'000
As at 31 December 2012	
Bank loans	189,924
Trade payables	290,697
Other payables	93,034
Due to related parties	40,464
As at 31 December 2013	
Bank loans	83,837
Trade payables	300,489
Other payables	96,744
Due to related parties	58,911
As at 31 December 2014	
Bank loans	99,083
Loan from a related party	161,730
Trade payables	318,773
Other payables	105,549
Due to related parties	46,476

	Less than 1 year
	HKD'000
As at 30 September 2015	
Bank loans	90,564
Loan from a related party	152,528
Trade payables	221,686
Other payables	177,225
Due to related parties	74,541

3.2 Capital management

The Target Business's objectives when managing capital are to safeguard the Target Business'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 Target Business 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 Target Business monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the combined balance sheet) less cash and cash equivalents.

The gearing ratios at 31 December 2012, 2013 and 2014 and 30 September 2015 were as follows:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Total borrowings *(Note 22)*	188,864	83,218	259,825	238,270
Less: cash and cash equivalents *(Note 18)*	(318,387)	(229,483)	(228,317)	(299,751)
Net (cash)/debt	(129,523)	(146,265)	31,508	(61,481)
Total equity	1,290,465	1,094,098	855,070	588,578
Total capital	1,160,942	947,833	886,578	527,097
Gearing ratio	–11.2%	–15.4%	3.6%	–11.7%

Negative gearing ratio denotes net cash position.

3.3 Fair value estimation

The table below analyzes the Target Business's financial instruments carried at fair value as at 31 December 2012, 2013 and 2014 and 30 September 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Target Business's assets that are measured at fair value at 31 December 2012, 2013 and 2014 and 30 September 2015.

	Level 1	**Level 2**	**Level 3**	**Total**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Assets				
As at 31 December 2012				
Available-for-sale financial assets	—	—	3,283	3,283
As at 31 December 2013				
Available-for-sale financial assets	—	—	1,995	1,995
As at 31 December 2014				
Available-for-sale financial assets	—	—	1,489	1,489
As at 30 September 2015				
Available-for-sale financial assets	—	—	1,432	1,432

There were no transfers between levels 1 and 3 during the years ended 31 December 2012, 2013 and 2014 and nine months ended 30 September 2015.

(a) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2012, 2013, 2014 and for the nine months ended 30 September 2015.

	Available-for-sale financial assets			
	Year ended 31 December			Nine months ended 30 September
	2012	2013	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Opening balance	—	3,283	1,995	1,489
Addition through acquisition	4,386	—	—	—
Disposal	—	(848)	(382)	—
Impairment charge	(1,132)	(384)	(8)	—
Exchange difference	29	(56)	(116)	(57)
Closing balance	3,283	1,995	1,489	1,432

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

4.1 Critical accounting estimates and assumptions

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 Target Business 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 Target Business 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 12).

(b) Useful lives of property, plant and equipments

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

(f) Post-employment benefit obligation

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate, inflation and salary growth rate. Any changes in these assumptions will impact the carrying amount of pension obligations. Additional information is disclosed in Note 23.

5 REVENUE

The Target Business is primarily engaged in manufacturing, distributing and selling incontinence care products, baby diapers and other related products through a network of independent retailers in Asia Pacific area.

Over 99% of the Target Business's sales are derived from the sales of personal care products.

6 OTHER INCOME AND GAINS/(LOSSES) — NET

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Gain/(Loss) on disposal of property, plant and equipment	75,280	815	(97)	(68)	(446)
Foreign exchange (losses)/gain, net	(2,442)	2,660	4,439	2,681	(11,003)
Gain on disposals of assets classified as held for sale	14,904	62,553	—	—	—
Impairment charge of trademark *(Note 12(a))*	—	—	—	—	(201,433)
Waiver of related party liabilities	—	—	4,047	—	—
Compensation income	3	1,263	207	139	172
Impairment charge of available-for-sale financial assets	(1,132)	(384)	(8)	—	—
Others	(108)	4,519	2,949	2,750	(961)
	86,505	71,426	11,537	5,502	(213,225)

7 EXPENSES BY NATURE

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Material costs	1,509,120	1,775,577	1,746,371	1,329,438	1,162,332
Staff costs *(Note 8)*	268,081	316,928	290,242	218,344	198,961
Advertising costs	148,543	167,065	160,093	131,399	104,016
Distribution expenses	95,687	139,339	136,215	102,926	88,963
Depreciation of property, plant and equipment *(Note 11)*	96,741	94,255	91,630	67,633	58,761
Headquarter costs *(Note 30)*	42,948	49,710	56,865	30,114	49,016
Repairs and maintenance	40,142	50,669	53,856	38,860	44,712
Utilities	48,698	57,992	58,642	45,134	37,353
Operating lease rental	53,333	44,293	45,652	31,588	30,565
Travel and office expenses	16,395	19,808	23,629	12,266	13,396
Auditor's remuneration	935	1,157	1,723	1,776	1,002
Provision/(reversal) for write-down of inventories	12,116	13,594	13,118	13,835	400
Provision/(reversal) for impairment of receivables *(Note 16)*	2,845	(549)	3,017	1,648	370
Amortisation of intangible assets *(Note 12)*	67	669	1,610	1,306	10
Consulting fee	8,520	1,019	1,891	1,416	820
Other expenses	24,195	71,318	73,039	8,719	36,315
Total cost of sales, selling and marketing costs and administrative expenses	2,368,366	2,802,844	2,757,593	2,036,402	1,826,992

8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Wage, salaries and bonus	213,707	250,903	228,836	172,165	158,066
Social security cost and housing fund	49,456	61,683	56,526	42,630	36,817
Post-employment benefits	4,918	4,342	4,880	3,549	4,078
	268,081	316,928	290,242	218,344	198,961

9 FINANCE INCOME AND COST, NET

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Finance income					
— Interest income on bank deposits	492	952	2,020	1,628	863
Finance cost					
— interest expenses on borrowings	(7,954)	(4,085)	(7,911)	(5,420)	(6,884)
	(7,462)	(3,133)	(5,891)	(3,792)	(6,021)

10 INCOME TAX (CREDIT)/EXPENSE

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Target Companies operate, ranging from 17% to 25%.

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Current income tax	37,508	32,973	30,113	28,849	15,397
Deferred income tax *(Note 24)*	(50,976)	7,427	20,672	20,979	(27,165)
(Over)/under provision for current income tax	(2,401)	(6,481)	(3,412)	(5,239)	592
	(15,869)	33,919	47,373	44,589	(11,176)

The tax on the profit/loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the combined entities as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Profit/(loss) before income tax	97,763	157,017	82,890	53,133	(149,366)
Tax calculated at weighted average tax rate	15,364	26,908	17,960	11,429	(21,694)
Income not subject to taxation	(15,314)	(12,078)	(348)	(346)	(1,648)
Expenses not deductible for taxation	14,251	14,358	25,469	24,285	4,849
Expenses allowable for double deduction	(6,782)	(5,309)	(5,527)	(2,264)	(566)
Unrecognised tax losses	14,109	12,903	14,369	13,885	6,695
Under/(over) provision of income tax for prior year	(2,401)	(6,481)	(3,412)	(5,239)	592
Recognition of reinvestment allowance	(40,022)	—	—	—	—
Effect of changes in tax rate	—	—	(1,414)	—	—
Tax of unappropriated retained earnings *(Note (a))*	3,296	3,744	—	2,098	837
Others	1,630	(126)	276	741	(241)
Income tax(credit)/expense	(15,869)	33,919	47,373	44,589	(11,176)

The weighted average tax rate was 15.72%, 17.14%, 21.67%, 21.51% and 14.52% for the year ended 31 December 2012, 2013, 2014 and nine months ended 30 September 2014 and 2015 respectively. The change in the weighted average tax rate is due to the change in the profitability of the Target Companies in the respective countries, and the rates of taxation prevailing in the countries in which the Target Companies operate differs, ranging from 17% to 25%.

Note (a): Tax of unappropriated retained earnings is an additional 10% undistributed earnings tax for SCA Taiwan recognised during the period when income is earned.

11 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Machinery	Furniture, fittings and equipment	Motor vehicles	Construction in progress	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
As at 1 January 2012							
Cost	—	294	801,089	80,749	1,022	11,758	894,912
Accumulated impairment	—	—	(3,127)	—	—	—	(3,127)
Accumulated depreciation	—	(55)	(332,257)	(35,498)	(705)	—	(368,515)
Net book amount	—	239	465,705	45,251	317	11,758	523,270
Year ended 31 December 2012							
Opening net book amount	—	239	465,705	45,251	317	11,758	523,270
Additions	—	1,511	15,748	6,073	—	3,262	26,594
Acquisition of SCA Taiwan *(Note 28)*	282,724	—	38,161	3,112	—	—	323,997
Disposals	(28,348)	—	(1)	(766)	—	—	(29,115)
Reclassification from CIP to PPE	—	—	10,869	705	—	(11,574)	—
Assets classified as held for sale	(18,607)	—	—	—	—	—	(18,607)
Depreciation charge	(2,197)	(329)	(77,133)	(16,940)	(142)	—	(96,741)
Exchange difference	2,340	66	18,094	1,686	11	364	22,561
Closing net book amount	235,912	1,487	471,443	39,121	186	3,810	751,959
As at 31 December 2012							
Cost	235,769	1,805	865,866	89,873	1,022	3,446	1,197,781
Accumulated impairment	—	—	(3,127)	—	—	—	(3,127)
Accumulated depreciation	(2,197)	(384)	(409,390)	(52,438)	(847)	—	(465,256)
Exchange difference	2,340	66	18,094	1,686	11	364	22,561
Net book amount	235,912	1,487	471,443	39,121	186	3,810	751,959
Year ended 31 December 2013							
Opening net book amount	235,912	1,487	471,443	39,121	186	3,810	751,959
Additions	2,690	1,960	7,422	8,868	—	37,382	58,322
Disposals	—	—	—	(372)	—	—	(372)
Reclassification from CIP to PPE	—	—	2,097	75	—	(2,172)	—
Transfer	3,255	—	—	—	—	—	3,255
Depreciation charge	(1,676)	(673)	(76,820)	(14,992)	(94)	—	(94,255)
Exchange difference	(7,240)	78	(22,155)	(1,754)	(8)	(1,180)	(32,259)
Closing net book amount	232,941	2,852	381,987	30,946	84	37,840	686,650

	Land and buildings	Leasehold improvements	Machinery	Furniture, fittings and equipment	Motor vehicles	Construction in progress	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
As at 31 December 2013							
Cost	241,714	3,765	875,385	98,444	1,022	38,656	1,258,986
Accumulated impairment	—	—	(3,127)	—	—	—	(3,127)
Accumulated depreciation	(3,873)	(1,057)	(486,210)	(67,430)	(941)	—	(559,511)
Exchange difference	(4,900)	144	(4,061)	(68)	3	(816)	(9,698)
Net book amount	232,941	2,852	381,987	30,946	84	37,840	686,650
Year ended 31 December 2014							
Opening net book amount	232,941	2,852	381,987	30,946	84	37,840	686,650
Additions	704	2,993	18,535	8,632	—	44,137	75,001
Disposals	—	—	(85)	(14)	—	—	(99)
Reclassification from CIP to PPE	—	—	25,120	6,795	—	(31,915)	—
Depreciation charge	(4,848)	(1,460)	(69,880)	(15,360)	(82)	—	(91,630)
Exchange difference	(15,468)	(140)	(27,537)	(2,272)	(2)	(3,674)	(49,093)
Closing net book amount	213,329	4,245	328,140	28,727	—	46,388	620,829
As at 31 December 2014							
Cost	242,418	6,758	918,955	113,857	1,022	50,878	1,333,888
Accumulated impairment	—	—	(3,127)	—	—	—	(3,127)
Accumulated depreciation	(8,721)	(2,517)	(556,090)	(82,790)	(1,023)	—	(651,141)
Exchange difference	(20,368)	4	(31,598)	(2,340)	1	(4,490)	(58,791)
Net book amount	213,329	4,245	328,140	28,727	—	46,388	620,829
Period ended 30 September 2015							
Opening net book amount	213,329	4,245	328,140	28,727	—	46,388	620,829
Additions	—	1,681	287	3,575	—	68,473	74,016
Disposals	—	—	(131)	(329)	—	—	(460)
Reclassification from CIP to PPE	—	—	1,189	—	—	(1,189)	—
Depreciation charge	(2,744)	(1,440)	(43,512)	(11,065)	—	—	(58,761)
Exchange difference	(7,994)	(373)	(59,975)	(3,386)	—	(20,517)	(92,245)
Closing net book amount	202,591	4,113	225,998	17,522	—	93,155	543,379

	Land and buildings *HKD'000*	Leasehold improvements *HKD'000*	Machinery *HKD'000*	Furniture, fittings and equipment *HKD'000*	Motor vehicles *HKD'000*	Construction in progress *HKD'000*	Total *HKD'000*
As at 30 September 2015							
Cost	242,418	8,439	920,300	117,103	1,022	118,162	1,407,444
Accumulated impairment	—	—	(3,127)	—	—	—	(3,127)
Accumulated depreciation	(11,465)	(3,957)	(599,602)	(93,855)	(1,023)	—	(709,902)
Exchange difference	(28,362)	(369)	(91,573)	(5,726)	1	(25,007)	(151,036)
Net book amount	202,591	4,113	225,998	17,522	—	93,155	543,379
Period ended 30 September 2014 (unaudited)							
Opening net book amount	232,941	2,852	381,987	30,946	84	37,840	686,650
Additions	701	2,445	12,292	4,721	—	20,556	40,715
Disposals	—	—	(70)	—	—	—	(70)
Reclassification from CIP to PPE	—	—	25,399	3,285	—	(28,684)	—
Depreciation charge	(3,654)	(1,028)	(52,004)	(10,878)	(69)	—	(67,633)
Exchange difference	(6,282)	20	(3,798)	(261)	2	(334)	(10,653)
Closing net book amount	223,706	4,289	363,806	27,813	17	29,378	649,009
As at 30 September 2014 (unaudited)							
Cost	242,415	6,210	913,006	106,450	1,022	30,528	1,299,631
Accumulated impairment	—	—	(3,127)	—	—	—	(3,127)
Accumulated depreciation	(7,527)	(2,085)	(538,214)	(78,308)	(1,010)	—	(627,144)
Exchange difference	(11,182)	164	(7,859)	(329)	5	(1,150)	(20,351)
Net book amount	223,706	4,289	363,806	27,813	17	29,378	649,009

Depreciation of property, plant and equipment has been charged to the combined statement of comprehensive income is as follow:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Cost of sales	(80,205)	(79,360)	(75,478)	(55,964)	(48,333)
Administrative expenses	(16,117)	(14,043)	(14,456)	(10,462)	(8,832)
Selling expenses	(419)	(852)	(1,696)	(1,207)	(1,596)
	(96,741)	(94,255)	(91,630)	(67,633)	(58,761)

12 INTANGIBLE ASSETS

	Goodwill	**Trademarks**	**Others**	**Total**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
As at 1 January 2012				
Cost	9,883	—	797	10,680
Accumulated amortisation	—	—	(697)	(697)
Accumulated exchange difference	700	—	21	721
Net book amount	10,583	—	121	10,704
As 1 January 2012				
Opening net book amount	10,583	—	121	10,704
Acquisition of SCA Taiwan *(note 28)*	—	252,178	1,214	253,392
Amortisation charge	—	—	(67)	(67)
Exchange difference	638	2,867	19	3,524
Closing net book amount	11,221	255,045	1,287	267,553
As at 31 December 2012				
Cost	9,883	252,178	2,011	264,072
Accumulated amortisation	—	—	(764)	(764)
Accumulated exchange difference	1,338	2,867	40	4,245
Net book amount	11,221	255,045	1,287	267,553
As at 1 January 2013				
Opening net book amount	11,221	255,045	1,287	267,553
Additions	—	—	1,043	1,043
Amortisation charge	—	—	(669)	(669)
Exchange difference	(296)	(4,308)	(19)	(4,623)
Closing net book amount	10,925	250,737	1,642	263,304

	Goodwill *HKD'000*	Trademarks *HKD'000*	Others *HKD'000*	Total *HKD'000*
As at 31 December 2013				
Cost	9,883	252,178	3,054	265,115
Accumulated amortisation	—	—	(1,433)	(1,433)
Accumulated exchange difference	1,042	(1,441)	21	(378)
Net book amount	10,925	250,737	1,642	263,304
As at 1 January 2014				
Opening net book amount	10,925	250,737	1,642	263,304
Additions	—	—	70	70
Amortisation charge	—	—	(1,610)	(1,610)
Exchange difference	(681)	(16,806)	(84)	(17,571)
Closing net book amount	10,244	233,931	18	244,193
As at 31 December 2014				
Cost	9,883	252,178	3,124	265,185
Accumulated amortisation	—	—	(3,043)	(3,043)
Accumulated exchange difference	361	(18,247)	(63)	(17,949)
Net book amount	10,244	233,931	18	244,193
Period ended 30 September 2014 (unaudited)				
Opening net book amount	10,925	250,737	1,642	263,304
Additions	—	—	70	70
Amortisation charge	—	—	(1,306)	(1,306)
Exchange difference	(127)	(6,797)	(29)	(6,953)
Closing net book amount	10,798	243,940	377	255,115
As at 30 September 2014 (unaudited)				
Cost	9,883	252,178	3,124	265,185
Accumulated amortisation	—	—	(2,739)	(2,739)
Accumulated exchange difference	915	(8,238)	(8)	(7,331)
Net book amount	10,798	243,940	377	255,115

	Goodwill	Trademarks	Others	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Period ended 30 September 2015				
Opening net book amount	10,244	233,931	18	244,193
Amortisation charge	—	—	(10)	(10)
Impairment	—	(201,433)	—	(201,433)
Exchange difference	(1,116)	(8,919)	15	(10,020)
Closing net book amount	9,128	23,579	23	32,730
As at 30 September 2015				
Cost	9,883	252,178	3,124	265,185
Accumulated amortisation	—	—	(3,053)	(3,053)
Accumulated impairment	—	(201,433)	—	(201,433)
Accumulated exchange difference	(755)	(27,166)	(48)	(27,969)
Net book amount	9,128	23,579	23	32,730

Amortisation of intangible assets charged to the combined statement of comprehensive income is as follow:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Selling expenses	67	669	1,610	1,306	10

(a) Impairment assessments for goodwill

Goodwill is monitored by the management of the Target Business at the operating segment level. Since over 99% of the Target Business's sales are derived from the sales of personal care products, goodwill is allocated to personal care products segment only, shown as follows:

Year ended 31 December 2012	Opening	Acquisition	Exchange differences	Closing
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Goodwill	10,583	—	638	11,221

Year ended 31 December 2013	Opening	Addition	Exchange differences	Closing
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Goodwill	11,221	—	(296)	10,925

Year ended 31 December 2014	Opening	Addition	Exchange differences	Closing
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Goodwill	10,925	—	(681)	10,244

Nine months ended 30 September 2015	Opening	Addition	Exchange differences	Closing
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Goodwill	10,244	—	(1,116)	9,128

Nine months ended 30 September 2014 (unaudited)	Opening	Addition	Exchange differences	Closing
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Goodwill	10,925	—	(127)	10,798

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 ten-year period. A ten-year period is used as there might be potential fluctuations of market conditions beyond the five-year period projection. Therefore, management believes a ten-year period projection would be more precise than a five-year period projection.

For the CGU with significant amount of goodwill, the key assumptions and discount rate used in the value-in-use calculations are as follows:

	Personal care products
Sales amount (% annual growth rate)	10.4%
Gross margin (% of revenue)	36.0%
Pre-tax discount rate	6.59%

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

Sales amount is the average annual growth rate over the ten-year forecast period. It is based on past performance, management's expectations of market development and the integration of the personal care business.

Gross margin is the average margin as a percentage of revenue over the ten-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.

A rise in discount rate to 13.18%, a fall in gross margin to 30% or a fall in expected annual sales growth rate to 5%, all changes taken in isolation, would still leave the impairment test sufficient headroom.

(b) Impairment assessments for trademarks with indefinite useful life

Management of the Target Business assesses the value of trademarks 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/period movement of trademarks with indefinite useful life.

Year ended 31 December 2012	**Opening**	**Acquisition**	**Impairment**	**Exchange differences**	**Closing**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Trademarks with indefinite useful life	—	252,178	—	2,867	255,045

Year ended 31 December 2013	**Opening**	**Addition**	**Impairment**	**Exchange differences**	**Closing**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Trademarks with indefinite useful life	255,045	—	—	(4,308)	250,737

Year ended 31 December 2014	**Opening**	**Addition**	**Impairment**	**Exchange differences**	**Closing**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Trademarks with indefinite useful life	250,737	—	—	(16,806)	233,931

Nine months ended 30 September 2015	**Opening**	**Addition**	**Impairment**	**Exchange differences**	**Closing**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Trademarks with indefinite useful life	233,931	—	(201,433)	(8,919)	23,579

Nine months ended 30 September 2014 (unaudited)	**Opening**	**Addition**	**Impairment**	**Exchange differences**	**Closing**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Trademarks with indefinite useful life	250,737	—	—	(6,797)	243,940

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

	Personal care products trademark	
	Years ended 31 December 2012, 2013 and 2014	**Nine months ended 30 September 2015**
Sales amount (% annual growth rate)	5.2%	3%
Royalty saving ratio (%)	1.7%–3.1%	1.25%
Long term growth rate	1.92%	N/A
Discount rate	6.81%	14.1%
Useful life	Indefinite	15 years

The significant impairment loss of the trademarks incurred for the nine months ended 30 September 2015 is attributable to, among other things, an updated view from the current owners of the Target Business, taking into consideration the lower than originally estimated results from the Taiwanese market and the expected divestment value of these assets.

A fall in expected annual sales growth rate, royalty saving ratio, long term growth rate, useful life or a rise in discount rate would result in a further impairment of the trademark.

13 INVENTORIES

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Raw materials	132,290	96,255	100,401	97,662
Finished goods	180,395	194,796	180,420	159,350
	312,685	291,051	280,821	257,012

The cost of inventories recognised as expense and included in 'cost of sales' amounted to approximately HKD1,737,328,000; HKD2,114,670,000; HKD2,112,943,000, HKD1,569,312,000 and HKD1,394,142,000, during the years ended 31 December 2012, 2013, 2014 and nine months ended 30 September 2014 and 2015, respectively which included provision of inventory obsolescence of approximately HKD12,116,000, HKD13,594,000, HKD13,118,000, HKD13,835,000 and HKD400,000 respectively.

14a FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	**Available-for-sale**
	HKD'000	*HKD'000*
31 December 2012		
Assets as per balance sheet		
Trade and other receivables excluding non-financial assets	416,915	—
Available-for-sale financial assets	—	3,283
Due from related parties excluding prepayments	48,407	—
Cash and cash equivalents	318,387	—
Total	783,709	3,283

	Other financial liabilities at amortised cost
	HKD'000
Liabilities as per balance sheet	
Bank borrowings	188,864
Trade and other payables excluding non-financial liabilities	383,731
Due to related parties	40,464
	613,059

	Loans and receivables *HKD'000*	Available-for-sale *HKD'000*
31 December 2013		
Assets as per balance sheet		
Trade and other receivables excluding non-financial assets	394,763	—
Available-for-sale financial assets	—	1,995
Due from related parties excluding prepayments	53,785	—
Cash and cash equivalents	229,483	—
Total	678,031	1,995

	Other financial liabilities at amortised cost *HKD'000*
Liabilities as per balance sheet	
Bank borrowings	83,218
Trade and other payables excluding non-financial liabilities	397,233
Due to related parties	58,911
	539,362

	Loans and receivables *HKD'000*	Available-for-sale *HKD'000*
31 December 2014		
Assets as per balance sheet		
Trade and other receivables excluding non-financial assets	375,446	—
Available-for-sale financial assets	—	1,489
Due from related parties excluding prepayments	69,195	—
Cash and cash equivalents	228,317	—
Total	672,958	1,489

	Other financial liabilities at amortised cost *HKD'000*
Liabilities as per balance sheet	
Bank borrowings	98,933
Loan from a related party	160,892
Trade and other payables excluding non-financial liabilities	424,322
Due to related parties	46,476
	730,623

	Loans and receivables *HKD'000*	Available-for-sale *HKD'000*
30 September 2015		
Assets as per balance sheet		
Trade and other receivables excluding non-financial assets	372,006	—
Available-for-sale financial assets	—	1,432
Due from related parties excluding prepayments	40,766	—
Cash and cash equivalents	299,751	—
Total	712,523	1,432

	Other financial liabilities at amortised cost *HKD'000*
Liabilities as per balance sheet	
Bank borrowings	90,553
Loan from a related party	147,717
Trade and other payables excluding non-financial liabilities	398,911
Due to related parties	74,541
	711,722

14b CREDIT QUALITY OF FINANCIAL ASSETS

Trade receivables and notes receivables

The Target Business 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 are 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 majority of them are placed with banks of a high credit rating banks. The management believes these high credit rating banks are able to support in the event of a liquidity difficulty.

The Target Business categories its bank balance and restricted bank deposits into the following:

Group 1 — Major international banks
Group 2 — Other banks

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Group 1	258,077	147,363	140,139	183,782
Group 2	60,077	81,970	88,034	115,834
Total	318,154	229,333	228,173	299,616

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December			Period ended 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Beginning of the year/period	—	3,283	1,995	1,489
Addition through acquisition of SCA Taiwan *(Note 28)*	4,386	—	—	—
Impairment charge	(1,132)	(384)	(8)	—
Disposals	—	(848)	(382)	—
Exchange difference	29	(56)	(116)	(57)
End of the year/period	3,283	1,995	1,489	1,432

The available-for-sale financial assets comprises equity interest in unlisted Baodian Enterprise held by SCA Taiwan, denominated in NT$.

16 TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Trade receivables	402,077	381,296	367,843	354,236
Less: allowance for impairment of trade receivables	(4,121)	(2,760)	(2,895)	(2,789)
Trade receivables — net	397,956	378,536	364,948	351,447
Other receivables	14,737	14,074	9,233	20,559
Note receivables	4,222	2,153	1,265	—
Prepayments	17,373	15,603	18,728	18,593
Prepaid expenses	238	275	116	44
Total trade and other receivables, and prepayments	434,526	410,641	394,290	390,643

Ageing analysis of gross trade receivables based on invoice date at the respective balance sheet dates is as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Within 3 months	391,382	345,609	360,590	339,406
4 months to 6 months	6,643	19,223	3,705	10,426
7 months to 12 months	3,833	16,145	3,275	2,595
Over 1 year	219	319	273	1,809
	402,077	381,296	367,843	354,236

As at 31 December 2012, 2013 and 2014 and 30 September 2015 trade receivables of approximately HKD10,149,000, HKD38,868,000, HKD6,099,000 and HKD17,480,000 were past due but not impaired. These balances relate to number of independent customers for which there is no recent history of default. The ageing analysis of these trade receivables based on invoice date is as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Within 3 months	3,575	5,941	1,741	5,439
4 months to 6 months	6,298	19,223	3,295	10,426
7 months to 12 months	276	13,704	1,063	1,615
	10,149	38,868	6,099	17,480

As at 31 December 2012, 2013 and 2014 and 30 September 2015, trade receivables of approximately HKD4,121,000, HKD2,760,000, HKD2,895,000 and HKD2,789,000 were impaired and fully provided for. The individually impaired receivables mainly relate to customers with financial difficulty. The ageing of these receivables is as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
4 months to 6 months	345	—	410	—
7 months to 12 months	3,557	2,441	2,212	980
Over 1 year	219	319	273	1,809
	4,121	2,760	2,895	2,789

The Target Business recognised provision for impairment of trade and other receivables in the administrative expenses in the combined statement of comprehensive income.

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

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
MYR	246,380	231,955	226,760	226,435
NT$	50,468	65,284	59,352	43,025
US$	49,938	32,254	37,668	48,750
THB	47,490	36,707	27,314	24,463
SG$	25,176	23,524	27,245	23,543
KRW	14,848	20,832	15,435	17,191
Indonesia Rupiah	195	85	516	5,728
Euro	31	—	—	1,508
	434,526	410,641	394,290	390,643

As at 31 December 2012, 2013, 2014 and 30 September 2015, the carrying amount of the Target Business'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.

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

	Year ended 31 December			Nine months ended 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
As at 1 January	(1,253)	(4,121)	(2,760)	(2,895)
(Provision)/Reversal of impairment of receivables	(2,845)	549	(3,017)	(370)
Receivables written off	62	670	2,797	158
Exchange differences	(85)	142	85	318
As at year/period end	(4,121)	(2,760)	(2,895)	(2,789)

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

17 ASSETS CLASSIFIED AS HELD FOR SALE

Year ended 31 December 2012	Acquisition	Disposal	Transfer from FA	Exchange differences	Closing
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Land and buildings	23,748	(6,746)	18,607	494	36,103

Year ended 31 December 2013	Opening	Disposal	Transfer to FA	Exchange differences	Closing
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Land and buildings	36,103	(32,224)	(3,255)	(624)	—

18 CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Cash on hand	233	150	144	135
Bank deposits *(Note a)*	318,154	229,333	228,173	299,616
Total cash and bank balance	318,387	229,483	228,317	299,751

Note:

(a) The interest rates on bank deposits as at 31 December 2012, 2013 and 2014 and 30 September 2015 were in the range of 0.2% to 2.9% per annum and such deposits had maturities of less than three months. The deposits earn interests at floating rate based on prevailing market rates.

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

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
US$	163,279	40,955	54,568	79,007
NT$	99,993	106,639	89,053	75,970
MYR	41,939	58,074	52,524	114,900
SG$	7,768	7,980	12,397	10,391
THB	4,395	10,251	11,883	7,956
KRW	—	3,856	5,631	10,527
EUR	—	778	867	73
Other currencies	1,013	950	1,394	927
	318,387	229,483	228,317	299,751

19 COMBINED CAPITAL

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Share capital				
— SCA Malaysia	58,143	58,143	58,143	58,143
— SCA Korea	2,077	2,077	2,077	2,077
	60,220	60,220	60,220	60,220

The combined capital represents share capital of SCA Malaysia and SCA Korea.

20 RESERVES

	Statutory reserves	Other reserves	Retained earnings	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
At 1 January 2012	—	15,525	441,258	456,783
Profit for the year	—	—	113,632	113,632
Other comprehensive income:				
Actuarial gain on post-employment benefit obligations	—	19	—	19
Currency translation differences		46,067	—	46,067
Total comprehensive income for 2012	—	46,086	113,632	159,718
Contribution from owner *(Note 27)*	—	613,744	—	613,744
At 31 December 2012	—	675,355	554,890	1,230,245
At 1 January 2013	—	675,355	554,890	1,230,245
Profit for the year	—	—	123,098	123,098
Other comprehensive income:				
Actuarial gain on post-employment benefit obligations	—	6,615	—	6,615
Currency translation differences	—	(47,857)	—	(47,857)
Total comprehensive income for 2013	—	(41,242)	123,098	81,856
Transaction with owners:				
Dividends paid	—	—	(55,677)	(55,677)
Distribution to owner by reduction of capital *(note (a))*	—	(222,546)	—	(222,546)
Appropriation of reserves *(note (b))*	6,186	—	(6,186)	—
At 31 December 2013	6,186	411,567	616,125	1,033,878

The reserves represent combined reserves of SCA Malaysia, SCA Korea and SCA Taiwan.

(a) Distribution to owner by reduction of capital

On 31 July 2013, SCA Group reduced the share capital of SCA Taiwan from 143,087,945 shares to 56,087,945 shares.

(b) Appropriation of reserves

In accordance with the Articles of Association of SCA Taiwan, 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 10% of the statutory net profit.

	Statutory reserves	**Other reserves**	**Retained earnings**	**Total**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
At 1 January 2014	6,186	411,567	616,125	1,033,878
Profit for the year	—	—	35,517	35,517
Actuarial gain on post-employment benefit obligations	—	3,926	—	3,926
Currency translation differences	—	(73,801)	—	(73,801)
Total comprehensive income for 2014	—	(69,875)	35,517	(34,358)
Transaction with owners:	—	—	—	—
Appropriation of reserves	4,064	—	(4,064)	—
Dividends paid	—	—	(204,670)	(204,670)
At 31 December 2014	10,250	341,692	442,908	794,850
At 1 January 2014 (unaudited)	6,186	411,567	616,125	1,033,878
Profit for the period	—	—	8,544	8,544
Actuarial gain on post-employment benefit obligations	—	3,566	—	3,566
Currency translation differences	—	(14,542)	—	(14,542)
Total comprehensive income for 2014	—	(10,976)	8,544	(2,432)
Transaction with owners				
Appropriation of reserves	4,095	—	(4,095)	—
Dividends paid	—	—	(204,670)	(204,670)
At 30 September 2014	10,281	400,591	415,904	826,776
At 1 January 2015	10,250	341,692	442,908	794,850
Loss for the period	—	—	(138,190)	(138,190)
Actuarial gain on post-employment benefit obligations	—	3,097	—	3,097
Currency translation differences	—	(106,759)	—	(106,759)
Total comprehensive loss for 2015	—	(103,662)	(138,190)	(241,852)
Transaction with owners				
Dividends declared	—	(24,640)	—	(24,640)
At 30 September 2015	10,250	213,390	304,718	528,358

21 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Trade payables	290,697	300,489	318,773	221,686
Other payables	93,034	96,744	105,549	177,225
Accrued expenses	124,526	161,536	114,612	144,212
	508,257	558,769	538,934	543,123

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the carrying amount of the Target Business's trade payables and other payables approximated their fair values.

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

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
MYR	172,895	165,231	249,186	236,763
NT$	101,169	106,471	83,000	59,144
US$	94,406	102,600	66,169	79,561
KRW	5,352	3,015	4,215	2,802
Thai Bhat	4,519	9,746	8,094	7,953
SG$	3,269	5,256	3,922	3,853
EUR	1,553	3,782	8,796	8,623
Japanese Yen	500	726	314	73
Indonesia Rupiah	26	11	141	139
Swedish Krona	26	341	485	—
Other currencies	16	54	—	—
	383,731	397,233	424,322	398,911

The credit period granted by the creditors generally ranged from 30 to 90 days. Ageing analysis of trade payables based on invoice date as at 31 December 2012, 2013 and 2014 and 30 September 2015 were as follow:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Within 3 months	290,325	300,359	318,634	219,956
4 months to 6 months	22	—	81	773
7 months to 12 months	343	—	39	200
Over 1 year	7	129	19	757
	290,697	300,489	318,773	221,686

22 BORROWINGS

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Current				
Loans from banks				
— Unsecured	188,864	83,218	98,933	90,553
Loans from a related party *(note 30)*	—	—	160,892	147,717
Total borrowings	188,864	83,218	259,825	238,270

(a) The maturity of borrowings is as follow:

Bank borrowings

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Loans due from repayment within 1 year	188,864	83,218	98,933	90,553

Loans from a related party

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Loans due from repayment within 1 year	—	—	160,892	147,717

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

Bank borrowings

	31 December			30 September
	2012	2013	2014	2015
	%	%	%	%
MYR	3.35%–4.08%	3.54%–3.90%	3.83%–4.91%	3.87%–4.15%
KRW	2.55%–2.60%	3.10%	3.39%	2.94%
US$	1.10%–2.05%	0.35%–0.52%	—	—

Loans from a related party

	31 December			30 September
	2012	2013	2014	2015
	%	%	%	%
THB	—	—	3.70%	3.93%

(c) The carrying values of the borrowings approximate their fair values, as the market interest rates are relatively stable. The effective interest rates (per annum) at the balance sheet date were as follows:

	Borrowings			
	As at 31 December			As at 30 September
	2012	2013	2014	2015
	%	%	%	%
MYR	3.72%	3.72%	4.37%	4.01%
KRW	2.60%	3.10%	3.39%	2.94%
US$	1.75%	0.51%	—	—
THB	—	—	3.70%	3.93%

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

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
MYR	174,803	51,635	49,233	32,053
KRW	8,874	29,200	49,700	58,500
US$	5,187	2,383	—	—
THB	—	—	160,892	147,717
	188,864	83,218	259,825	238,270

23 POST-EMPLOYMENT BENEFITS

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

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Balance sheet obligations for:					
— Defined pension benefits	67,054	63,364	56,063	58,637	45,023
Liability in the balance sheet	67,054	63,364	56,063	58,637	45,023
Income statement charge included in operating profit for:					
— Defined pension benefits	1,734	2,587	2,477	1,926	1,843
	1,734	2,587	2,477	1,926	1,843
Remeasurements for:					
— Defined pension benefits	47	7,994	4,763	4,296	3,731
	47	7,994	4,763	4,296	3,731

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

(a) Defined benefit pension plans

The Target Business operates defined benefit pension plans in Korea and Taiwan.

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

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

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

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Present value of funded obligations	79,223	70,798	59,774	62,920	51,573
Fair value of plan assets	(13,175)	(9,130)	(6,270)	(6,963)	(9,504)
Deficit of funded plans	66,048	61,668	53,504	55,957	42,069
Present value of unfunded obligations	1,006	1,696	2,559	2,680	2,954
Total deficit of defined benefit pension plans	67,054	63,364	56,063	58,637	45,023
Impact of minimum funding requirement/asset ceiling	—	—	—	—	—
Liability in the balance sheet	67,054	63,364	56,063	58,637	45,023

The movement in the defined benefit liability over the year/period is as follows:

	Present value of obligation *HKD'000*	Fair value of plan assets *HKD'000*	Total *HKD'000*
At 1 January 2012	1,619	(94)	1,525
Current service cost	940	—	940
Interest expense/(income)	913	—	913
	3,472	(94)	3,378
Remeasurements:			
— Return on plan assets, excluding amounts included in interest income	—	(327)	(327)
— Loss from change in demographic assumptions	(6)	—	(6)
— Loss from change in financial assumptions	(206)	91	(115)
— Experience losses	73	—	73
	(139)	(236)	(375)
Currency translation differences	961	(143)	818
effect due to amendments	2,875	—	2,875
effect due to C/S	(697)	—	(697)
Contributions:			
— Employers	—	(285)	(285)
Payments from plans:			
— Benefit payments	(1,844)	1,280	(564)
Acquired in a business combination *(Note 28)*	75,601	(13,697)	61,904
At 31 December 2012	80,229	(13,175)	67,054
At 1 January 2013	80,229	(13,175)	67,054
Current service cost	1,455	—	1,455
Interest expense/(income)	1,342	(197)	1,145
	83,026	(13,372)	69,654
Remeasurements:			
— Return on plant assets, excluding amounts included in interest income	—	168	168
— Loss from change in demographic assumptions	724	—	724
— Loss from change in financial assumptions	(2,309)	2	(2,307)
— Experience gains	(6,410)	—	(6,410)
	(7,995)	170	(7,825)
Currency translation differences	(1,331)	226	(1,105)
effect due to amendments	4,646	—	4,646
effect due to C/S	(777)	—	(777)
Contributions:			
— Employers	—	(1,081)	(1,081)
Payments from plans:			
— Benefit payments	(5,075)	4,927	(148)
At 31 December 2013	72,494	(9,130)	63,364

	Present value of obligation HKD'000	Fair value of plan assets HKD'000	Total HKD'000
At 1 January 2014	72,494	(9,130)	63,364
Current service cost	1,534	—	1,534
Interest expense/(income)	1,244	(160)	1,084
	75,272	(9,290)	65,982
Remeasurements:			
— Loss from change in demographic assumptions	(31)	—	(31)
— Loss from change in financial assumptions	(3,847)	(40)	(3,887)
— Experience gains	(844)	—	(844)
	(4,722)	(40)	(4,762)
Currency translation differences	(4,580)	511	(4,069)
Contributions:			
— Employers	—	(1,006)	(1,006)
Payments from plans:			
— Benefit payments	(3,637)	3,555	(82)
At 31 December 2014	62,333	(6,270)	56,063
At 1 January 2015	62,333	(6,270)	56,063
Current service cost	1,066	—	1,066
Interest expense/(income)	1,000	(104)	896
	64,399	(6,374)	58,025
Remeasurements:			
— Return on plan assets, excluding amounts included in interest income	—	(13)	(13)
— Loss from change in financial assumptions	(3,731)	—	(3,731)
	(3,731)	(13)	(3,744)
Currency translation differences	(2,248)	406	(1,842)
Contributions:			
— Employers	—	(7,194)	(7,194)
Payments from plans:	—	—	—
— Benefit payments	(3,893)	3,671	(222)
At 30 September 2015	54,527	(9,504)	45,023
At 1 January 2014 (unaudited)	72,494	(9,130)	63,364
Current service cost	1,150	—	1,150
Interest expense/(income)	933	(120)	813
	74,577	(9,250)	65,327

	Present value of obligation *HKD'000*	Fair value of plan assets *HKD'000*	Total *HKD'000*
Remeasurements:			
— Return on plan assets, excluding amounts included in interest income	—	(11)	(11)
— Loss from change in financial assumptions	(4,296)	—	(4,296)
	(4,296)	(11)	(4,307)
Currency translation differences	(1,846)	228	(1,618)
Contributions:			
— Employers	—	(765)	(765)
Payments from plans:			
— Benefit payments	(2,835)	2,835	—
At 30 September 2014	65,600	(6,963)	58,637

The significant actuarial assumptions were as follows:

	2012	**2013**	**2014**	**2015**
Discount rate	1.70%	1.69%	2.14%	2.14%
Inflation	2.00%	2.00%	2.00%	1.00%
Salary growth rate	4.25%	4.00%	4.00%	2.50%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory:

	2012	**2013**	**2014**	**2015**
Retiring at the end of the year:				
— Male	5	—	4	8
— Female	—	4	—	—
Retiring 20 years after the end of the year				
— Male	NA	NA	NA	NA
— Female	NA	NA	NA	NA

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

	Impact on defined benefit obligation	
	Change in assumption	**Change of DBO**
Discount rate	+0.25%/–0.25%	–3.37%/+3.52%
Salary growth rate	+0.25%/–0.25%	+3.45%/–3.31%

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

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

At 31 December 2012	**Less than a year**	**Between 1–2 years**	**Between 2–5 years**	**Over 5 years**	**Total**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Pension benefits	3,497	1,330	5,646	97,798	108,271

At 31 December 2013	**Less than a year**	**Between 1–2 years**	**Between 2–5 years**	**Over 5 years**	**Total**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Pension benefits	566	1,341	4,712	90,286	96,905

At 31 December 2014	**Less than a year**	**Between 1–2 years**	**Between 2–5 years**	**Over 5 years**	**Total**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Pension benefits	614	1,284	4,941	79,847	86,686

At 30 September 2014 (unaudited)	**Less than a year**	**Between 1–2 years**	**Between 2–5 years**	**Over 5 years**	**Total**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Pension benefits	586	1,129	4,442	82,138	88,295

At 30 September 2015	**Less than a year**	**Between 1–2 years**	**Between 2–5 years**	**Over 5 years**	**Total**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Pension benefits	587	1,387	4,325	67,749	74,048

24 DEFERRED INCOME TAX

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Deferred income tax assets:				
— Deferred income tax asset to be recovered after more than 12 months	5,742	5,837	5,374	4,751
— Deferred income tax asset to be recovered with 12 months	48,848	43,431	20,631	5,934
	54,590	49,268	26,005	10,685
Deferred income tax liabilities:				
— Deferred income tax liabilities to be recovered after more than 12 months	(66,077)	(65,177)	(60,537)	(23,982)
— Deferred income tax liabilities to be recovered within 12 months	(46,402)	(49,389)	(46,432)	(31,791)
	(112,479)	(114,566)	(106,969)	(55,773)
	(57,889)	(65,298)	(80,964)	(45,088)

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Deferred income tax assets	54,590	49,268	26,005	10,685
Deferred income tax liabilities	(112,479)	(114,566)	(106,969)	(55,773)
	(57,889)	(65,298)	(80,964)	(45,088)

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

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Beginning of the year/period	(42,770)	(57,889)	(65,298)	(65,298)	(80,964)
Acquisition of SCA Taiwan *(Note 28)*	(63,944)	—	—	—	—
Income statement credit/(charge)	50,976	(7,427)	(20,672)	(20,979)	27,165
Charged to the statement of comprehensive income	(29)	(1,379)	(837)	(730)	(634)
Exchange difference	(2,122)	1,397	5,843	1,789	9,345
End of the year/period	(57,889)	(65,298)	(80,964)	(85,218)	(45,088)

The analysis of deferred income tax assets and liabilities are as follows:

Deferred income tax assets

	Accrued expenses	Reinvestment allowance	Allowance for doubtful debts	Unrealised profits sales of inventories	Exchange loss	Retirement benefit obligation	Others	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
At 1 January 2012	8,333	—	—	—	—	—	—	8,333
Acquisition	—	—	4,660	—	789	4,036	926	10,411
Credited to income statement	(7,926)	40,021	132	53	1,218	844	608	34,950
Exchange difference	232	495	55	—	31	61	22	896
At 31 December 2012	639	40,516	4,847	53	2,038	4,941	1,556	54,590
At 1 January 2013	639	40,516	4,847	53	2,038	4,941	1,556	54,590
Charged to income statement	166	(1,889)	(52)	32	(1,116)	127	(228)	(2,960)
Exchange difference	(23)	(2,111)	(82)	—	(36)	(83)	(27)	(2,362)
At 31 December 2013	782	36,516	4,713	85	886	4,985	1,301	49,268
At 1 January 2014	782	36,516	4,713	85	886	4,985	1,301	49,268
Charged to income statement	315	(17,260)	(4,603)	13	(231)	(75)	978	(20,863)
Exchange difference	(72)	(1,705)	(110)	—	(49)	(332)	(132)	(2,400)
At 31 December 2014	1,025	17,551	—	98	606	4,578	2,147	26,005
At 1 January 2015	1,025	17,551	—	98	606	4,578	2,147	26,005
Charged to income statement	916	(14,015)	—	17	431	(439)	(213)	(13,303)
Exchange difference	(248)	(1,500)	—	—	(43)	(154)	(72)	(2,017)
At 30 September 2015	1,693	2,036	—	115	994	3,985	1,862	10,685
At 1 January 2014 (unaudited)	782	36,516	4,713	85	886	4,985	1,301	49,268
Charged to income statement	664	(17,687)	(4,638)	7	(232)	(77)	985	(20,978)
Exchange difference	(22)	(169)	(75)	—	(22)	(94)	(46)	(428)
At 30 September 2014	1,424	18,660	—	92	632	4,814	2,240	27,862

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. SCA Korea, SCA Thailand and SCA Indonesia did not recognise deferred income tax assets on deductible tax losses. Deductible tax losses that are not recognised as deferred tax assets will be expired as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
2016	23,789	23,789	23,789	23,789
2017	20,520	20,520	20,520	20,520
2018	—	56,124	56,124	56,124
2019	—	—	68,398	68,398
2020	12,819	12,819	12,819	45,711
2021	8,660	8,660	8,660	8,660
2022	5,155	5,155	5,155	5,155
2023	—	10,433	10,433	10,433
2024	—	—	6,249	6,249
2025	—	—	—	2,018
	70,943	137,500	212,147	247,057

Deferred income tax liabilities

	Depreciation difference	Fair value gains through business combination	Actuarial gains on defined benefit plans	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
At 1 January 2012	(51,103)	—	—	(51,103)
Acquisition	—	(66,039)	(8,316)	(74,355)
Credit to income statement	6,629	1,131	8,266	16,026
Charged to other comprehensive income	—	—	(29)	(29)
Exchange difference	(1,928)	(1,140)	50	(3,018)
At 31 December 2012	(46,402)	(66,048)	(29)	(112,479)
At 1 January 2013	(46,402)	(66,048)	(29)	(112,479)
(Charge)/Credit to income statement	(5,630)	1,163	—	(4,467)
Charged to other comprehensive income	—	—	(1,379)	(1,379)
Exchange difference	2,643	1,116	—	3,759
At 31 December 2013	(49,389)	(63,769)	(1,408)	(114,566)
At 1 January 2014	(49,389)	(63,769)	(1,408)	(114,566)
(Charge)/Credit to income statement	(918)	1,109	—	191
Charged to other comprehensive income	—	—	(837)	(837)
Exchange difference	3,875	4,236	132	8,243
At 31 December 2014	(46,432)	(58,424)	(2,113)	(106,969)
At 1 January 2015	(46,432)	(58,424)	(2,113)	(106,969)
Credit to income statement	5,565	34,903	—	40,468
Charged to other comprehensive income	—	—	(634)	(634)
Exchange difference	9,058	2,194	110	11,362
At 30 September 2015	(31,809)	(21,327)	(2,637)	(55,773)
At 1 January 2014 (unaudited)	(49,389)	(63,769)	(1,408)	(114,566)
(Charge)/Credit to income statement	(782)	781	—	(1)
Charged to other comprehensive income	—	—	(730)	(730)
Exchange difference	451	1,720	46	2,217
At 30 September 2014	(49,720)	(61,268)	(2,092)	(113,080)

25 NOTES TO STATEMENTS OF CASH FLOWS

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

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Profit/(loss) before income tax	97,763	157,017	82,890	53,133	(149,366)
Adjustments for:					
— Depreciation of property, plant and equipment *(Note 11)*	96,741	94,255	91,630	67,633	58,761
— Amortisation of intangible assets *(Note 12)*	67	669	1,610	1,306	10
— (Gain)/loss on disposals of property, plant and equipment	(75,280)	(815)	97	68	446
— Provision/(reversal) of impairment of receivables	2,845	(549)	3,017	1,648	370
— Provision for/(reversal of) inventory impairment	12,116	13,594	13,118	13,835	400
— Provision for severance benefits	463	672	871	662	660
— Net finance costs	9,904	473	1,452	1,111	17,025
— Impairment loss of available-for-sale financial assets	1,132	384	8	—	—
— Gain on disposal of assets classified as held for sale	(14,904)	(62,553)	—	—	—
— Impairment charge of intangible assets	—	—	—	—	201,433
— Accrued pension liabilities	2,927	4,852	710	522	—
	133,774	207,999	195,403	139,918	129,739
Changes in working capital (excluding the effect of exchange differences on combination):					
— Decrease/(increase) in inventories	40,296	(1,204)	(25,511)	(59,391)	(23,892)
— Increase in trade receivables, other receivables and prepayments	(1,862)	(643)	(33,954)	(33,423)	(98,216)
— Decrease/(increase) in amount due from related parties	642	(14,135)	8,568	30,834	39,917
— Increase/(decrease) in trade payables, other payables and accrued expenses	39,387	98,212	(1,927)	1,909	53,215
— Increase/(decrease) in amount due to related parties	10,980	(1,994)	(18,909)	4,956	5,717
Cash generated from operations	223,217	288,235	123,670	84,803	106,480

(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:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Net book amount *(Note 11)*	29,115	372	99	70	460
Gain/(loss) on disposal of property, plant and equipment *(Note 6)*	75,280	815	(97)	(68)	(446)
Proceeds from disposal of property, plant and equipment	104,395	1,187	2	2	14

26 COMMITMENTS

(a) Operating lease commitments

The Target Business leases various type of premises under non-cancellable operating lease agreements. The future minimum lease payable under non-cancellable operating lease contracted for at the balance sheet dates but not recognised as liabilities, are as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
No later than 1 year	38,888	30,091	34,521	19,516
Later than 1 year and no later than 2 years	35,083	8,346	7,924	13,612
Later than 2 years but not later than 5 years	15,365	12,762	—	16,899
	89,336	51,199	42,445	50,027

(b) Capital commitments

	Year ended 31 December			Nine months ended 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Property, plant and equipment	106,963	106,618	106,501	153,384

27 CONTRIBUTION FROM OWNER

On 1 June 2012, SCA Group acquired 100% equity interests of SCA Taiwan from Mr. Qiu Dingyang, an independent third party, and paid the total consideration. Upon completion of the acquisition, SCA Taiwan became the subsidiary of SCA Group. Therefore it is treated as contribution from owner.

28 BUSINESS COMBINATION

On 1 June 2012, SCA Group acquired 100% equity interests of SCA Taiwan and paid the total consideration.

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

	HKD'000
Consideration as at 1 June 2012	
Total cash consideration paid by SCA Group	613,744
Total consideration	613,744
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	82,931
Property, plant and equipment *(Note 11)*	323,997
Trademarks (included in intangibles) *(Note 12)*	252,178
Intangible assets *(Note 12)*	1,214
Assets classified as held for sale	23,748
Deferred tax assets *(Note 24)*	10,411
Inventories	103,112
Trade and other receivables	113,669
Available for sale financial assets	4,386
Post-employment obligations *(Note 23)*	(61,904)
Deferred tax liabilities *(Note 24)*	(74,355)
Borrowings	(41,941)
Trade and other payables	(123,702)
Total identifiable net assets	613,744
Goodwill	—
	613,744

The revenue included in the combined income statement since 1 June 2012 contributed by SCA Taiwan was HKD498,745,000. SCA Taiwan also contributed profit of HKD110,177,000 over the same period.

Had SCA Taiwan been consolidated from 1 January 2012, the combined income statement would show pro-forma revenue of HKD901,768,000 and profit of HKD 147,609,000.

29 DIVIDENDS

The dividends paid in 2013 and 2014 by the Target Business to its then shareholders were HKD 55,677,000 and HKD204,670,000 respectively. On 31 July 2015, SCA Taiwan declared a dividend in the amount of NT$100,000,000 (equivalent to HKD24,640,000) to its shareholders in relation to its prior year earnings, which is reflected in these combined financial statements as dividend payable.

30 RELATED PARTY TRANSACTIONS

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

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

Name of related party	Relationship
Svenska Cellulosa Aktiebolaget SCA (SCA)	Ultimate parent company
Asaleo Care Australasia Pty Ltd ("SCA HA", formerly known as SCA Hygiene Australasia Pty Limited)	An associate of Svenska Cellulosa Aktiebolaget
AB SCA Finans (Publ) ("SCA Finans")	Subsidiary of Svenska Cellulosa Aktiebolaget
Asaleo Care (Fiji) Limited ("Asaleo Fiji")	An associate of Svenska Cellulosa Aktiebolaget
Asaleo Care Australia Pty Ltd ("Asaleo Australia")	An associate of Svenska Cellulosa Aktiebolaget
Asaleo Care New Zealand Limited ("Asaleo New Zealand")	An associate of Svenska Cellulosa Aktiebolaget
Everbeauty Industry(Shanghai) Co.,Ltd. ("EB Shanghai")	Subsidiary of Svenska Cellulosa Aktiebolaget
Sancella SA (Pty) Ltd. ("SSA")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA (China) Holding Co., Ltd ("SCA (China)")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Business Consulting (Shanghai) Co., Ltd. ("SCA Consulting")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Cool Logistics Receivables ("SCA Cool Logistics")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products AB ("SCA HP")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products Corporation ("SCA Hygiene Products Corporation")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products Co., Ltd.	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products Gennep B.V ("SCA Gennep")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products GmbH ("SCA GMBH")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products HOOGEZAND B.V ("SCA Hoogezand")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products India Pvt. Ltd ("SCA India")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products Nederland ("SCA Nederland")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA North America Canada Inc. ("SCA Canada")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products Slovaki ("SCA Slovaki")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products Sp. Z o.o. ("SCA Z.o.o")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products Zeist B.V. ("SCA Zeist")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Logistics AB ("SCA Logistics")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Management Services (Shanghai) Co, Ltd ("SCA Management")	Subsidiary of Svenska Cellulosa Aktiebolaget

Name of related party	Relationship
SCA Tissue France SAS ("SCA France")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Tissue Hong Kong Ltd. ("SCA HK")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Tissue North America LLP ("SCA North America")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Trans Forest ("SCA TF")	Subsidiary of Svenska Cellulosa Aktiebolaget
Taiwan Sancella Enterprise Co., Ltd. (Sancella TW)	Subsidiary of Svenska Cellulosa Aktiebolaget
Uni Charm Molnlycke Tokyo K.K. ("SCA Japan")	Subsidiary of Svenska Cellulosa Aktiebolaget
Vinda Paper Industrial (H.K.) Co. Ltd ("Vinda HK")	Subsidiary of Svenska Cellulosa Aktiebolaget
Vinda Personal Care Limited ("VPC")	Subsidiary of Svenska Cellulosa Aktiebolaget

(b) Significant related party transactions

In the opinion of the Target Business's directors, the related party transactions were conducted in the ordinary and usual course of business and based on terms mutually agreed by the underlying parties. Other than the related party transactions disclosed elsewhere in the combined financial statements, significant related party transactions of the Target Business during the years/periods also include:

(1) Sales of products to related parties:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
SCA Hygiene Products Corporation	81,538	83,028	41,660	40,120	—
Asaleo Australia	12,703	7,657	10,590	8,184	6,161
SCA Canada	—	625	2,832	2,125	3,009
Asaleo FIJI	1,494	5,023	13,277	10,926	8,566
SCA HK	4,593	7,384	9,293	7,355	7,604
SCA HP	—	—	3	3	—
SCA India	—	5,336	45,551	18,149	34,406
SCA Japan	44,207	95,926	128,119	95,619	91,992
SCA Nederland	—	2,550	3,780	3,114	2,701
Asaleo NEW ZEALAND	2,147	2,501	6,054	3,664	4,401
SCA HP	—	1,159	3,029	2,467	2,789
VPC	—	—	11,088	—	42,291
	146,682	211,189	275,276	191,726	203,920

(2) Purchase of products from related parties:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Sancella TW	14,412	16,426	—	—	—
SCA (China)	49	—	—	—	—
SCA GENNEP	30,858	41,811	58,693	48,367	20,675
SCA Gmbh	6,054	8,842	7,522	6,382	8,407
SCA HK	7	110	218	106	—
SCA Hoogezand	1,904	4,287	8,264	5,680	2,056
SCA HP	13,331	18,875	18,147	15,779	18,958
SCA Hygiene Products Co., Ltd.	12,576	4,818	—	—	—
SCA Logistics	—	—	2,143	1,679	1,638
SCA North America	—	—	—	—	—
SCA TF	1,606	2,362	423	276	78
SCA ZOO	3,570	5,975	5,384	4,121	4,811
VPC	—	—	—	—	124
	84,367	103,506	100,794	82,390	56,747

(3) Interest expense to a related party:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
SCA Finans	—	—	3,109	1,822	4,868

(4) IT expenses paid to related parties:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
SCA HP	8,699	12,431	13,135	9,015	12,922
Asaleo Australia	746	—	—	—	—
	9,445	12,431	13,135	9,015	12,922

(5) Headquarter costs to related parties:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
SCA (China)	42,948	49,710	56,865	30,114	49,016
	42,948	49,710	56,865	30,114	49,016

(6) Key management compensation:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Senior management					
— Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	10,318	11,595	8,708	6,896	4,921
	10,318	11,595	8,708	6,896	4,921

(c) Year/Period-end balances with related parties

(1) Accounts Receivables from related parties

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Asaleo Australia	688	756	1,783	655
SCA Canada	—	—	358	466
SCA (China)	51	90	60	138
SCA Cool Logistics	93	—	—	—
Asaleo FIJI	108	1,440	2,391	4,651
SCA GmbH	—	—	—	1
SCA HK	1,449	2,315	2,068	—
SCA HP	74	362	950	750
SCA Hygiene Products Co., Ltd	26,281	27,463	—	—
SCA India	—	358	28,371	5,371
SCA Japan	11,609	10,102	16,055	15,721
Asaleo New Zealand	407	1,183	1,372	1,216
SCA Nederland	—	—	686	665
SCA France	—	—	—	8
SCA	—	—	—	3
VPC	—	—	10,589	11,093
Vinda HK	—	—	—	28
	40,760	44,069	64,683	40,766

(2) Other Receivables from related parties

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
EB Shanghai	7,629	2,829	4,512	—
SCA Canada	—	533	—	—
SCA China	—	22	—	—
SCA Hygiene Products Co., Ltd	18	—	—	—
SCA Japan	—	5,333	—	—
SCA Nederland	—	815	—	—
SCA HP	—	184	—	—
	7,647	9,716	4,512	—

All the above receivables are aged within 3 months based on invoice date as at 31 December 2012, 2013 and 2014 and 30 September 2015.

(3) Trade payables to related parties

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
SCA (China)	5,113	10,093	15,408	32,560
SCA GENNEP	14,995	15,015	7,731	5,706
SCA Gmbh	2,493	6,694	2,932	2,904
SCA Finans	—	—	—	—
SCA Hoogezand	—	4,808	5,551	2,678
SCA HP	7,481	16,230	6,131	3,705
SCA JAPAN	—	—	—	—
SCA LOGISTICS	20	12	198	1,119
SCA NORTH AMERICA	—	—	—	172
SCA TF	157	212	—	—
SCA ZEIST	—	37	36	26
SCA ZOO	895	4,398	1,406	1,199
SCA Hygiene Products Co., Ltd.	1,423	—	—	—
Sancella TW	6,552	—	—	—
SSA	259	245	261	311
Vinda HK	—	—	196	6
	39,388	57,744	39,850	50,386

(4) Notes payables to related parties

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
SCA (China)	1,076	1,090	746	—

(5) Other payables to related parties

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
SCA	—	64	3,308	—
SCA (China)	—	—	—	15,297
SCA HP	—	—	1,695	3,996
SCA TF	—	13	39	51
	—	77	5,042	19,344

All the above payables are aged within 3 months based on invoice date as at 31 December 2012, 2013, 2014 and 30 September 2015.

(6) Loans from a related party

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
— SCA Finans *(Note (a))*	—	—	160,892	147,717

(7) Interest payable to a related party

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
— SCA Finans *(Note (a))*	—	—	838	4,811

(a) On 25 April 2014, SCA Thailand entered into a facility agreement with SCA Finans, in relation to loans of aggregate amount not exceeding THB700,000,000.

SCA Thailand disbursed loans under the facility agreement with SCA Finans dated 25 April 2014, with principal amounts of THB600,000,000 and THB85,000,000 and maturity dates of 30 April 2015 and 25 May 2015, respectively and the weighted average interest rate is 3.28%.

SCA Thailand disbursed loans under the facility agreement with SCA Finans dated 25 April 2014, with principal amounts of THB15,000,000, THB85,000,000 and THB600,000,000 and maturity dates of 20 November 2015, 26 October 2015 and 30 October 2015, respectively and the weighted average interest rate is 4.61%.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any of the Target Companies or their subsidiaries in respect of any period subsequent to 30 September 2015 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by any of the Target Companies or their subsidiaries in respect of any period subsequent to 30 September 2015.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

A UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group ("**Unaudited Pro Forma Financial Information**"), which has been prepared on the basis of the notes set forth below for the purpose of illustrating the effects of the Acquisition, as if it has taken place on 31 December 2014.

This Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed on 31 December 2014 or any future date.

The Unaudited Pro Forma Financial Information has been prepared based on the audited consolidated balance sheet of the Group as at 31 December 2014 included in the published 2014 annual report of the Company and the audited combined balance sheet of the Target Group as at 30 September 2015 as set out in the Accountant's Report in Appendix II to this circular after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with those of the Group as set out in the published annual report of the Group for the year ended 31 December 2014.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

B UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

		Pro forma adjustments			
	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2014	Audited consolidated statement of assets and liabilities of Target Group as at 30 September 2015	Other pro forma adjustments	Note	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	Note 1	*Note 2*			
Non-current assets					
Property, plant and equipment	5,901,731	543,379	146,678	(3)(ii)	6,591,788
Leasehold land and land use rights	297,759	—			297,759
Intangible assets	1,400,041	32,730	2,078,009	(3)(i) & (iv)	3,510,780
Deferred income tax assets	267,406	10,685			278,091
Available for sale financial assets	—	1,432			1,432
	7,866,937	588,226			10,679,850
Current assets					
Inventories	2,029,115	257,012			2,286,127
Trade receivables, other receivables and prepayments	1,523,602	390,643			1,914,245
Prepayments to and receivables from related parties	61,753	40,766			102,519
Restricted bank deposits	1,302	—			1,302
Cash and cash equivalents	720,284	299,751			1,020,035
Total current assets	4,336,056	988,172			5,324,228
Total assets	12,202,993	1,576,398			16,004,078
Non-current liabilities					
Borrowings	878,668	—			878,668
Loan from a related party	2,030,138	—	1,013,614	(4)&(7)	3,043,752
Deferred government grants	98,726	—			98,726
Post-employment benefit obligations	—	45,023	—	—	45,023
Deferred income tax liabilities	94,788	55,773	243,193	(3)(iii)	393,754
	3,102,320	100,796			4,459,923
Current liabilities					
Trade payables, other payables and accrued expenses	2,309,379	543,123	33,200	(8)	2,885,702
Borrowings	1,555,999	90,553			1,646,552
Convertible Notes	—	—	501,489	(4)&(6)	501,489
Due to related parties	39,900	74,541			114,441
Loan from a related party		147,717			147,717
Dividend payable		23,500			23,500
Current income tax liabilities	114,390	7,590			121,980
	4,019,668	887,024			5,441,381
Total liabilities	7,121,988	987,820			9,901,304
Net assets	5,081,005	588,578			6,102,774

C NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

1. The balances are extracted from the consolidated balance sheet of the Group as at 31 December 2014 as set out in the Company‘s published annual report for the year ended 31 December 2014.

2. The balances are extracted from the combined balance sheet of the Target Group as at 30 September 2015 as set out in the accountant's report of the Target Group as set out in Appendix II to this circular.

3. The adjustments represent the accounting treatment for the Acquisition using the acquisition method of accounting, which is in accordance with the Group's accounting policies and Hong Kong Financial Reporting Standard 3 "Business Combinations" ("HKFRS 3") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Pursuant to the Sales and Purchase Agreement, the Group, through its wholly owned subsidiary, has acquired the entire issued share capital in SCA Korea, SCA Taiwan and SCA Malaysia. The initial purchase price for the Sales Shares is an amount equal to HK$2,800,000,000 less the Estimated Net Debt, subject to post-completion adjustments by reference to the amount of actual Net Debt and working capital of the Target Group as at the Completion Date.

   For the purpose of preparing this Unaudited Pro Forma Financial Information, the Company has estimated the fair value of the identifiable assets and liabilities of the Target Group based on a valuation report prepared by American Appraisal China Limited, an independent valuer, with 30 September 2015 being the valuation date for the sole purpose of applying the purchase method of accounting in this Acquisition, i.e. to evaluate the fair values of identifiable assets and liabilities of the Target Group and allocate the purchase consideration to these assets and liabilities in this appendix. The fair value adjustments comprise the recognition of;

   (i) intangible assets, representing customer relationships, trademarks, patents and technologies;

   (ii) property, plant and equipment;

   (iii) goodwill;

   (iv) the related tax adjustments arising from the fair value adjustments based on the applicable tax rate.

The valuation methods applied to the estimation of the fair value of the different categories of the identifiable assets and liabilities of the Target Group are listed as follows:

Items	Valuation method used
Intangible assets — Customer Relationships	Multi-Period Excess Earning Method
Intangible assets — Licensing of trademarks	Relief from Royalty Method
Intangible assets — Trademarks	Relief from Royalty Method
Intangible assets — Licensing of patents and technologies	Relief from Royalty Method
Property, plant and equipment — lands	Direct Comparison Approach
Property, plant and equipment — buildings and machinery	Depreciated Replacement Cost Method
Other assets	Cost approach

The fair value of customer relationships is established using a form of the income approach known as the "multi-period excess earnings method" which is widely adopted when market participants consider current customer relationships of a company to be one of the core of central importance.

In this method, value is estimated as the present value of the benefits anticipated from ownership of the subject intangible assets in excess of the returns required on the investment in the contributory assets necessary to realise those benefits.

The main identifiable intangible assets are the licensing of trademark and patents and technologies and the owned trademark of the Target Group, and they are valued using a form of the income approach known as the "relief-from-royalty method". As part of the transactions contemplated under the Sales and Purchase Agreement, a License Agreement was entered into in which no license fee shall be payable for 9 years from the Completion Date in respect of certain trademark, patents and technologies and related intellectual property to use and/or to manufacture of certain personal care and tissue products in the Territory and/or the Additional Territory. This method recognises that, because the ownership of the trademark or the licensing arrangement which exempted the licensee fee for a 9 year-period, the Target Group do not have to pay a royalty, usually expressed as a percentage of sales, for the use of such trademark, patents and technologies and related intellectual property. The present value of the after-tax cost savings (i.e. royalty relief) at an appropriate discount rate indicates the value of such intangible assets at 30 September 2015, being the valuation date.

The fair value of lands are established using Direct Comparison Approach by making reference to the recent market transactions of comparable properties in close proximity as available in the market and adjust for difference in key attributes to reflect the heterogeneous nature of lands.

The fair value of buildings and machinery are established using Depreciated Replacement Cost Method which is estimated based on the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

The key assumptions used in estimating the fair values of the intangible assets are as follows:

Sales amount (% annual growth rate)	5.5%–6.8%
Gross margin (% of revenue)	21.0%–22.3%
Discount rate	14.2%–15.4%
Royalty saving ratio (%)	1.3%–2.3%

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, the valuation methods, basis and key assumptions applied in the valuation report prepared by the independent valuer for the sole purpose of preparing this Unaudited Pro Forma Financial Information and applying the purchase method of accounting in the Acquisition have been made after due and careful enquiry.

(i) Intangible assets

The following table summarises the fair values of the newly identified intangible assets of the Target Group as at 30 September 2015:

	Fair value
	HK$'000
Intangible assets	
— Customer relationship	314,438
— Licensing of trademarks	96,150
— Trademarks	252,936
— Licensing of patents and technologies	194,900
Total intangible assets	858,424

(ii) Property, plant and equipment

The adjustment represents the fair value adjustments of property, plant and equipment of the Target Group as at 30 September 2015 for HK$146,678,000.

(iii) Deferred tax liabilities

The adjustments on deferred income tax liabilities of approximately HK$243,193,000 is determined by applying the Target Group's income tax rate ranging from 17% to 25% on the fair value adjustments of intangible assets and property, plants and equipment.

(iv) Goodwill

The excess amount of the cash consideration plus the fair value of the Consideration Shares and Convertible Notes over the fair value of the net identifiable assets of the Target Group as at 30 September 2015, being the valuation date, is recognised as goodwill.

The goodwill arising from the Acquisition of the Target Group at the valuation date is calculated as follows:

	HK$'000
Cash consideration by way of Commercial Loan from Shareholder *(Note 7)*	1,013,614
Add: Fair value of Consideration Shares *(Note 5)*	1,054,969
Add: Fair value of Convertible Notes *(Note 6)*	501,489
Less: Fair value of net assets acquired by the Group	(1,341,359)
Goodwill	1,228,713

This goodwill mainly presents the synergy for the Group to gain immediate access to the personal care products market as well as the extensive distribution network of the Target Group for distributing the Group's tissue products.

The amount of goodwill at actual Completion may be substantially different from the amount stated herein, mainly arising from the difference between the fair value of the Consideration Shares, Convertible Notes, Commercial Loan from Shareholder and the fair value adjustments to net identifiable assets as at the valuation date and the actual Completion Date.

The Directors confirm that no indication of impairment of goodwill and intangible assets were emerged as at the valuation date and they will apply consistent accounting policies and assumptions to assess impairment of goodwill and intangible assets in subsequent reporting periods in accordance with the requirements under HKAS 36 annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

4. Pursuant to the Sales and Purchase Agreement, the initial purchase price of HK$2,800,000,000 less the Estimated Net Debt will be satisfied by: (i) HK$1,204,334,000 by the issue of Consideration Shares by the Company to SCA Group at the Completion Date; (ii) HK$502,058,000 by the issue of the Convertible Note by the Company to SCA Group at Completion Date; and (iii) HK$1,093,608,000 less the Estimated Net Debt, in cash by way of directing AB SCA Finans (publ), a fellow subsidiary of the Group, to pay such amount out of the proceeds of the Commercial Loan from Shareholder to SCA Group.

   An analysis of the fair value of consideration of the Acquisition as at 30 September 2015, being the valuation date, is set out as follows:

	HK$'000
Consideration Shares *(Note 5)*	1,054,969
Convertible Notes *(Note 6)*	501,489
Cash by way of Commercial Loan from Shareholder *(Note 7)*	1,013,614
	2,570,072

   The difference between the fair value of consideration of HK$2,570,072,000 and the initial consideration of Acquisition of HK$2,800,000,000 represents the fair value adjustment of Consideration Shares and Convertible Note and the price adjustment for the amounts of net debt and deficits of working capital from the agreed aggregated amount of normalised working capital of the Target Group as at 30 September 2015, being the valuation date, for the purpose of preparing this Unaudited Pro Forma Financial Information. The fair value of the consideration at actual Completion may be different from the amounts stated herein.

5. The fair value of the Consideration Shares issued for the Acquisition is based on 75,897,034 Consideration Shares issued at the price of HK$13.9 per share by reference to the share price of the Company as at 30 September 2015, being the valuation date. However, the fair value of the Consideration Shares issued as consideration for the Acquisition so arrived at as aforesaid of HK$1,054,969,000 and used for the purpose of the preparation of the Unaudited Pro Forma Financial Information set out above may be substantially different from their actual fair value based on share price at the Completion Date.

   Upon the issuance of the 75,897,034 Consideration Shares by the Company in connection with the Acquisition, the share capital and the reserve of the Company will be increased by approximately HK$7,590,000 and HK$1,047,379,000, respectively. The increase in amount of share capital and the reserve of the Company at actual Completion Date may be substantially different from the amount stated herein due to the difference between the fair value of the Consideration Shares at the valuation date and the actual Completion Date.

6. The Group accounted for the Convertible Notes issued to SCA Group with principal amount of HK$502,058,000 in accordance with HKAS 32 Financial Instruments: Disclosures and Presentation issued by HKICPA.

   The fair value of the Convertible Notes is determined at HK$501,489,000 as at 30 September 2015, being the valuation date, by reference to a valuation report prepared by American Appraisal China Limited, an independent valuer, and recorded as current liabilities. The fair value of the Convertible Notes to be recognised at actual Completion Date may be different from the amounts stated herein.

   The key assumptions used in estimating the fair values of the Convertible Notes are as follows:

Bond yield	3%
Normalised share price	HK$15.86

7. A Commercial Loan from Shareholder with an aggregate principal amount not exceeding HK$1,093,608,000 will be provided by AB SCA Finans (publ), a fellow subsidiary of the Group, at or prior to the Completion. The entire proceeds from which will be used to settle part of the final purchase price.

   Pursuant to the Sales and Purchase Agreement, the initial consideration will be adjusted such that the final purchase price will be determined by taking into account the surplus or the deficits (i) between the amount of actual net debt of the Target Group at the Completion Date and the Estimated Net Debt; and (ii) between the amount of working capital of the Target Group as at the Completion Date and the agreed aggregate amount of normalised working capital of the Target Group at HK$143,709,000.

   The adjustment represented the net amount of Commercial Loan from Shareholder drawn down after adjusting for the amounts of net debt of HK$11,853,000 and deficits of working capital from the agreed aggregated amount of normalised working capital of the Target Group, amounting to HK$68,141,000, as at 30 September 2015, being the valuation date, for the purpose of the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group. The actual amount of Commercial Loan from Shareholder drawn down at actual Completion may be different from the amounts stated herein due to the difference between (i) the amount of actual net debt of the Target Group at the Completion Date and the Estimated Net Debt at the valuation date; and (ii) the amount of surplus or deficits from the normalised working capital of the Target Group as at the Completion Date and the valuation date.

8. For the purpose of the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the legal and other professional fees, printing, stamp duties, Commitment Fee and other direct expenses relating to the

Acquisition are estimated to be approximately HK$33,200,000. The adjustment has no continuing effect to the Enlarged Group but will be reflected in the financial statements of the Group in the financial year these expenses actually incurred.

9. No adjustments have been made to reflect any trading results or other transaction of the Group and the Target Group entered into subsequent to 31 December 2014 and 30 September 2015, respectively.

10. The directors of the Company are in the opinion that intra-group transactions between the Group and the Target Group are not material to the financial position of the Enlarged Group.

D STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE ENLARGED GROUP

	Audited consolidated net tangible assets of the Group as at 31 December 2014	**Pro forma adjustment**	**Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*		*Note 3*
Based on 75,897,034 new Consideration Shares to be issued by the Company to the Vendor for settlement of the Consideration	3,680,964	(1,088,970)	2,591,994	2.41

Notes to the statement of unaudited pro forma consolidated net tangible assets of the Group:

1. The audited consolidated net tangible assets of the Group attributable to the shareholders of the Company as at 31 December 2014 is extracted from the published annual report of the Company for the year ended 31 December 2014 which is based on the audited consolidated net assets of the Group attributable to the shareholders of the Company as at 31 December 2014 of HK$5,081,005,000 with an adjustment for the intangible assets as at 31 December 2014 of HK$1,400,041,000.

2. The adjustment represents the balances of the assets and liabilities of the Target Group adjusted by the pro-forma adjustments listed in Section B above, amounting to HK$1,021,769,000, less goodwill and intangible assets of HK$2,110,739,000.

3. The unaudited pro forma consolidated net tangible assets per share is calculated based on the unaudited pro forma consolidated net tangible assets attributable to the shareholders of the Company of approximately HK$2,591,994,000 and 1,074,300,000 shares of the Company in issue (on the basis that there were 998,402,686 shares in issue as at 31 December 2014 and 75,897,034 new Consideration Shares will be issued but assuming the Convertible Notes are not converted) as if the Acquisition had been completed on 31 December 2014.

4. No adjustments have been made to reflect any trading results or other transaction of the Group and the Target Group entered into subsequent to 31 December 2014 and 30 September 2015, respectively.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

pwc 羅兵咸永道

TO THE DIRECTORS OF VINDA INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Vinda International Holdings Limited (the "Company") and its subsidiaries (together the "Group"), SCA Hygiene Malaysia Sdn Bhd ("SCA Malaysia") and its subsidiaries, SCA Taiwan Limited ("SCA Taiwan") and SCA Hygiene Korea Co. Ltd. ("SCA Korea") (collectively as the "Target Group") (the Group and the Target Group are collectively referred to as the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 December 2014, unaudited pro forma adjusted consolidated net tangible assets as at 31 December 2014, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages 157 to 166 of the Company's circular dated 28 December 2015, in connection with the proposed acquisition of the Target Group (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages 157 to 166.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 31 December 2014 as if the Transaction had taken place at 31 December 2014. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the year ended 31 December 2014, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 28 December 2015

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors and chief executives interests or short position in the Shares or short position in Shares and underlying Shares

As at the Latest Practicable Date, 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) which may have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); or have been entered in the register maintained by the Company pursuant to section 352 of the SFO or have otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules are as follows:

Name	Company/name of associated corporation	Nature of interest	Number of shares	Number of underlying Shares	Aggregate interest	Approximate percentage of interest
Mr. Li	The Company	Interest of controlled company	271,341,581 Shares *(1)*			
		Personal	—	1,998,000	273,339,581	27.36%
	Fu An Trading	Personal	14,842 shares of HK$1.00 each	—	—	74.21%
	Fu An International	Interest of controlled company	282 shares of US$1.00 each	—	—	74.21%
	Sentential Holdings Limited	Personal	1 share of US$1.00 each	—	—	100.00%
Ms. Yu	The Company	Interest of controlled company	271,341,581 Shares *(2)*			
		Personal	50,000 Shares	240,000	271,631,581	27.19%
	Fu An Trading	Personal	3,158 shares of HK$1.00 each	—	—	15.79%
	Fu An International	Interest of controlled company	60 shares of US$1.00 each	—	—	15.79%
	Join Pride International Limited	Personal	10 shares of US$1.00 each	—	—	100.00%
Mr. Dong	The Company	Interest of controlled company	271,341,581 Shares *(3)*			
		Personal		240,000	271,581,581	27.18%
	Fu An Trading	Personal	2,000 shares of HK$1.00 each	—	—	10.00%

Name	Company/name of associated corporation	Nature of interest	Number of shares	Number of underlying Shares	Aggregate interest	Approximate percentage of interest
	Fu An International	Interest of controlled company	38 shares of US$1.00 each	—	—	10.00%
	Daminos Management Limited	Personal	10 shares of US$1.00 each	—	—	100.00%
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	—	140,000	140,000	0.01%
Tsui King Fai	The Company	Personal	—	140,000	140,000	0.01%

Notes:

1. Among these Shares, (a) 216,341,581 Shares are registered in the name of Fu An International 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 Mr. Li; (b) 55,000,000 Shares will be allotted and issued to Fu An Trading or its nominee pursuant to the equity transfer agreement dated 1 November 2015 (the "**Equity Transfer Agreement**") entered into among the Company, an indirect wholly-owned subsidiary of the Company and Fu An Trading in respect of the sale and purchase of the entire equity interest in Jiangmen Dynasty Fortune Paper Limited, details of which have been set out in the announcement of the Company dated 2 November 2015. Fu An Trading is held as to 74.21% by Mr. Li, 15.79% by Ms. Yu and 10.00% by Mr. Dong.

2. Among these Shares, (a) 216,341,581 Shares are registered in the name of Fu An International 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 Ms. Yu; (b) 55,000,000 Shares will be allotted and issued to Fu An Trading or its nominee pursuant to the Equity Transfer Agreement. Fu An Trading is held as to 74.21% by Mr. Li, 15.79% by Ms. Yu and 10.00% by Mr. Dong.

3. Among these Shares, (a) 216,341,581 Shares are registered in the name of Fu An International 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 Mr. Dong; (b) 55,000,000 Shares will be allotted and issued to Fu An Trading or its nominee pursuant to the Equity Transfer Agreement. Fu An Trading is held as to 74.21% by Mr. Li, 15.79% by Ms. Yu and 10.00% by Mr. Dong.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO and so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors and the chief executive of the Company) had or were deemed or taken to have interests or short positions in the Shares or underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in Shares and underlying Shares

Name of shareholder	Nature of interest	Interest in Shares	Interest in underlying Shares	Aggregate interest	Percentage of issued share capital
SCA Group Holding *(1)*	Beneficial owner	589,097,459 *(5)*	31,639,653 *(6)*	620,737,112	62.13%
Svenska Cellulosa Aktiebolaget *(1)*	Interest of controlled company	589,097,459 *(5)*	31,639,653 *(6)*	620,737,112	62.13%
Fu An Trading *(2)*	Beneficial owner	55,000,000	—	55,000,000	5.51%
Fu An International *(3)*	Beneficial owner	216,341,581	—	216,341,581	21.66%
Sentential Holdings Limited *(3)*	Interest of controlled company	216,341,581	—	216,341,581	21.66%
Mr. Li	Interest of controlled company	271,341,581 Shares *(2) & (3)*	1,998,000	273,339,581	27.36%
NordinvestAB *(4)*	Beneficial owner	97,000,000	—	97,000,000	9.71%
Floras Kulle AB *(4)*	Interest of controlled company	97,000,000	—	97,000,000	9.71%
AB Industrivarden (publ) *(4)*	Interest of controlled company	97,000,000	—	97,000,000	9.71%

Notes:

1. SCA Group 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.

2. 55,000,000 Shares will be allotted and issued to Fu An Trading or its nominee pursuant to the Equity Transfer Agreement. Fu An Trading is held as to 74.21% by Mr. Li, 15.79% by Ms. Yu and 10.00% by Mr. Dong. Under the SFO, Mr. Li is deemed to be interested in the Shares in which Fu An Trading is interested.

3. Fu An International 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 Mr. Li. Under the SFO, Sentential Holdings Limited and Mr. Li are deemed to be interested in the Shares held by Fu An International.

4. Nordinvest AB is directly wholly-owned by Floras Kulle AB, which, in turn, is directly 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.

5. Among these Shares, 75,897,034 Shares will be allotted and issued to SCA Group Holding pursuant to the Sale and Purchase Agreement.

6. These Shares represent the Conversion Shares which will be allotted and issued to SCA Group Holding upon conversion of the Convertible Note on and subject to the terms of the Sale and Purchase Agreement.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' INTEREST IN ASSETS AND/OR ARRANGEMENT

Save for (i) the lease agreement, the second lease agreement and the supplemental lease agreement respectively dated 22 November 2011, 27 March 2012 and 10 April 2014 entered into between a wholly-owned subsidiary of the Company and Jiangmen Taiyuan Paper Company Limited, details of which have been set out in paragraph (G) in the "Continuing Connected Transactions" section on page 68 of the Annual Report of the Company for the year ended 31 December 2014 and (ii) the Equity Transfer Agreement, no contracts of significance in relation to the Enlarged Group's business to which any member of the Enlarged Group 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.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors, directly or indirectly, had any interest in any assets which had since 31 December 2014 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had an existing or proposed service contract with any member of the Enlarged Group which will not expire or be determinable by the relevant member of the Enlarged Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors, proposed directors or any of their respective close associates had any interest in business which competes with or may compete with the business of the Enlarged Group or had any other conflict of interests with the Enlarged Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

8. EXPERTS AND CONSENTS

The following are the names and qualifications of the experts who have given their opinions and advice which are included in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified public accountants
Somerley	A corporation licensed under the SFO to carry on Type 1 (dealing insecurities) and Type 6 (advising in corporate finance) regulated activities

As at the Latest Practicable Date, none of the above experts had any shareholding, directly or indirectly, in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, none of the above experts had any interest, direct or indirect, in any assets which since 31 December 2014, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to, any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion or report in the form and context in which they are included.

9. MATERIAL CONTRACTS

Save for the Equity Transfer Agreement, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Enlarged Group within the two years immediately preceding the date of this circular.

10. GENERAL

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is at Penthouse, East Ocean Centre, 98 Granville Road, Tsimshatsui East, Kowloon, Hong Kong.

(c) The company secretary of the Company is Ms. Tan Yi Yi, who is a member of the Association of Chartered Certified Accountants in the United Kingdom.

(d) The Company's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (except Saturdays and public holidays) at the head office and principal place of business of the Company in Hong Kong at Penthouse, East Ocean Centre, 98 Granville Road, Tsimshatsui East, Kowloon, Hong Kong, from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the years ended 31 December 2013 and 2014;

(c) the letter from the Board, the text of which is set out on pages 11 to 44 of this circular;

(d) letter from the Independent Board Committee, the text of which is set out on pages 45 and 46 of this circular;

(e) letter from the Independent Financial Adviser, the text of which is set out on pages 47 to 81 of this circular;

(f) the accountants' report on the Target Group issued by PricewaterhouseCoopers as set out in Appendix II to this circular;

(g) the unaudited pro forma financial information of the Enlarged Group issued by PricewaterhouseCoopers as set out in Appendix III to this circular;

(h) the written consent referred to in the paragraph headed "Experts and Consents" of this appendix;

(i) the Sale and Purchase Agreement and the Amendment Agreement;

(j) the Equity Transfer Agreement;

(k) the Licence Agreements;

(l) First Intellectual Property and Technology Licence Agreement;

(m) Second Intellectual Property and Technology Licence Agreement; and

(n) this circular.

VINDA INTERNATIONAL HOLDINGS LIMITED
維 達 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3331)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**Meeting**") of Vinda International Holdings Limited (the "**Company**") will be held at Camomile & Magnolia Room, Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Wednesday, 13 January 2016 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company. Capitalised terms defined in the circular of the Company dated 28 December 2015 shall have the same meanings when used in this notice unless otherwise specified.

ORDINARY RESOLUTION

"**THAT**:

(a) the Sale and Purchase Agreement (a copy of which has been produced to the Meeting and marked "**A**" and initialed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consideration Shares, the directors of the Company be and are hereby authorised to allot and issue the Consideration Shares in accordance with the terms and conditions of the Sale and Purchase Agreement;

(c) the creation and issue of the Convertible Note and the issue and allotment of the Conversion Shares pursuant to the Convertible Note be and are hereby approved; and

(d) any one Director be and is hereby authorised to do all such acts and things and execute all such documents for and on behalf of the Company which he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Sale and Purchase Agreement and the transactions contemplated thereunder."

Yours faithfully,
By order of the board
Vinda International Holdings Limited
LI Chao Wang
Chairman

28 December 2015

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
Tsimshatsui East
Kowloon, Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company.

2. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarial certified copy of such power of attorney or authority, must be deposited with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjourned Meeting.

3. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.

4. Completion and return of the form of proxy will not preclude members from attending and voting at the EGM.