恒安國際集團有限公司*

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1044)

Websites: http://www.hengan.com
http://www.irasia.com/listco/hk/hengan

"Growing with You for a Better Life"

2016 ANNUAL RESULTS ANNOUNCEMENT
FINANCIAL SUMMARY

	2016 *RMB'000*	2015 *RMB'000* (Restated)	Change
Continuing operations			
Revenue	**19,277,397**	18,662,576	3.3%
Profit attributable to shareholders	**3,471,746**	3,233,204	7.4%
Gross profit margin (%)	**48.8%**	47.9%	
Earnings per share			
— Basic	**RMB2.864**	RMB2.645	8.3%
— Diluted	**RMB2.864**	RMB2.641	8.4%
Discontinuing operations			
Profit attributable to shareholders	**125,075**	26,659	369.2%
Earnings per share			
— Basic	**RMB0.103**	RMB0.022	368.2%
— Diluted	**RMB0.103**	RMB0.022	368.2%
Overall profit attributable to shareholders	3,596,821	3,259,863	10.3%
Overall earnings per share			
— Basic	RMB2.967	RMB2.667	11.2%
— Diluted	RMB2.967	RMB2.663	11.4%
Dividends			
— Interim (paid)	**RMB0.85**	RMB0.78	
— Final (proposed/paid)	**RMB1.10**	RMB0.96	
Continuing operations			
Accounts receivable turnover (days)	**47**	40	
Finished goods turnover (days)	**46**	43	
Current ratio (times)	**1.4**	1.2	
Rate of return (%)	**23.6**	22.0	

* *For identification purposes only*

RESULTS

The Board of Directors of Hengan International Group Company Limited (the "Company" or "Hengan International") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016, together with the comparative figures for the previous year, as follows:

Consolidated income statement

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000 (Restated)
Continuing operations			
Revenue	*3*	**19,277,397**	18,662,576
Cost of goods sold		**(9,873,445)**	(9,722,983)
Gross profit		**9,403,952**	8,939,593
Other income and other gains – net		**542,971**	546,192
Distribution costs		**(3,720,725)**	(3,293,007)
Administrative expenses		**(1,483,329)**	(1,304,775)
Operating profit		**4,742,869**	4,888,003
Finance income		**176,444**	170,639
Finance costs		**(360,302)**	(509,968)
Finance costs – net		**(183,858)**	(339,329)
Profit before income tax	*4*	**4,559,011**	4,548,674
Income tax expense	*5*	**(1,079,445)**	(1,299,209)
Profit for the year from continuing operations		**3,479,566**	3,249,465
Discontinued operations			
Profit for the year from discontinued operations	*12*	**281,896**	52,272
Profit for the year		**3,761,462**	3,301,737
Profit attributable to:			
Shareholders of the Company		**3,596,821**	3,259,863
Non-controlling interests		**164,641**	41,874
		3,761,462	3,301,737

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000 (Restated)
Profit attributable to shareholders of the Company arising from:			
Continuing operations	*3*	**3,471,746**	3,233,204
Discontinued operations	*12*	**125,075**	26,659
		3,596,821	3,259,863
Earnings per share from continuing operations and discontinued operations attributable to shareholders of the Company			
Basic earnings per share			
— From continuing operations	*6*	**RMB2.864**	RMB2.645
— From discontinued operations	*6*	**RMB0.103**	RMB0.022
— From profit for the year		**RMB2.967**	RMB2.667
Diluted earnings per share			
— From continuing operations	*6*	**RMB2.864**	RMB2.641
— From discontinued operations	*6*	**RMB0.103**	RMB0.022
— From profit for the year		**RMB2.967**	RMB2.663

Consolidated statement of comprehensive income

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Profit for the year	**3,761,462**	3,301,737
Other comprehensive income		
Items that may be reclassified to profit or loss		
— Currency translation differences	**(106,689)**	(204,791)
Total comprehensive income for the year	**3,654,773**	3,096,946
Attributable to:		
Shareholders of the Company	**3,488,705**	3,055,188
Non-controlling interests	**166,068**	41,758
Total comprehensive income for the year	**3,654,773**	3,096,946
Attributable to shareholders of the Company arising from:		
Continuing operations	**3,362,424**	3,028,416
Discontinued operations	**126,281**	26,772
	3,488,705	3,055,188

Consolidated balance sheet

	Note	As at 31 December 2016 RMB'000	As at 31 December 2015 RMB'000 (Restated)	As at 1 January 2015 RMB'000 (Restated)
Assets				
Non-current assets				
Property, plant and equipment		**7,344,807**	7,468,314	6,996,840
Construction-in-progress		**1,094,145**	1,089,602	1,091,711
Investment properties		**194,848**	185,886	188,542
Land use rights		**751,308**	858,708	881,855
Intangible assets		**498,510**	599,356	609,975
Prepayments for non-current assets		**163,281**	151,924	281,270
Deferred income tax assets		**210,813**	186,094	171,372
Long-term bank deposits		**1,760,000**	850,000	865,000
		12,017,712	11,389,884	11,086,565
Current assets				
Inventories		**3,194,641**	3,296,015	2,914,853
Trade and bills receivables	*8*	**2,743,500**	2,216,559	1,936,837
Other receivables, prepayments and deposits		**962,189**	1,065,537	970,249
Tax recoverable		**337,187**	109,141	–
Restricted bank deposits		**14,622**	21,132	31,319
Cash and bank balances		**14,874,877**	14,866,085	16,800,949
		22,127,016	21,574,469	22,654,207
Total assets		**34,144,728**	32,964,353	33,740,772
Equity and liabilities				
Equity attributable to shareholders of the company				
Share capital		**126,991**	128,132	128,649
Other reserves		**2,944,971**	3,044,503	3,096,726
Retained earnings		**11,654,829**	11,538,232	10,832,836
		14,726,791	14,710,867	14,058,211
Non-controlling interests		**34,065**	380,928	340,378
Total equity		**14,760,856**	15,091,795	14,398,589

		As at 31 December		As at 1 January
	Note	**2016**	2015	2015
		RMB'000	*RMB'000*	*RMB'000*
			(Restated)	(Restated)
Liabilities				
Non-current liabilities				
Borrowings	*11*	**3,524,687**	–	–
Convertible bonds	*9*	**472,719**	–	4,252,382
Deferred income tax liabilities		**106,452**	159,563	111,423
		4,103,858	159,563	4,363,805
Current liabilities				
Trade payables	*10*	**2,078,591**	2,277,890	1,814,238
Other payables and accrued charges		**1,201,870**	992,084	1,129,422
Derivative financial instruments		**1,119**	30,084	–
Current income tax liabilities		**79,860**	59,737	71,534
Borrowings	*11*	**11,918,574**	9,696,293	11,963,184
Convertible bonds	*9*	**–**	4,656,907	–
		15,280,014	17,712,995	14,978,378
Total liabilities		**19,383,872**	17,872,558	19,342,183
Total equity and liabilities		**34,144,728**	32,964,353	33,740,772

1. Key events and discontinued operations

On 5 February 2016, the Company submitted a proposal to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in accordance with Practice Note 15 of the Listing Rules for the spin-off of the food and snacks operations of the Group under Qinqin Foodstuffs Group (Caymen) Company Limited (the "Qinqin Group") by way of introduction achieved by distribution in specie of the entire shares of the Qinqin Group. On 31 March 2016, the Company submitted the listing application form (Form A1) to the Stock Exchange to apply for the listing of, and permission to deal in, the shares of the Qinqin Group on the Main Board of the Stock Exchange. On 17 June 2016, the Board of Directors declared a conditional distribution in specie of all of the issued share capital of the Qinqin Group. On 24 June 2016, the approval of the spin-off and separate listing of the Qinqin Group was granted by the Stock Exchange. On 8 July 2016, the shares of the Qinqin Group were listed on the Stock Exchange.

The consolidated results of the Qinqin Group were presented in the consolidated statement as discontinued operations. The consolidated income statement distinguished the discontinued operations from the continuing operations, and the comparative figures have been restated accordingly.

2. Basis of preparation and principal accounting policies

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

(a) Change of presentation currency

During the year 31 December 2016, the Group changed the presentation currency for the financial statements of the Group from Hong Kong dollars ("HK$") to Renminbi ("RMB"). Having considered that the principal activities of the Group are mainly conducted in the PRC and the functional currency of the subsidiaries of the Group in the PRC is RMB, the directors of the Company considered that the change of presentation currency of the financial statements to RMB would result in a more appropriate and meaningful presentation of the Group's results, financial positions and cash flows in its financial statements. This constituted a change in accounting policy of the Group and accordingly retrospective application of the change was applied to the comparative figures for the year ended 31 December 2015 in these consolidated financial statements. The comparative figures were translated from HK$ to RMB using the applicable closing rate at the date of the balance sheet as at 31 December 2015 for the assets and liabilities in the consolidated balance sheet, and the applicable average rate during the twelve months then ended for income and expenses in the consolidated statement of income. The resulted currency translation differences were recognized in other comprehensive income.

(b) New and amended standards adopted by the Group

The following amendments to standards relevant to the Group are mandatory adopted for the first time for the financial year beginning on or after 1 January 2016:

- Annual improvements 2014 include changes from the 2012–2014 cycle of the annual improvements project, that affect 3 standards, only the below are effective for relevant transactions on or after 1 January 2016:

  – Amendment to HKFRS 5 'Non-current assets held for sale and discontinued operations'

  – Amendments to HKFRS 7 'Financial instruments: Disclosures condensed interim financial statements'

  – Amendments to HKAS 34 'Interim financial reporting'

The following new standards and amendments of HKFRSs are effective for the first time for the financial year beginning on 1 January 2016 and not relevant to the Group's operations (although they may affect the accounting for future transactions and events):

– HKFRS 14 'Regulatory Deferral Accounts'

– Amendment to HKFRS 11 'Accounting for acquisitions of interests in joint operations'

– Amendments to HKAS 16 and HKAS 38 'Clarification of acceptable methods of depreciation and amortisation'

– Amendments to HKAS 16 and HKAS 41 'Agriculture: bearer plants'

– Amendments to HKAS 19 'Employee benefits'

– Amendment to HKAS 27 'Equity method in separate financial statements'

– Amendments to HKFRS 10, HKFRS 12 and HKAS 28 'Investment entities'

– Amendments to HKAS 1 'Disclosure initiative'

The Group assessed the adoption of these standards and amendments, and concluded that it did not have a significant impact on the Group's results and financial position.

(c) New and amended standards that might be relevant to the Group have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted

- Amendment to HKAS 7 'Statement of cash flows', effective for annual periods beginning on or after 1 January 2017.

- Amendment to HKAS 12 'Income taxes', effective for annual periods beginning on or after 1 January 2017.

- Amendments to HKFRS 2 'Classification and Measurement of Share-based Payment Transactions', effective for annual periods beginning on or after 1 January 2018.

- HKFRS 9 'Financial instruments', effective for annual periods beginning on or after 1 January 2018.

- HKFRS 15 'Revenue from contracts with customers', effective for annual periods beginning on or after 1 January 2018.

- HKFRS 16 'Leases', effective for annual periods beginning on or after 1 January 2019.

- Amendment to HKFRS 10 and HKAS 28 'Sale or contribution of assets between an investor and its joint venture', effective date to be determined.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. Revenue and segment information

The segment information provided to the Executive Directors for the reportable segments is as follows:

	2016				
	Continuing operations				
	Sanitary napkins products *RMB'000*	**Disposable diapers products** *RMB'000*	**Tissue paper products** *RMB'000*	**Others** *RMB'000*	**Group** *RMB'000*
Consolidated income statement for the year ended 31 December 2016					
Segment revenue	**6,656,143**	**2,169,653**	**9,397,479**	**2,027,066**	**20,250,341**
Inter-segment sales	**(87,258)**	**(19,401)**	**(330,980)**	**(535,305)**	**(972,944)**
Revenue of the Group	**6,568,885**	**2,150,252**	**9,066,499**	**1,491,761**	**19,277,397**
Segment profit	**2,850,758**	**434,568**	**987,023**	**32,565**	**4,304,914**
Unallocated costs					**(105,016)**
Other income and other gains – net					**542,971**
Operating profit					**4,742,869**
Finance income					**176,444**
Finance costs					**(360,302)**
Profit before income tax					**4,559,011**
Income tax expense					**(1,079,445)**
Profit for the year					**3,479,566**
Non-controlling interests					**(7,820)**
Profit attributable to shareholders of the Company					**3,471,746**
Other items for the year ended 31 December 2016					
Additions to non-current assets	**85,227**	**106,737**	**681,819**	**59,565**	**933,348**
Depreciation charge	**132,819**	**59,240**	**420,995**	**17,379**	**630,433**
Amortisation charge	**9,369**	**3,695**	**13,302**	**451**	**26,817**

	2016				
	Continuing operations				
	Sanitary napkins products	**Disposable diapers products**	**Tissue paper products**	**Others**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Consolidated balance sheet as at 31 December 2016					
Segment assets	**3,968,651**	**3,927,610**	**12,320,067**	**4,247,544**	**24,463,872**
Deferred income tax assets					**210,813**
Tax recoverable					**337,187**
Unallocated assets					**9,132,856**
Total assets					**34,144,728**
Segment liabilities	**887,522**	**1,057,813**	**2,500,821**	**2,263,688**	**6,709,844**
Deferred income tax liabilities					**106,452**
Current income tax liabilities					**79,860**
Unallocated liabilities					**12,487,716**
Total liabilities					**19,383,872**

	2015				
	Continuing operations				
	Sanitary napkins products	Disposable diapers products	Tissue paper products	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Consolidated income statement for the year ended 31 December 2015					
Segment revenue	6,277,988	2,523,116	8,992,927	1,789,802	19,583,833
Inter-segment sales	(92,858)	(72,102)	(298,773)	(457,524)	(921,257)
Revenue of the Group	6,185,130	2,451,014	8,694,154	1,332,278	18,662,576
Segment profit	2,864,756	555,442	915,041	74,432	4,409,671
Unallocated costs					(67,860)
Other income and other gains – net					546,192
Operating profit					4,888,003
Finance income					170,639
Finance costs					(509,968)
Profit before income tax					4,548,674
Income tax expense					(1,299,209)
Profit for the year					3,249,465
Non-controlling interests					(16,261)
Profit attributable to shareholders of the Company					3,233,204
Other items for the year ended 31 December 2015					
Additions to non-current assets	302,118	37,500	657,073	98,209	1,094,900
Depreciation charge	129,701	33,133	394,398	19,143	576,375
Amortisation charge	11,287	2,327	16,720	569	30,903

	2015					
	Continuing operations				**Discontinued operations**	
	Sanitary napkin products	Disposable diaper products	Tissue paper products	Others	Food and snack products	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Consolidated balance sheet as at 31 December 2015						
Segment assets	5,867,168	3,533,031	15,126,325	7,044,944	916,135	32,487,603
Deferred income tax assets						186,094
Tax recoverable						109,141
Unallocated assets						181,515
Total assets						32,964,353
Segment liabilities	1,931,377	682,313	3,518,686	1,887,402	118,176	8,137,954
Deferred income tax liabilities						159,563
Current income tax liabilities						59,737
Unallocated liabilities						9,515,304
Total liabilities						17,872,558

No geographical analysis is provided as less than 10% of the Group's revenue and consolidated results are attributable to markets outside the People's Republic of China (the "PRC" or "mainland China").

4. Profit before income tax from continuing operations

Profit before income tax from continuing operations is stated after crediting and charging the following:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Crediting		
Government grants income *(Note (a))*	**491,969**	481,810
Realised fair value gains on derivative financial instruments	**28,906**	–
Interests income from long-term and short-term bank deposits	**242,425**	313,131
Interests income from cash and cash equivalents	**121,345**	170,639
Reversal of inventories write-down	**7,701**	–
Exchange gain from financing activities – net	**55,099**	–
Charging		
Depreciation of property, plant and equipment	**626,162**	571,082
Amortisation of land use rights	**24,071**	28,260
Amortisation of intangible assets	**2,746**	2,643
Losses on disposal of property, plant and equipment	**32,709**	15,568
Employee benefit expense, including directors' emoluments	**1,458,475**	1,351,153
Marketing and advertising expenses	**2,082,303**	1,832,422
Operating leases rentals	**77,539**	83,151
Repairs and maintenance expenses	**148,227**	147,372
Transportation and packaging expenses	**685,307**	568,694
Provision for impairment of trade receivables	**30,858**	22,936
Unrealised fair value losses on derivative financial instruments	**1,073**	28,906
Provision for inventories write-down	**–**	7,629
Utilities and various office expenses	**789,393**	816,267
Loss on early redemption of convertible bonds	**18,885**	–
Exchange loss from operating activities – net	**196,701**	217,630
Exchange loss from financing activities – net	**–**	121,970
Interest expenses on borrowing, after deducting interest expenses of RMB14,282,000 (2015 (restated): RMB23,799,000) capitalised in construction-in-progress	**264,022**	238,920
Interest expenses on convertible bonds	**80,690**	135,424

Note(a): These represented grants received from certain municipal governments of the PRC as an encouragement of the Group's contributions to the development of the local economy.

5. Income tax expense

	2016	2015
	RMB'000	*RMB'000*
Continuing operations:		(Restated)
Current income tax		
— Current tax on profits for the year	**921,857**	1,072,730
— PRC withholding income tax	**211,995**	190,369
Deferred income tax, net	**(54,407)**	36,110
Income tax expense	**1,079,445**	1,299,209

(a) Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year.

(b) Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the group's entities operate. The Company's subsidiaries incorporated in the PRC are subject to Corporate Income Tax ("CIT") at the rate of 25%.

Certain subsidiaries were approved to be new and high-technology enterprises and are entitled to the tax rate of 15%.

According to the Caishui (2011) No. 58 "The notice on the tax policies of further implementation of the western region development strategy issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs" (財稅[2011]58號"關於深入實施西部大開發戰略有關稅收政策問題的通知"), companies set up in the western region and falling into certain encouraged industry catalogue promulgated by the PRC government are entitled to a preferential tax rate of 15%. Some of the Group's subsidiaries in the PRC were set up in the western development region and fall into the encouraged industry catalogue, and therefore they are entitled to the above said preferential tax rate.

(c) The profits of the PRC subsidiaries of the Group derived since 1 January 2008 are subject to withholding tax at a rate of 5% upon distribution of such profits to foreign investors in Hong Kong, or at a rate of 10% for other foreign investors. Deferred income tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

6. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the Group's profit attributable to the Company's shareholders by the weighted average number of ordinary shares in issue during the year.

	2016	2015 (Restated)
From continuing operations:		
Profit attributable to shareholders of the Company (RMB'000)	**3,471,746**	3,233,204
Weighted average number of ordinary shares in issue (thousands)	**1,212,364**	1,222,464
Basic earnings per share (RMB)	**2.864**	2.645
From discontinued operations:		
Profit attributable to shareholders of the Company (RMB'000)	**125,075**	26,659
Weighted average number of ordinary shares in issue (thousands)	**1,212,364**	1,222,464
Basic earnings per share (RMB)	**0.103**	0.022

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversation of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The diluted earnings per share is the same as the basic earnings per share for the year ended 31 December 2016 as the potential ordinary shares in respect of outstanding share options and convertible bonds are anti-dilutive.

For the year ended 31 December 2015, the Company's share options are regarded as dilutive potential ordinary shares while convertible bonds have no dilutive effect on the earnings per share. Calculations are done to determine the number of shares that could have been acquired at fair value (determined by using average market share price of the Company's shares for the year ended 31 December 2015) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2016	2015 (Restated)
From continuing operations:		
Profit attributable to shareholders of the Company (RMB'000)	**3,471,746**	3,233,204
Weighted average number of ordinary shares in issue (thousands)	**1,212,364**	1,222,464
Adjusted for share options (thousands)	**–**	1,927
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,212,364**	1,224,391
Diluted earnings per share (RMB)	**2.864**	2.641
From discontinued operations:		
Profit attributable to shareholders of the Company (RMB'000)	**125,075**	26,659
Weighted average number of ordinary shares in issue (thousands)	**1,212,364**	1,222,464
Adjusted for share options (thousands):	**–**	1,927
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,212,364**	1,224,391
Diluted earnings per share (RMB)	**0.103**	0.022

7. Dividends

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Distribution in specie *(Note (a))*	**1,051,000**	–
Interim, paid, RMB0.85(2015 (restated): RMB0.78) per ordinary share *(Note (b))*	**1,031,079**	953,165
Final, proposed/paid, RMB1.10 (2015 (restated): RMB0.96) per ordinary share *(Note (b))*	**1,325,377**	1,166,057
	3,407,456	2,119,222

(a) As mentioned in Note 1, the entire issued share capital of the Qinqin Group was spun-off via a distribution in specie completed on 7 July 2016. The transaction was recognized and measured in accordance with "HK(IFRIC) 17 – Distribution of Non-cash Assets to Owners". The fair value of the net assets attributable to the Qinqin Group, subject to the distribution in specie, amounted to approximately RMB1,051,000,000. The transaction resulted in a non-cash gain of approximately RMB267,111,000, of which RMB117,535,000 was attributable to the shareholders of the Group (Note 12).

(b) The dividends paid in 2016 amounted to RMB2,197,136,000 (2016 interim: RMB0.85 per share, 2015 final (restated): RMB0.96 per share).The dividends paid in 2015 amounted to HK$2,565,250,000, equivalent to RMB2,068,642,000 (2015 interim (restated): RMB0.78 per share, 2014 final (restated): RMB0.91 per share). A final dividend in respect of the year ended 31 December 2016 of RMB1.10 per share, amounting to a total dividend of RMB1,325,377,000, was proposed by the Board of Directors at a meeting held on 21 March 2017, subject to the final approval by the shareholders of the Company at the Annual General Meeting to be held on 17 May 2017. These financial statements do not reflect this dividend payable.

8. Trade and bills receivables

Part of the Group's sales are on open account with credit terms ranging from 30 days to 90 days. At 31 December 2016, the ageing analysis of the trade and bills receivables based on invoice date was as follows:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Within 30 days	**1,093,677**	985,094
31–180 days	**1,438,602**	1,172,913
181–365 days	**218,395**	41,668
Over 365 days	**42,638**	40,887
	2,793,312	2,240,562
Less: provision for impairment	**(49,812)**	(24,003)
	2,743,500	2,216,559

9. Convertible bonds

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Face value of convertible bonds issued on 27 June 2013	**4,328,181**	4,328,181
Issuing expenses	**(87,625)**	(87,625)
Equity component	**(140,634)**	(140,634)
Liability component on initial recognition on 27 June 2013	**4,099,922**	4,099,922
Accumulated finance costs	**408,983**	328,293
Early redemption of convertible bonds	**(4,392,425)**	–
Currency translation difference	**356,239**	228,692
Liability component		
— Current	**–**	4,656,907
— Non-current	**472,719**	–
	472,719	4,656,907

On 27 June 2013, the Company issued zero-coupon convertible bonds which will be due on 27 June 2018 (the "maturity date"), in the aggregate principal amount of HK$5,434 million, equivalent to RMB4,328 million with an initial conversion price of HK$120.0825, equivalent to RMB95.6457 per ordinary share of the Company (subject to adjustment). Unless previously redeemed, converted, purchased or cancelled (subject to redemption conditions), these bonds will be redeemed at 110.46 per cent of their principal amount on the maturity date.

The fair values of the liability component and the equity conversion component were determined upon the issuance of the convertible bonds.

The fair value of the liability component was calculated using a market interest rate of 2.7% for an equivalent non-convertible bond. The residual amount, representing the value of equity conversion component, is included in shareholders' equity in other reserves.

During the year ended 31 December 2016, the Group early redeemed the convertible bonds with a principal amount of HK$4,933 million, equivalent to RMB3,929 million. Upon redemption, the redemption consideration of HK$5,236,380,000, equivalent to RMB4,483,151,000 was allocated as to RMB4,392,425,000 to the liability component and RMB71,841,000 to the equity component. The difference between the redemption consideration allocated to the liability component and the carrying amount of the liability component of the bonds redeemed as at the redemption date of RMB18,885,000 is recognised in profit or loss as "loss on early redemption of convertible bonds". The difference between the redemption consideration and the carrying amount of the equity component amounting to RMB55,827,000 is recognised in retained earnings.

10. Trade payables

At 31 December 2016, the ageing analysis of trade payables based on invoice date was as follows:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Within 30 days	**1,575,813**	1,608,870
31–180 days	**470,621**	654,270
181–365 days	**14,090**	2,327
Over 365 days	**18,067**	12,423
	2,078,591	2,277,890

The carrying amounts of trade payables approximately their fair value as at the balance sheet date due to short-term maturity.

11. Borrowings

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Non-current		
Long-term bank loans – unsecured	**536,700**	–
Medium-term notes *(Note (a))*	**1,995,519**	–
Corporate bonds *(Note (b))*	**992,468**	–
	3,524,687	–
Current		
Trust receipt bank loans	**627,870**	718,960
Short-term bank loans – unsecured	**11,290,704**	8,977,333
	11,918,574	9,696,293
Total borrowings	**15,443,261**	9,696,293

(a) Medium-term notes

In September 2016, the Company issued medium-term notes at a par value of RMB2,000,000,000, which was dominated in RMB with a fixed interest of 3.24% per annum. The notes will mature in three years from the issue date. The values of the liability, net of transaction costs of RMB5,000,000, were determined at issuance of the notes.

The fair value of the medium-term notes approximated its carrying amounts as at 31 December 2016.

(b) Corporate bonds

In September 2016, a wholly-owned subsidiary of the Group issued corporate bonds at a par value of RMB1,000,000,000, which was dominated in RMB with a fixed interest of 3.3% per annum. The bonds will mature in five years from the issue date. The values of the liability, net of transaction costs of RMB8,000,000, were determined at issuance of the notes.

The fair value of the corporate bonds approximated its carrying amounts as at 31 December 2016.

12. Discontinued operations

The consolidated results of the Qinqin Group were presented in the consolidated income statement as discontinued operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The consolidated income statement distinguished the discontinued operations from the continuing operations, and the comparative figures have been restated accordingly.

(a) Results of the discontinued operations have been included in the consolidated statement of income as follows:

	For the period from 1 January 2016 to 7 July 2016	For the year ended 31 December 2015
	RMB'000	*RMB'000*
Revenue	**617,746**	1,020,051
Cost of goods sold	**(336,921)**	(589,114)
Gross profit	**280,825**	430,937
Other income and other gains – net	**3,514**	6,535
Distribution costs	**(194,596)**	(294,300)
Administrative expenses	**(62,632)**	(81,519)
Operating profit	**27,111**	61,653
Finance income	**3,812**	11,818
Finance costs	**(113)**	(157)
Finance costs – net	**3,699**	11,661
Profit before income tax	**30,810**	73,314
Income tax expense	**(16,025)**	(21,042)
Net profit for the year	**14,785**	52,272
Net gain on distributions in specie	**267,111**	–
Profit for the year from discontinued operations	**281,896**	52,272
Profit attributable to:		
Shareholders of the Company	**125,075**	26,659
Non-controlling interests	**156,821**	25,613
	281,896	52,272

(b) Net gain on distribution in specie

Details of net assets of discontinued operations at date of distribution in specie are set out below:

	2016
	RMB'000
Net assets distributed	
Property, plant and equipment	**361,059**
Intangible assets, including goodwill and land use rights	**174,835**
Inventories	**57,161**
Other current assets	**363,651**
Other non-current assets	**16,994**
Trade and other payables	**(158,451)**
Other current liabilities	**(5,063)**
Other non-current liabilities	**(26,297)**
Book value of net assets distributed	**783,889**

Analysis of net gain on distribution in specie:

	2016
	RMB'000
Fair value of Qinqin Group *(Note (a))*	**1,051,000**
Less: Net assets value of Qinqin Group	**(783,889)**
Net gain on distribution in specie	**267,111**
Attributable to:	
Shareholders of the Company	**117,535**
Non-controlling interests	**149,576**
	267,111

Note (a):

The fair value of the Qinqin Group was determined by the Group's management using a discounted cash flow model, and with reference to a valuation conducted by an independent valuation expert. The key assumptions adopted in the discounted cash flow model included the revenue growth rates, profit margin and the discount rate used.

(c) Cumulative income recognized in other comprehensive income relating to the discontinued operations

	For the period from 1 January 2016 to 7 July 2016	For the year ended 31 December 2015
	RMB'000	*RMB'000*
Currency translation differences	**2,368**	221

BUSINESS REVIEW

For the year ended 31 December 2016, the Group recorded revenue from continuing operations of approximately RMB19,277,397,000 (2015: RMB18,662,576,000), an increase by about 3.3% compared with that of last year. Profit for continuing operations attributable to shareholders of the Company increased by about 7.4% to approximately RMB3,471,746,000 (2015: RMB3,233,204,000). Profit from discontinued operations attributable to the shareholders of the Company rose by about 369.2% approximately to RMB125,075,000 (2015: RMB26,659,000). Overall profit attributable to shareholders increased by about 10.3% to approximately RMB3,596,821,000 (2015: RMB3,259,863,000). The Board of Directors declared a final dividend of RMB1.10 per share for the year ended 31 December 2016 (2015: RMB0.96).

Despite intensifying market competition, the prices of major raw materials maintained at a low level for most of the year. Coupled with the Group's product optimization measures, gross profit margin for continuing operations rose to about 48.8% (2015: 47.9%). Distribution costs and administrative expenses for continuing operations increased to approximately 27.0% (2015: 24.6%) of the Group's revenue for continuing operations, which was attributable to increase in marketing and advertising expenses, as well as the rise in transportation costs as a result of the implementation of new regulations on road transport in September, which imposes strict limitations on the loading capacity of cargo vehicles.

The effective tax rate for continuing operations decreased to approximately 23.7% (2015: 28.6%). The Group provided a large amount of dividend withholding tax in the second half of 2015 for the dividend which would likely be remitted out of mainland China in the foreseeable future. As such, the provision for dividend withholding tax for 2016 became lower.

Sanitary Napkins

Accelerating urbanization and rising national income have raised overall living standards and spurred consumption, thereby supporting the development of the sanitary napkins market. As the market penetration of the sanitary napkins market in China has been very high and the competition has been intense, which to a certain extent has limited the sales growth of the Group's sanitary napkin business. Still, the Group continued to optimize its product portfolio, actively promoted online sales and launched a series of online exclusive product lines such as Space 7 Wow + Miow series, Space 7 Candy series etc. These new products have enabled the Group to reach customers of different age and the online consumers, allowing the sanitary napkin business to maintain stable revenue growth, and consolidating the Group's leading position in the market.

During the year, revenue of the sanitary napkin business grew by approximately 6.2% to approximately RMB6,568,885,000, which accounted for around 34.1% (2015: 33.1%) of the revenue from continuing operations. Despite the fierce market competition, the gross profit margin remained stable at approximately 72.6% (2015: 72.6%), as a result of the persistently low prices of major raw materials and petrochemical products during the year and benefit from the optimized product portfolio.

In response to intensifying market competition, the Group will continue to optimize its product portfolio and launch new and upgraded products with an aim of increasing the mid-to-high end and high-end market development and maintenance, developing new target customers and consolidating the existing consumer groups. In addition, the Group will continue to develop online sales channels. The Group will launch a series of new e-commerce and Wechat store exclusive series to meet the needs of the market. It is expected that sales performance will grow steadily in 2017.

Tissue Paper

With increasing hygiene awareness in China, the addressable market of high-quality tissue paper has extended from first – and second-tier cities to third – and fourth-tier cities. Despite quality of life and consumer health awareness have continued to improve, China's tissue consumption per capita still lags behind that of developed countries, implying enormous market potential. Even though the industry still faces overcapacity, the Chinese government's implementation of environmentally friendly manufacturing regulations will help eliminate small and medium enterprises that fail to meet the standard, and is expected to further enhance the industry concentration and benefit the Group and other large-scale manufacturers in the long term.

During the year, revenue from the Group's tissue paper segment increased by about 4.3% to approximately RMB9,066,499,000, accounting for approximately 47.0%(2015: 46.6%) of the Group's total revenue from continuing operations. Gross profit margin increased to approximately 37.9% (2015: 35.6%) due to the persistent drop in price of wood pulp, a major raw material for tissue paper production and the optimized product portfolio.

The Group's annualized production capacity was approximately 1,140,000 tons during the year and it is expected to increase to approximately 1,430,000 tons by the fourth quarter of 2017 or the first half of 2018. The Group will expand its production capacity according to the market conditions and sales performance in the future. In addition, the Group will continue to launch new and upgraded products, the packaging and quality of which will be further enhanced. On the other hand, the Group will continue to strengthen its online sales channels, and introduce online exclusive products to cater for different types of consumer groups. The group will also step up its efforts in marketing and brand promotions. Sales performance in 2017 is expected to achieve steady growth.

Disposable Diapers

In light of urbanization, coupled with increasing personal hygiene awareness and pursuit of higher living standards, the demand for disposable diapers continued to rise. However, the market penetration of disposable diapers is still low as many Chinese people still do not regard diapers as a necessity, which implies the Chinese diaper market still has massive growth potential.

During the year, competition in the diapers market intensified. The entrance of a large number of small and medium manufacturers into the market further intensified the price competition of low – and mid-end products. On the other hand, with the rise of cross-border e-commerce in recent years, foreign brands hit the Chinese market and affected the sales of the Group's mid-to-high-end diapers. As a result, revenue from the sales of diapers for the year ended 31 December 2016 decreased by approximately 12.3% to approximately RMB2,150,252,000, accounting for approximately 11.2% (2015: 13.1%) of the Group's revenue from continuing operations.

During the year, prices of major raw materials and petrochemical products continued to remain at a low level, together with the optimized product portfolio, gross profit margin rose to approximately 50.8% (2015: 49.3%). During the year, the Group's diaper brand Anerie was granted the "European Union's CE safety certification" and "China Health and Safety Product Certification". Anerie was the first Chinese diaper brand to be awarded the latter, which assured the quality of the brand's diaper products, strengthened the public's confidence in the Group's products and enhanced the competitiveness of its products.

China has fully implemented the "two-child" policy, a baby boom will gradually emerge in the long run, which in turn bringing huge development opportunities to the domestic diaper market and driving the long-term growth of the diaper market. Besides, the Chinese government has imposed tax on cross-border e-commerce transactions in 2016, which will enhance the competitiveness of the Group's products. The Group will continue to upgrade existing products, develop high-end products and further expand in maternity stores and online sales channels in order to outshine the competition with quality products.

Food and Snacks Products

On 8 July 2016, Qinqin Group (SEHK stock code: 1583) was spun off from the Group and listed on the Main Board of the Stock Exchange. After spinning off the food and snacks business, the Group will focus on the production, distribution and sales of its personal hygiene products in the future.

In view of the above, the operation of Qinqin Group is regarded as "discontinued operations", and hence its profit for the year around RMB281,896,000 (2015: RMB52,272,000) was recorded separately as "profit for the year from discontinued operations" in the consolidated income statement. Included in the amount, the Group recorded a one-off gain of approximately RMB267,111,000 from the spin-off of Qinqin Group and net profit of the Qinqin Group for the period from 1 January 2016 to 7 July 2016 of around RMB14,785,000 (2015: 52,272,000). The decrease in the net profit of the Qinqin Group for the period was mainly due to the impact of slowdown in economic growth and intensified market competition, and was also dragged by the one-off listing expense of approximately RMB21,500,000 incurred in first half of 2016. For the operations and financial information of Qinqin Group, please refer to the announcement of Qinqin Group.

The Group's profit attributable to shareholders of the Company arising from discontinued operations in 2016 of about RMB125,075,000 (2015: RMB26,659,000).

First Aid Products

Sales of first-aid products under the brands of "Banitore" and "Bandi" amounted to approximately RMB25,668,000 (2015: RMB34,057,000). The business only accounted for approximately 0.1% (2015: 0.2%) of the Group's revenue for continuing operations, and did not have any significant impact on the Group's overall results.

E-commerce

Group observed the changes in the consumption habit of fast moving consumer goods in recent years, and planned its e-commerce business accordingly. In 2016, the Group's e-commerce business grew rapidly, revenue from e-commerce reached about RMB1.1 billion, up by more than 58% over the same period last year.

The Group plans to further expand its e-commerce business in 2017. The Group will precisely position its e-commerce products according to the preferences and needs of consumers, introduce e-commerce and Wechat store exclusive products and make good use of online promotion activities, with the aim of improving its market share in the field of fast moving consumer goods. At the same time, the e-commerce business will work in concert with the Group's sales channel reform and warehouse adjustment to deliver goods in an efficient manner and save distribution costs.

Foreign currency risks

Most of the Group's income is denominated in Renminbi while part of the raw materials is imported and settled in US dollars. The Group has never had any difficulties in obtaining sufficient foreign currencies for settlement of the purchases or repatriation of profits declared by the subsidiaries in mainland China to the overseas holding companies.

As at 31 December 2016, apart from certain interest rate swap contracts entered into with certain large commercial banks, the Group had not issued any significant financial instruments or entered into any significant contracts for foreign currency hedging purposes.

Liquidity, Financial Resources and Bank Loans

The Group maintained a solid financial position. As at 31 December 2016, the Group's cash and bank balances, long-term bank deposits and restricted bank deposits amounted to approximately RMB16,649,499,000 (31 December 2015: RMB15,737,217,000); the liability component of convertible bonds amounted to approximately RMB472,719,000 (31 December 2015: RMB4,656,907,000); medium-term notes (panda bonds) and domestic bonds of approximately RMB2,987,987,000 (31 December 2015: RMB Nil), and bank borrowings amounted to approximately RMB12,455,274,000 (31 December 2015: RMB9,696,293,000).

In the second half of 2016, the Group successfully registered for the proposed issue of RMB5 billion medium-term notes (panda bonds) and completed the issue of the first tranche RMB2 billion 3-year panda bonds, with a coupon rate of 3.24% per annum. The Group used the proceeds to repay the Group's bank loans during the year.

In addition, the Group successfully registered for the proposed issue of RMB5.75 billion domestic corporate bonds, and in September 2016 completed the issue of the first tranche of RMB1 billion 5-year domestic bonds with a coupon rate of 3.3% per annum. The Group plans to use the proceeds to repay the Group's debt and supplement its working capital requirements.

The principal amount of the convertible bonds issued in June 2013 was approximately RMB4,328 million, out of which part of the convertible bonds had been partly redeemed on 27 June 2016, and the remaining amount will be repaid on 27 June 2018. Please refer to note 8 above for details.

The convertible bonds were subject to a fixed interest rate of 2.7% while the bank borrowings were subject to floating annual interest rates ranging from approximately 0.3% to 4.6% (2015: from 0.3% to 5.2%).

As at 31 December 2016, the Group's gross gearing ratio of continuing operations was approximately 108.1% (31 December 2015: 98.8%), which was calculated on the basis of the total amount of borrowings as a percentage of the total shareholders' equity (not including non-controlling interests). The net gearing ratio, which was calculated on the basis of the amount of borrowings less cash and bank balances and long-term time deposits as a percentage of the shareholders' equity (not including non-controlling interests), was approximately negative 4.9% (31 December 2015: negative 7.9%) as the Group was in a net cash position.

During the year, the Group's capital expenditure for continuing operations amounted to approximately RMB933,348,000. As at 31 December 2016, the Group had no material contingent liabilities.

Appointment of professional consultants

To further optimize the operation process of the Group's supply chain, logistics networks, inventory management and information technology planning, the Group appointed IBM (China) Co., Ltd. to give professional advice on the above aspects. In addition, the Group signed a contract with SAP (Beijing) Software Systems Co., Ltd. to use its software to support the evolving business development in the future, the entire project is expected to be completed in the first half of 2017.

In addition, the company also hired PricewaterhouseCoopers Business Consulting (Shanghai) Co., Ltd. to provide advisory services regarding the preparation of "Environmental, Social and Governance Report" in 2016. The detail report is disclosed to the public. The Group also hired PricewaterhouseCoopers Management Consulting (Shanghai) Co., Ltd. to assist to set up a Services Sharing Centre to handle financial, administrative, human resources and logistics work of subsidiaries, branches and sales representatives' offices, in order to optimize the cost structure.

Environmental Protection and Resources Allocation

In 2016, the Group strictly abided by the China's environmental protection policy, for example, the energy consumption level met the advanced standard of "The norm of energy consumption per unit product of pulp and paper" (GB31825-2015) (≤420kgce/t), representing an industry-leading performance; the emission of sewage met the emission standard stated in "Discharge standard of water pollutants for pulp and paper industry" (GB3544-2008); the emission of fibrous dust particles met the standard of "Integrated emission standard of air pollutants" (GB16297-1996); and the emissions of SO2, NOx and smoke also met the "Emission standard of air pollutants for thermal power plants" (GB13223-2011).

The Group's dissipation of energy in paper manufacturing is 378kgce/t, which met the advanced requirement of "The norm of energy consumption per unit product of pulp and paper" (GB31825-2015) (≤420kgce/t). It has set a leading industry standard with its extraordinary energy utilization rate.

All paper manufacturing companies of the Group have sewage treatment plant, and waste water will be emitted only after the water treatment processes including oblique filter, dissolved air floatation, aerobic aeration, ensuring the waste water to meet the country's emission standard. Some of the paper manufacturing subsidiaries adopted advanced technology to recycle 50% of the waste water for production. Some of the paper manufacturing subsidiaries further applied sand filters after the water recycling process. The recycled water would be used for flushing, greening and washing the production facilities.

Some of the Company's subsidiaries installed waste heat boiler to recycle the waste gas heat arising from natural gas combustion, which could be used in generating steam, thus reducing the purchase of steam. Besides, the subsidiaries also used the insulated Yankee dryer cover to reduce loss of the steam which could save 2% of the steam consumption. In addition, they promoted the use of turbine as a substitute for water ring vacuum pump to reduce steam consumption as well as the variable frequency drivers to reduce electricity consumption.

The Group achieved harmless treatment of its solid wastes. The wet pulp was sold to other carton paper mills for recycling use, while sludge was used in incineration to produce electricity. Domestic wastes were collected by environmental sanitation department and then processed with professional harmless treatment. Meanwhile, gypsums were sold to cement plants for cement manufacturing. Fly ash was sold to other companies for refining rare metals, and cinder could be used for producing brick plate.

For the emission of gas, some of the production processes used advanced foreign equipment to recycle the gas particles generated during the production, in order to maximize the reduction in emissions.

Latest awards

In 2016, the Group was one of the top 10 among the companies listed on "2016 China Brand Value Evaluation Information Conference", with brand value at RMB52.2 billion and was ranked 2nd in light industry. During the year, the Group was named "2016 Best Employer in China" and ranked among Fortune's "Top 500 Chinese Companies of 2016". In addition, the Group's Chief Executive Officer Mr. Hui Lin Chit ranked sixth among "Top 100 CEO in China" by Harvard Business Review, and was accredited "Cai Lun Leadership Award" by China Paper and Pulp Industry Chamber of Commerce. These awards are excellent recognition of the Group's outstanding performance and its position in China's personal hygiene products market.

On the other hand, the Group was notified that it would be awarded the "International Carbon-Value Gold Award" by the World Economic and Environmental Conference during the year and was formally accredited with such award in January 2017. The Group's Chief Executive Officer Mr. Hui Lin Chit was also granted "Low Carbon Leadership Award" by the World Economic and Environmental Conference, to commend his adherence to "green, low carbon and sustainable development" concepts in the Group's development for 32 years, setting the industry benchmark. The awards reaffirmed the Group's commitment to operate on the grounds of environmental protection, and its development of green, sustainable production technology. The Group will continue to foster the environmental management and reduce carbon emission for environment protection.

Product Research and Development

As the first enterprise in the mainland's tissue paper industry to have been awarded the title of the Enterprise Technology Centre with State Accreditation, the Group continued to allocate more resources to product research and development during the period with the aim of enhancing efficiency and of developing more value-added products to meet consumers' higher requirements. The move will strengthen the Group's leading position in the personal hygiene product industry.

Human Resources and Management

As at 31 December 2016, the Group's continuing operations employed approximately 25,000 staff members. The Group's remuneration package is determined with reference to the experience and qualifications of the individual employees and general market conditions. Bonus is linked to the Group's financial results as well as individual performance. The Group also ensures that all employees are provided with adequate training and career opportunities according to their needs.

Outlook

Looking ahead to 2017, the economic outlook is clouded by uncertainties. The Chinese economy is still going through the adjustment period, slowdown in its growth is expected to continue in the short run. However, ongoing urbanization, continuous increase in national income, consumers' increasing pursuit of a quality life and improved awareness of hygiene will continue to boost the development of the market for personal hygiene product in the long term.

In the face of rising raw material prices since the fourth quarter of 2016, the Group will closely monitor changes in prices and respond accordingly, it is believed that the raw material prices will not impose pressure on the Group's gross margin in the short term. For product mix, the Group will cater for consumer preferences and market needs, and introduce new and upgraded products to enrich its product portfolio.

In response to the ever-changing business environment in recent years and to stay competitive in the current and future market landscape, the Group signed with renowned consulting companies like IBM and began its third management reform with end-to-end supply chain informatization and visualization since the end of 2013. With the use of big data, and connect end to end operation chain the Group will be able to monitor its front line operations and improve order fulfillment rate. Better coordination between the Group's production and sales teams will also be achieved to meet market demand more swiftly and create greater value for customers.

Based on the supply chain end to end reform, the Group consolidated its existing team structure by establishing an Operation Services Headquarters, and nine Regional Operation Services Centres. The Group has also integrated various local warehouses nationwide and set up Regional Distribution Centres ("RDC"), to enhance storage capacity and speed up the logistics and distribution processes. The Group has also built a Services Sharing Centre.

Riding on this reformed structure, the Group flattened the structure of sales team and established the "small sales team" model (also known as "Hengan's Amoeba model"). The "small sales teams" have sufficient autonomy and access to the Group's digitalized platforms.

From 2017 onwards, the Group will fully implement the aforementioned new strategies. With the use of the efficient and responsive information-based operations platform, synergies will be created between the online and offline systems, which will enable the Group to increase its core competitiveness. The Group will continue to provide our customers with good quality products at greater value and is confident to lead the sustainable development of the staples market.

With its strong corporate governance and brand equity in mainland China, the Group is confident of maintaining its leading position in China's personal hygiene product market. It will strive to achieve steady business growth and create greater value for shareholders.

PROPOSED FINAL DIVIDEND

The directors have resolved to recommend the payment of a dividend of RMB1.10 (2015: RMB0.96) per share to shareholders, whose names appear in the register of members of the Company on Monday, 22 May 2017 (the "Proposed Final Dividend"). Subject to the passing of the necessary resolution at the forthcoming annual general meeting to be held on Wednesday, 17 May 2017 (the "2017 AGM"), the Proposed Final Dividend will be payable on Monday, 29 May 2017.

CLOSURE OF THE REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the 2017 AGM

The 2017 AGM is scheduled to be held on Wednesday, 17 May 2017. For determining the entitlement to attend and vote at 2017 AGM, the register of members of the Company will be closed from Friday, 12 May 2017 to Wednesday, 17 May 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at 2017 AGM, unregistered holders of shares of the Company should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 11 May 2017.

(b) For determining the entitlement to the Proposed Final Dividend

The Proposed Final Dividend is subject to the approval of shareholders at the 2017 AGM. For determining the entitlement to the Proposed Final Dividend for the year ended 31 December 2016, the register of members of the Company will also be closed from Tuesday, 23 May 2017 to Wednesday, 24 May 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 22 May 2017.

REVIEW OF ACCOUNTS

The Audit Committee, which is chaired by an independent non-executive director and currently has a membership comprising another four independent non-executive directors, has discussed with management and reviewed the consolidated financial statements for the year ended 31 December 2016. The figures contained in the financial statements set out in page 2 to 23 of this announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year as approved by the Board. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2016, the Company repurchased a total of 13,228,500 ordinary shares on the Stock Exchange at an aggregate consideration of approximately RMB719,569,000 (excluding expenses) for enhancing its per share net asset value and earnings. All the repurchased shares were subsequently cancelled. Details of the repurchase of shares are summarized as follows:

Date of repurchase	Number of shares repurchased	Highest price paid	Lowest price paid
		HK$	*HK$*
12 January 2016	750,000	65.75	65.45
14 January 2016	208,000	65.75	65.60
15 January 2016	846,500	65.90	65.50
18 January 2016	10,000	65.70	65.70
20 January 2016	1,298,500	65.90	65.50
21 January 2016	282,500	65.95	65.95
24 March 2016	1,687,500	63.00	62.10
11 October 2016	1,238,000	62.95	62.65
12 October 2016	887,000	62.75	62.00
13 October 2016	1,315,000	62.70	62.35
14 October 2016	219,000	62.50	62.20
17 October 2016	388,000	62.70	62.10
24 October 2016	209,000	62.30	62.10
26 October 2016	900,000	62.45	62.15
27 October 2016	864,500	62.20	61.10
28 October 2016	429,500	62.00	61.75
11 November 2016	337,500	60.05	60.00
14 November 2016	1,358,000	59.40	58.90
	13,228,500		

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2016.

CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance. The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31 December 2016 except that: under Code Provision A.6.7 stipulates Independent non-executive directors and other non-executive directors, should also attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chan Henry and Mr. Zhou Fang Sheng, the independent non-executive directors of the Company, were unable to attend the annual general meeting of the Company held on 18 May 2016 because they had other urgent business engagement.

APPOINTMENT OF EXECUTIVE DIRECTORS

The Board is pleased to announce that Mr. Li Wai Leung has been appointed as executive directors of the Company with effect from 21 March 2017.

Mr. Li Wai Leung, aged 38, joined the Group on 3 January 2017 as the Deputy Chief Financial Officer, the Company Secretary and authorized representative of the Company. He has over 16 years of experience in accounting, finance and business advisory work. Before joining the Group, Mr. Li was the chief financial officer, company secretary and authorized representative of Evergreen International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 238). Prior to that, Mr. Li also worked as the chief financial officer of two sizable PRC-based manufacturing companies and as a senior manager in PricewaterhouseCoopers. Mr. Li obtained his bachelor's degree in Business Administration in Accounting and Finance from the University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Li has entered into a service agreement with the Company for an initial term of three years and continuing thereafter on an annual basis. His directorship is subject to retirement by rotation and re-election in accordance with the Articles. His remuneration was determined with reference to his experience, responsibilities, performance and the Group's financial results. He has not held any directorship in other listed companies in the last three years.

Mr. Li does not have any relationship with any directors, senior management, substantial or controlling shareholder of the Company. As at 21 March 2017, he does not have any interests in the Company pursuant to Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

ACKNOWLEDGEMENT

The directors would like to take this opportunity to express our sincere thanks to our shareholders for their support and to our staff for their commitment and diligence during the year.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Sze Man Bok, Mr. Hui Lin Chit, Mr. Hung Ching Shan, Mr. Xu Shui Shen, Mr. Xu Da Zuo, Mr. Xu Chun Man, Mr. Sze Wong Kim, Mr. Hui Ching Chi and Mr. Li Wai Leung as executive directors, and Mr. Chan Henry, Mr. Wang Ming Fu, Ms. Ada Ying Kay Wong, Mr. Ho Kwai Ching Mark and Mr. Zhou Fang Sheng as independent non-executive directors.

By order of the Board
Sze Man Bok
Chairman

Hong Kong, 21 March 2017