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"

2017 ANNUAL RESULTS ANNOUNCEMENT
FINANCIAL SUMMARY

	2017	2016	Change
	RMB'000	*RMB'000*	
Continuing operations			
Revenue	**19,825,031**	19,277,397	2.8%
Operating profit	**5,271,574**	4,742,869	11.1%
Profit attributable to shareholders	**3,794,041**	3,471,746	9.3%
Gross profit margin (%)	**46.9%**	48.8%	
Earnings per share			
— Basic	**RMB3.149**	RMB2.864	10.0%
— Diluted	**RMB3.149**	RMB2.864	10.0%
Discontinuing operations			
Profit attributable to shareholders	**–**	125,075	
Earnings per share			
— Basic	**–**	RMB0.103	
— Diluted	**–**	RMB0.103	
Overall profit attributable to shareholders	**3,794,041**	3,596,821	5.5%
Overall earnings per share			
— Basic	**RMB3.149**	RMB2.967	6.1%
— Diluted	**RMB3.149**	RMB2.967	6.1%
Dividends			
— Interim (paid)	**RMB0.95**	RMB0.85	
— Final (proposed/paid)	**RMB1.15**	RMB1.10	
Continuing operations			
Accounts receivable turnover (days)	**47**	47	
Finished goods turnover (days)	**46**	46	
Current ratio (times)	**1.3**	1.4	
Rate of return (%)	**23.6**	23.6	

* *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 2017, together with the comparative figures for the previous year, as follows:

Consolidated statement of profit or loss

		Year ended 31 December	
	Note	**2017**	2016
		RMB'000	*RMB'000*
Continuing operations			
Revenue	*3*	**19,825,031**	19,277,397
Cost of goods sold		**(10,525,679)**	(9,873,445)
Gross profit		**9,299,352**	9,403,952
Other income and other gains – net		**1,155,611**	542,971
Selling and distribution costs		**(3,891,035)**	(3,720,725)
Administrative expenses		**(1,292,354)**	(1,483,329)
Operating profit		**5,271,574**	4,742,869
Finance income		**93,653**	176,444
Finance costs		**(404,629)**	(360,302)
Finance costs – net		**(310,976)**	(183,858)
Profit before income tax	*4*	**4,960,598**	4,559,011
Income tax expense	*5*	**(1,159,142)**	(1,079,445)
Profit for the year from continuing operations		**3,801,456**	3,479,566
Discontinued operations			
Profit for the year from discontinued operations		**–**	281,896
Profit for the year		**3,801,456**	3,761,462
Profit attributable to:			
Shareholders of the Company		**3,794,041**	3,596,821
Non-controlling interests		**7,415**	164,641
		3,801,456	3,761,462

	Note	Year ended 31 December **2017** ***RMB'000***	 2016 *RMB'000*
Profit attributable to shareholders of the Company arising from:			
Continuing operations		**3,794,041**	3,471,746
Discontinued operations		**–**	125,075
		3,794,041	3,596,821
Earnings per share from continuing operations and discontinued operations attributable to shareholders of the Company			
Basic earnings per share			
– From continuing operations	*6*	**RMB3.149**	RMB2.864
– From discontinued operations	*6*	**–**	RMB0.103
– From profit for the year		**RMB3.149**	RMB2.967
Diluted earnings per share			
– From continuing operations	*6*	**RMB3.149**	RMB2.864
– From discontinued operations	*6*	**–**	RMB0.103
– From profit for the year		**RMB3.149**	RMB2.967

Consolidated statement of comprehensive income

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Profit for the year	**3,801,456**	3,761,462
Other comprehensive income		
Items that may be reclassified to profit or loss		
— Currency translation differences	**(42,651)**	(106,689)
Total comprehensive income for the year	**3,758,805**	3,654,773
Attributable to:		
Shareholders of the Company	**3,749,429**	3,488,705
Non-controlling interests	**9,376**	166,068
Total comprehensive income for the year	**3,758,805**	3,654,773
Attributable to shareholders of the Company arising from:		
Continuing operations	**3,749,429**	3,362,424
Discontinued operations	**–**	126,281
	3,749,429	3,488,705

Consolidated balance sheet

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		**8,044,858**	7,344,807
Construction-in-progress		**878,088**	1,094,145
Investment properties		**216,753**	194,848
Land use rights		**773,327**	751,308
Intangible assets		**503,246**	498,510
Prepayments for non-current assets		**141,132**	163,281
Deferred income tax assets		**172,244**	210,813
Long-term bank time deposits		**2,499,738**	1,760,000
		13,229,386	12,017,712
Current assets			
Inventories		**3,435,666**	3,194,641
Trade and bills receivables	*8*	**2,312,060**	2,743,500
Other receivables, prepayments and deposits		**1,406,346**	962,189
Current income tax recoverable		**52,431**	337,187
Derivative financial instruments		**29,433**	–
Restricted bank deposits		**3,002**	14,622
Cash and bank balances		**18,429,716**	14,874,877
		25,668,654	22,127,016
Total assets		**38,898,040**	34,144,728
Equity			
Equity attributable to shareholders of the company			
Share capital		**127,080**	126,991
Other reserves		**3,141,363**	2,944,971
Retained earnings		**12,837,975**	11,654,829
		16,106,418	14,726,791
Non-controlling interests		**237,883**	34,065
Total equity		**16,344,301**	14,760,856

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	*11*	**3,247,233**	3,524,687
Convertible bonds	*9*	**–**	472,719
Finance lease payable		**264**	–
Deferred income tax liabilities		**120,007**	106,452
		3,367,504	4,103,858
Current liabilities			
Trade payables	*10*	**2,128,813**	2,078,591
Other payables and accrued charges		**1,199,291**	1,201,870
Derivative financial instruments		**6,698**	1,119
Current income tax liabilities		**20,222**	79,860
Borrowings	*11*	**15,375,385**	11,918,574
Convertible bonds	*9*	**455,537**	–
Finance lease payable		**289**	–
		19,186,235	15,280,014
Total liabilities		**22,553,739**	19,383,872
Total equity and liabilities		**38,898,040**	34,144,728

1. General information

Discontinued operations in 2016

On 8 July 2016, the Company completed 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 species of the Group's entire shareholding in the Qinqin Group for separate listing on the Main Board of the Stock Exchange of Hong Kong Limited. The consolidated results of the Qinqin Group were presented in the consolidated financial statements of the Group for the year ended 31 December 2016 as discontinued operations. The consolidated statement of profit or loss distinguished the discontinued operations from the continuing operations.

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) 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 2017

- Amendments to HKAS 7, 'Statement of cash flows'.

The following amendments of HKFRSs are effective for the first time for the financial year beginning on 1 January 2017 and not relevant to the Group's operations (although they may affect the accounting for future transactions and events):

- Amendments to HKAS 12, 'Income taxes'.

- Amendment to HKFRS 12, 'Disclosure of interest in other entities'

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

(b) 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 2017and have not been early adopted by the Group

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

- Amendments to HKFRS 4, 'Insurance Contracts', effective for annual periods beginning on or after 1 January 2018.

- Amendment to HKFRS 1, 'First time adoption of HKFRS', effective for annual periods beginning on or after 1 January 2018.

- Amendment to HKAS 28, 'Investments in associates and joint ventures', effective for annual periods beginning on or after 1 January 2018.

- HKFRS15 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2018.[i]

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

- Amendments to HKAS 40, 'Transfers of investment property', effective for annual periods beginning on or after 1 January 2018.

- HK (IFRIC) 22, 'Foreign Currency Transactions and Advance Consideration', 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. Early adoption is permitted only if HKFRS 15 is adopted at the same time.

- HK (IFRIC) 23, 'Uncertainty over Income Tax Treatments', effective for annual periods beginning on or after 1 January 2019.

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

- HKFRS 17 'Insurance Contracts', effective for annual periods beginning on or after 1 January 2021. Early adoption is permitted only if HKFRS 9 and HKFRS 15 are adopted at the same time.

(i) HKFRS 15 Revenue from Contracts with Customers

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

When applying HKFRS 15, revenue shall be recognized by applying following steps:

- identify the contract with customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contracts;
- recognize revenue when (or as) the entity satisfies a performance obligation.

The Group is engaged in manufacturing, distribution and sale of personal hygiene products. The Group does not have any customer loyalty programme which is likely to be affected by the new HKFRS 15.

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Payment to customer – the application of HKFRS 15 may result in the consideration payable to a customer recorded as a reduction of the arrangement's transaction price, thereby reducing the amount of revenue recognized, unless the payment is for a distinct good or service received from the customer.

- Rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation. The Group's historical goods return rate was very low and the financial impact of applying new HKFRS 15 is not expected to be material.

- Presentation of contract assets and contract liabilities on the balance sheet – HKFRS 15 requires separate presentation of contract assets and contract liabilities on the balance sheet. The Group has assessed the adoption of this standard and concluded that it will not have a significant impact on the Group's results and financial position, except that certain new disclosures are introduced.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2018.

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations. According to the preliminary assessment, other than the assessment results of HKFRS 15 stated above, none of these is expected to have a significant effect on the consolidation financial statements of the Group.

3. Revenue and segment information

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

	2017				
	Continuing operations				
	Sanitary napkins products *RMB'000*	**Disposable diapers products** *RMB'000*	**Tissue paper products** *RMB'000*	**Others** *RMB'000*	**Group** *RMB'000*
Segment revenue	**7,024,011**	**2,010,067**	**9,670,539**	**2,021,369**	**20,725,986**
Inter-segment sales	**(51,606)**	**(10,742)**	**(280,467)**	**(558,140)**	**(900,955)**
Revenue of the Group	**6,972,405**	**1,999,325**	**9,390,072**	**1,463,229**	**19,825,031**
Segment profit	**3,195,717**	**326,921**	**545,403**	**106,993**	**4,175,034**
Unallocated costs					**(59,071)**
Other income and other gains – net					**1,155,611**
Operating profit					**5,271,574**
Finance income					**93,653**
Finance costs					**(404,629)**
Profit before income tax					**4,960,598**
Income tax expense					**(1,159,142)**
Profit for the year					**3,801,456**
Non-controlling interests					**(7,415)**
Profit attributable to shareholders of the Company					**3,794,041**
Other items for the year ended 31 December 2017					
Additions to non-current assets	**156,306**	**70,372**	**663,115**	**46,375**	**936,168**
Depreciation charge	**159,424**	**33,454**	**442,285**	**36,011**	**671,174**
Amortisation charge	**9,204**	**2,146**	**13,302**	**904**	**25,556**

	2017				
	Continuing operations				
	Sanitary napkins products *RMB'000*	**Disposable diapers products** *RMB'000*	**Tissue paper products** *RMB'000*	**Others** *RMB'000*	**Group** *RMB'000*
As at 31 December 2017					
Segment assets	**6,807,730**	**3,965,895**	**11,649,866**	**5,718,517**	**28,142,008**
Deferred income tax assets					**172,244**
Current income tax recoverable					**52,431**
Unallocated assets					**10,531,357**
Total assets					**38,898,040**
Segment liabilities	**1,602,377**	**1,501,511**	**3,044,361**	**2,239,176**	**8,387,425**
Deferred income tax liabilities					**120,007**
Current income tax liabilities					**20,222**
Unallocated liabilities					**14,026,085**
Total liabilities					**22,553,739**

	2016				
	Continuing operations				
	Sanitary napkins products *RMB'000*	Disposable diapers products *RMB'000*	Tissue paper products *RMB'000*	Others *RMB'000*	Group *RMB'000*
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 *RMB'000*	Disposable diapers products *RMB'000*	Tissue paper products *RMB'000*	Others *RMB'000*	Group *RMB'000*
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
Current income 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

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:

	2017	2016
	RMB'000	*RMB'000*
Crediting		
Government grants income *(Note (a))*	**484,611**	491,969
Realised fair value gains on derivative financial instruments	**1,073**	28,906
Unrealised fair value gains on derivative financial instruments	**22,781**	–
Interests income from long-term and short-term bank time deposits	**411,085**	242,425
Interests income from cash and cash equivalents	**93,653**	121,345
Gains on disposal of property, plant and equipment	**36,445**	–
Reversal of inventories write-down	**6,539**	7,701
Exchange gains from operating activities – net	**126,370**	–
Exchange gains from financing activities – net	**–**	55,099
Gains from acquisition of subsidiaries	**55,413**	–
Charging		
Depreciation of property, plant and equipment	**666,556**	626,162
Amortisation of land use rights	**22,347**	24,071
Amortisation of intangible assets	**3,209**	2,746
Losses on disposal of property, plant and equipment	**–**	32,709
Employee benefit expense, including directors' emoluments	**1,441,795**	1,458,475
Marketing and advertising expenses	**2,016,988**	2,082,303
Operating leases rentals	**88,906**	77,539
Repairs and maintenance expenses	**161,304**	148,227
Transportation and packaging expenses	**782,738**	685,307
Provision for impairment of trade receivables	**15,787**	30,858
Unrealised fair value losses on derivative financial instruments	**–**	1,073
Utilities and various office expenses	**882,482**	789,393
Loss on early redemption of convertible bonds	**–**	18,885
Interest expense on borrowing, after deducting interest expense of RMB10,174,000 (2016: RMB14,282,000) capitalized in construction-in-progress	**350,905**	264,022
Exchange losses from operating activities – net	**–**	196,701
Exchange losses from financing activities – net	**27,903**	–
Interest expense on convertible bonds	**14,267**	80,690

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

5. Income tax expense

	2017 *RMB'000*	2016 *RMB'000*
Current income tax		
— Current tax on profits for the year	**959,294**	921,857
— PRC withholding income tax	**175,257**	211,995
Deferred income tax, net	**24,591**	(54,407)
Income tax expense	**1,159,142**	1,079,445

(a) 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%.

Also, 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.

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

(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.

	2017	2016
From continuing operations:		
Profit attributable to shareholders of the Company (RMB'000)	**3,794,041**	3,471,746
Weighted average number of ordinary shares in issue (thousands)	**1,204,928**	1,212,364
Basic earnings per share (RMB)	**3.149**	2.864
From discontinued operations:		
Profit attributable to shareholders of the Company (RMB'000)	**–**	125,075
Weighted average number of ordinary shares in issue (thousands)	**–**	1,212,364
Basic earnings per share (RMB)	**–**	0.103

(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 2017 and the year ended 31 December 2016 as the potential ordinary shares in respect of outstanding share options and convertible bonds are anti-dilutive.

7. Dividends

	2017	2016
	RMB'000	*RMB'000*
Distribution in specie (Note (a))	**–**	1,051,000
Interim, paid, RMB0.95 (2016: RMB0.85) per ordinary share *(Note (b))*	**1,144,644**	1,031,079
Final, proposed/paid, RMB1.15 (2016: RMB1.10) per ordinary share *(Note (b)) (Note (c))*	**1,386,798**	1,325,377
	2,531,442	3,407,456

(a) As mentioned in Note 1, the Qinqin Group was spun-off via a distribution in specie of the Group's entire shareholding in the Qinqin Group 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.

(b) The dividends paid in 2017 amounted to RMB2,470,021,000 (2017 interim: RMB0.95 per share, 2016 final: RMB1.10 per share). The dividends paid in 2016 amounted to RMB2,197,136,000 (2016 interim: RMB0.85 per share, 2015 final: RMB0.96 per share). A final dividend in respect of the year ended 31 December 2017 of RMB1.15 per share, amounting to a total dividend of RMB1,386,798,000 was proposed by the Board of Directors at a meeting held on 22 March 2018, subject to the final approval by the shareholders of the Company at the Annual General Meeting to be held on 17 May 2018. These financial statements do not reflect this dividend payable.

(c) A final dividend in respect of the year ended 31 December 2017 of RMB1.15 per share (equivalent to HK$1.423109 per share) (2016: RMB1.10 per share (equivalent to HK$1.237582 per share)) was proposed by the Board of Directors. Dividends payable to shareholders will be paid in HK$. The exchange rate adopted by the Company for its payable is the middle rate of HK$ to RMB announced by the People's Bank of China for the business day preceding the date of dividend declaration. The exchange rate of HK$ to RMB on 21 March 2018 is 0.80809.

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 2017, the ageing analysis of the trade and bills receivables based on invoice date was as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**932,311**	1,093,677
31–180 days	**1,217,240**	1,438,602
181–365 days	**134,336**	218,395
Over 365 days	**85,634**	42,638
	2,369,521	2,793,312
Less: provision for impairment	**(57,461)**	(49,812)
	2,312,060	2,743,500

9. Convertible bonds

	2017	2016
	RMB'000	*RMB'000*
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	**423,250**	408,983
Early redemption of convertible bonds	**(4,392,425)**	(4,392,425)
Cumulative currency translation difference	**324,790**	356,239
Liability component		
— Non-current	**–**	472,719
— Current	**455,537**	–
	455,537	472,719

On 27 June 2013, the Company issued zero-coupon convertible bonds with an initial conversion price of HK$120.0825 per share, in the aggregate principal amount of HK$5,434 million, equivalent to RMB4,328 million. The bonds will be due for repayment on 27 June 2018 (the "maturity date"). 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 value 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.

The fair value of the convertible bonds approximated its carrying amount as at 31 December 2017.

During the year ended 31 December 2017, no bond holders have converted their bonds into ordinary shares of the Company.

10. Trade payables

At 31 December 2017, the ageing analysis of trade payables based on invoice date was as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**1,361,045**	1,575,813
31–180 days	**733,593**	470,621
181–365 days	**14,364**	14,090
Over 365 days	**19,811**	18,067
	2,128,813	2,078,591

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

11. Borrowings

	2017	2016
	RMB'000	*RMB'000*
Non-current		
Long-term bank loans – unsecured	**256,058**	536,700
Medium-term notes *(a)*	**1,997,174**	1,995,519
Corporate bonds *(b)*	**994,001**	992,468
	3,247,233	3,524,687
Current		
Trust receipt bank loans	**225,688**	627,870
Short-term bank loans – unsecured	**15,102,697**	11,290,704
Short-term bank loans – secured	**47,000**	–
	15,375,385	11,918,574
Total borrowings	**18,622,618**	15,443,261

(a) Medium-term notes

In September 2016, the Company issued a 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.

(b) Corporate bonds

In September 2016, a wholly-owned subsidiary of the Group issued a corporate bonds at a par value of RMB1,000,000,000, which was dominated in RMB with a fixed interest of 3.30% 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 bonds.

The fair value of the borrowings approximated their carrying amounts as at 31 December 2017.

BUSINESS REVIEW

Looking back on 2017, China's economic growth remained steady. According to the National Bureau of Statistics of China, the country's gross domestic product for 2017 increased by 6.9% year-on-year, better than market expectations and well above the government's annual growth target of 6.5%. Momentum in China's retail market began to pick up with annual retail sales of consumer goods increased by 10.2% year-on-year. Consumer market grew at a stable rate.

During the year under review, it was the crucial stage for the Group's implementation of the "small sales team" operating model (also known as "Hengan's Amoeba model"). The layout and full rollout of this operating model was completed at the end of April 2017. The sales network was successfully "vitalized" in the following eight months, and the Group began to see the benefits in the second half of the year. During the adjustment period of sales structure, the Group's overall sales were mildly affected and decreased slightly in the first half of 2017. Nevertheless, for the year ended 31 December 2017, the Group retrieved a positive growth of revenue from continuing operations, which amounted to approximately RMB19,825,031,000 (2016: RMB19,277,397,000), representing an increase of 2.8% compared with that of the previous year. The Group anticipated that the positive impact brought by the "small sales team" operating model will become more pronounced in 2018, along with the launch of new and upgraded products across China, together with the continuous growth momentum in e-commerce sales, the sales performance is expected to improve in 2018.

During the year, due to the increase in the prices of wood pulp, the Group's production cost of tissue business increased. The Group's gross profit margin dropped to about 46.9% during the year under review (2016: 48.8%). The Group will continue to optimize its product portfolio and expand the economies of scale in 2018 so as to mitigate the negative effects of rising wood pulp prices. Selling and distribution costs and administrative expenses decreased to approximately 26.1% (2016: 27.0%) of the Group's revenue. The decrease was mainly attributable to the implementation of "small sales team" operating model which effectively controlled the marketing and advertising expenses of sales channels.

In 2017, operating profit from continuing operations rose by about 11.1% to approximately RMB5,271,574,000 (2016: RMB4,742,869,000). Profit from continuing operations attributable to the shareholders of the Company and overall profit attributable to shareholders of the Company increased by about 9.3% and 5.5% respectively to approximately RMB3,794,041,000 (2016: RMB3,471,746,000 and 3,596,821,000). The Board of Directors declared a final dividend of RMB1.15 per share for the year ended 31 December 2017 (2016: RMB1.1).

During the year, the effective tax rate of continuing operations was approximately 23.4% (2016: 23.7%)

Sanitary Napkin

Against the backdrop of rising education level, social status as well as consumption power of women in China, their awareness of and demand for personal health continued to increase. Premium personal hygiene products were more welcomed by Chinese women, thus facilitating the stable development of the sanitary napkins market. Although the penetration of the sanitary napkins market in China has been quite high, the Group flexibly adapted to the change in purchasing power and consumption patterns and continued to optimize its product portfolio by upgrading the package, material and functionality of products. During the year, the Group launched Space 7 series, which targets mature female market, and constantly promoted Sweet Sleeping Panty series, which caters to female needs at night. Both products were well received by market. Coupled with the rise in average selling prices driven by product upgrade and the improved sales efficiency of the traditional channels as a result of "small sales team" business strategies, the Group's sanitary napkins business managed to maintain stable growth and strengthened its leading market position.

During the year, revenue of the sanitary napkins business grew by approximately 6.1% to approximately RMB6,972,405,000, which accounted for around 35.2% of the Group's revenue (2016: 34.1%). In 2017, the gross profit margin of the sanitary napkins business remained stable at approximately 72.2% (2016: 72.6%) as the gain brought by the Group's upgraded product portfolio offset the impact of increasing from some raw material cost.

In the future, the Group will continue to make more breakthroughs on packaging, functionality and materials. Capitalising on its leading position in the teenage market, the Group will launch more new products and upgrade products to further develop the mature women and white-collar market. The Group will also leverage on the speedy market response of "small sales team", adjusting its product mix according to the needs of different regions and sales channels to increase sales efficiency. While consolidating and optimizing offline channels, the Group will further expand its market share in the ecommerce market of personal hygiene products. It is expected to maintain steady growth in sales performance in 2018.

Tissue Paper

In light of stable economic growth in China, accelerating urbanization has enhanced the national hygiene standard. China's tissue consumption per capita still lags behind that of developed countries, implying enormous market potential. Despite vigorous competition, the Group, with its production scale and strong brand influence, coupled with its perseverance in high-quality tissue paper, still managed to gain competitive advantage and effectively expanded its market share. In addition, the government tightened the environmental regulations and strengthened law enforcement, resulting in elimination of small manufacturers and accelerated industry consolidation, which further solidified the position of large-scale manufacturers like the Group in the industry.

During the year, revenue from the Group's tissue paper segment increased by about 3.6% to approximately RMB9,390,072,000 accounting for approximately 47.4% (2016: 47.0%) of the Group's total revenue. In the second half of 2017, tissue paper segment recorded an increase of above 7.0% in revenue, which was attributable to the "small sales team operation" strategies that improved sales of traditional channels gradually and continued strong sales growth of e-commerce channel. During the year, gross profit margin of tissue paper business was affected by the persistent increase in the prices of wood pulp, a raw material for tissue paper production. Gross profit margin decreased to approximately 32.9% (2016: 37.9%). However, the Group is confident that the positive effect of "small sales team" operating model will become more evident in 2018 which would mitigate the pressure from rising raw material costs. The Group will also continue to innovate and launch high-quality, high-end products and new packing series with well-known brands to further optimize the product portfolio.

The Group's annualized production capacity was approximately 1,300,000 tons during the year. The production capacity is expected to increase to approximately 1,420,000 tons by the first half of 2018. The Group will consider expanding its production capacity according to the market conditions and sales performance in the future. In 2018, the Group will increase the supply of the popular products such as Minions-themed tissue paper series and Hearttex customized series of Hebe Tien to satisfy the market demand. Meanwhile, the Group will launch a new product "Talking tissue paper" and cooperate with other famous brand such as "three squirrels" to launch new packings for online exclusive products. The Group will also capitalize on the market craze for "super mini" and "wake up" series by strengthening the promotion and introducing more new packings for "super mini" and "wake up" series wet wipes. With high market sensitivity and quick adaptability of the "small sales team", the Group can further segmentise the market and then allocate different product mix to specific market. In 2018, the Group believes that tissue paper segment will accelerate its sales growth and improve its gross profit margin.

Disposable Diapers

Chinese government implemented the "two-child" policy since 2016, expanding the development potential of infant products. Due to the rising income of citizens, parents are more capable and willing to increase parenting expense, which is beneficial to the high-quality baby diapers market. Increasing personal hygiene awareness and consumers' pursuit of higher living standards have also facilitated the development of the adult diapers market. In addition, the market penetration rate of disposable diapers in China is still relatively low compared with that in the developed countries, implying huge market potential.

During the year, the benefits of the Group's strategic investment in e-commerce and maternity stores began to emerge. Diapers sales in both channels recorded significant growth. Sales from e-commerce channels reached a year-on-year growth of 70% and accounted for over 25% of the overall diapers sales in 2017, effectively alleviating the decline in the Group's overall diapers sales.

For the year ended 31 December 2017, revenue from the sales of diapers decreased by approximately 7.0% to approximately RMB1,999,325,000, accounting for approximately 10.1% (2016: 11.2%) of the Group's revenue.

During the year, as the prices of petrochemical products like superabsorbent polymer, a major raw material for disposable diapers increased, coupled with the price gap between e-commerce channel and traditional channel as well as intensified market competition, gross profit margin of disposable diapers business dropped to around 46.9% (2016: 50.8%). However, the Group took appropriate measures to adjust the price of e-commerce products in the second half of 2017 and launched high-end and optimized products, thus the gross profit margin for the year 2017 slightly improved comparing to the first half of 2017.

The Group expected that the new high-end product “Q·MO”, which has established its market reputation and its image as quality diaper, will help enhance the sales performance of overall diapers business and the positive influence will be gradually reflected in 2018. To conform to the trend of product premiumisation of the personal hygiene product consumption, the Group will continue to enrich “Q·MO” series and launch “「Ultra Soft」、「Natural Cotton」、「Fresh Air」” series in 2018 to cater to the market demand for high-quality products. The Group will use quality overseas raw materials and technology and leverage on its national and international certification to strengthen consumer confidence in the Group’s disposable diapers and increase its competitiveness in order to stand out from the competition with high-quality products.

First Aid Products

Sales of first-aid products under the brands of “Banitore” and “Bandi” amounted to approximately RMB32,451,000 (2016: RMB25,668,000). The business accounted for approximately 0.2% (2016: 0.1%) of the Group’s revenue from continuing operations, and did not have any significant impact on the Group’s overall results.

E-commerce

Online shopping has become an indispensable part of Chinese daily lives. The Group further developed its national sales network through online stores and Wechat stores. To further enhance the sales performance and market share of the e-commerce channel, the Group has accelerated the development of its e-commerce sales channels including online stores and Wechat stores, in the aspects of product type, sales model and product promotion. During the year, the Group’s e-commerce business achieved extraordinary growth. The e-commerce sales of the Group’s core business segments, including sanitary napkins, tissue paper and disposable diapers, maintained robust growth momentum. As at 31 December 2017, revenue from e-commerce reached about RMB2.02 billion, up by more than 80% over the same period last year. E-commerce’s contribution to total sales revenue also rose to approximately 10.0% (2016: 6.0%).

While delivery efficiency and product positioning are the main factors influencing the consumption decision at e-commerce channels, the Group’s sales channel reform and warehouse adjustment helped enhance the efficiency of e-commerce sales channels, so as to deliver goods in an efficient manner and save selling and distribution costs. The Group also established strategic cooperation with the major e-commerce platforms to optimize the cost-effectiveness of the logistics network. Meanwhile, the Group will continue to develop exclusive products for e-commerce sales channels to enhance their competitiveness. The Group has started strategic collaborations with several e-commerce operators since 2018, increasing cooperation in the aspects of product development, marketing and supply chain. It is anticipated that the e-commerce sales will be further accelerated.

Hengan's Amoeba Model

From January 2017 onwards, the Group started the implementation of the "small sales team" business strategy nationally to break its original management model and transform it into a flattened and streamlined service model which gives its sales team sufficient autonomy. The nationwide rollout of the aforementioned new strategy was completed at the end of April. Leveraging on the agility and market responsiveness of the "small sales team", the Group has effectively formulated sales strategies to meet the varying needs of different regional markets and adjust the product mix according to consumer needs of each market. With the motto of "customer first", it successfully revitalized the sales of traditional channels, leading to a win-win situation for both the Group and consumers. While the sales performance has been enhanced, the Group's expense ratio also improved by about 0.9% in 2017 comparing to last year, demonstrating the effectiveness of the "small sales team".

"Small sales team" completed its national layout in 2017 and will continue to deepen its reform to enhance the operating efficiency of small sales team in 2018. Apart from sales team, "small sales team operating" model will gradually extend to other operating divisions of the Group, strengthening the agility and market responsiveness of the Group. The Group also put forward the development philosophy of "create the value together, shoulder the responsibility together, share the interest", which was accepted by all employees.

As "small sales team" model has been widely adopted by the Group internally, along with the support of regional operation center and shared service center for each small team in the aspects of operation and distribution, "small team sales operating" model will continue to revitalize and reform the whole Group. It is expected that the Group's overall revenue will grow rapidly in 2018 and it will continue to enhance its operating efficiency.

Acquisition of Wang-Zheng

On 5 June 2017, the Group announced that it acquired an aggregate of 80 million shares of Wang-Zheng Berhad (Stock code: 7203), a company listed on the Main Market of Bursa Malaysia Securities Berhad. The Sale Shares represented approximately 50.45% of the equity interest in Wang-Zheng. The transaction price amounted RM91.2 million (equivalent to approximately RMB146 million). On 19 July 2017, the Group closed the unconditional mandatory takeover offer (the "Offer"). Taking into account the valid acceptances under the Offer, the Group is interested in an aggregate of 80,003,000 shares in Wang-Zheng, representing approximately 50.45% of the equity interest in Wang-Zheng.

If the acquisition had occurred on 1 January 2017, the consolidated revenue and consolidated net profit for the year ended 31 December 2017 of the Group would have been increased by RMB434,152,000 and RMB15,263,000 respectively. From the date of acquisition completed (8 June 2017), the contribution to the Group's revenue during the period amounted to approximately RMB261,477,000 and the net profit amounted to RMB49,786,000 (including the negative goodwill recognized from the acquisition of Wang-Zheng of about RMB42,383,000), accounting for approximately 1.3% and 1.3% of the Group's total revenue and net profit respectively.

Wang-Zheng and its subsidiaries are principally engaged in investment holding and the manufacturing and processing of fibre-based products, which include disposable adult and baby diapers, sanitary protection and tissue products, cotton products and processed papers. The acquisition was undertaken as part of the Group's plan to expand its business operations and diversify its revenue stream outside the People's Republic of China. The Group will seek to leverage on its extensive experience and work with the existing management team of Wang-Zheng to grow the Wang-Zheng Group. Meanwhile, Wang-Zheng's sales network covers the major sales channels in Southeast Asia, such as large-scale supermarkets and personal hygiene product stores. The Group will make good use of Wang-Zheng's current network to bring its products to the Southeast Asian region. The Group will grasp this opportunity to introduce more product types on the one hand and enhance the Group's overseas reputation on the other hand.

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 2017, apart from certain forward exchange contracts and 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 2017, the Group's cash and bank balances, long-term bank time deposits and restricted bank deposits amounted to approximately RMB20,932,456,000 (31 December 2016: RMB16,649,499,000); the liability component of convertible bonds amounted to approximately RMB455,537,000 (31 December 2016: RMB472,719,000); medium-term notes (panda bonds) and domestic bonds of approximately RMB2,991,175,000 (31 December 2016: RMB2,987,987,000), and bank borrowings amounted to approximately RMB15,631,443,000 (31 December 2016: RMB12,455,274,000).

In the second half of 2016, the Group successfully registered for the proposed issue of RMB5 billion medium-term notes (panda bonds) and RMB5.75 billion domestic corporate bonds. The Group also completed the issue of the first tranche 3-year panda bonds of RMB2 billion and the issue of the first tranche of 5-year domestic bonds of RMB1 billion in September 2016, with a coupon rate of 3.24% and 3.3% per annum respectively.

In addition, the Group successfully registered for the proposed issue of RMB5 billion super & short-term commercial paper during the year. The Group may issue super & short-term commercial paper in batches within two years from the date of acceptance of the registration notice. The suggested amount of the first issuance of super & short-term commercial paper is expected to be approximately 10 billion (the exact amount will be finalized by the Group at the time of issuance).

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 9 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 1.0%to 5.6% (2016: from 0.3% to 4.6%).

As at 31 December 2017, the Group's gross gearing ratio of continuing operations was approximately 118.5% (31 December 2016: 108.1%), 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 bank time deposits as a percentage of the shareholders' equity (not including non-controlling interests), was negative 11.5% (31 December 2016: negative 4.9%) as the Group was in a net cash position.

During the year, the Group's capital expenditure for continuing operations amounted to approximately RMB936,168,000. As at 31 December 2017, the Group had no material contingent liabilities.

Appointment of professional consultants

To optimize 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 services have been mostly completed in 2017 and the entire project is expected to be completed by 2018.

Also, the Group continued to hire PricewaterhouseCoopers and its advisory team to provide variety of advisory services, including but not limited to the preparation of "Environmental, Social and Governance Report" in 2017, setting up of Service Sharing Centre, establishing the Group's online and offline strategy during 2017 and the services will be continued in 2018.

Latest awards

In 2017, the Group has received major awards and honors as below:

Date	Award	Organization
January	The Group was awarded the "International Carbon-Value Gold Award". Chief Executive Officer Mr. Hui Lin Chit was granted "Low Carbon Leadership Award".	The World Economic and Environmental Conference
May	Top 100 Hong Kong Stocks. The Group has received this award for 5 consecutive years.	Finet
June	Hearttex was ranked as the top 10 "most preferred brands for China's consumers". Space 7 is shortlisted as the fast rising brand of fast-moving consumer goods.	Kantar Consumer Index
July	The 12th "Capital China" Outstanding Enterprise Award	Hong Kong Capital Magazine
August	Ranked 286th in the list of "Top 500 Chinese Private Enterprises in 2017"	The All-China Federation of Industry and Commerce
September	"Strategical Charity Enterprise". The Group cooperated with Tencent to organize "99 Charity Day" and initiated the campaign of "Chinese Enterprise's Charitable Internet Laboratory".	Tencent Foundation
	Hearttex was selected as BRICS Xiamen Congress's designated products.	BRICS
	Hearttex and Space 7 were awarded the "Golden Wheat Quality Award", in which this award is influential and authoritative in the e-commerce industry daily household products sector.	Golden Wheat Quality Award
November	"National Brand Campaign 2018"	CCTV
December	Mr. Hui Lin Chit was accredited as "Top 100 CEOs in China"	Harvard Business Review

In November 2017, the Group was included in the "National Brand Campaign" of CCTV, which was the only company of the household products industry in China to receive this honor. As a leading enterprise of household product brand in China, the Group will launch new products with Chinese characteristics to promote China's high quality household products and the brand of Hengan internationally in 2018.

Product Research and Development

As the first enterprise in the mainland's tissue paper industry accredited by the State as the National Enterprise Technology Centre, the Group continued to allocate more resources to product research and development during the year with the aim of enhancing efficiency and of developing more value-added products to satisfy consumers' more sophisticated needs. The move will strengthen the Group's leading position in the personal hygiene product industry.

Human Resources and Management

Benefitting from the "small sales team" strategy, the Group effectively enhanced the efficiency of human resources. As at 31 December 2017, the Group employed approximately 21,000 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 2018, global economic recovery is expected to continue while China's economy will maintain steady growth, supporting the retail market in the country. Improving consumer confidence will also benefit the development of high-end quality product market.

With respect to operating strategies, the Group will extend the initial success of "small sales team" with its motto of "customer first", implementing reform within the Group thoroughly to optimize operational efficiency and enhance sales performance. The Group will also strengthen its foothold in e-commerce to capture the massive market potential.

As for the products, the Group will continue with its upgrade, renewal and innovation to further enhance the position of high-end quality product in the overall product portfolio. Leveraging its production scale, brand influences, perseverance in product quality and strength in constant progression, the Group will consider industrial expansion as the long-term development target, continuing to maintain its leading position in China's personal hygiene product market. The Group will strive to achieve sustainable healthy business.

PROPOSED FINAL DIVIDEND

The directors have resolved to recommend the payment of a dividend of RMB1.15 (2016: RMB1.10) per share to shareholders, whose names appear in the register of members of the Company on Wednesday, 23 May 2018 (the "Proposed Final Dividend"). Subject to the passing of the necessary resolution at the forthcoming annual general meeting to be held on Thursday, 17 May 2018 (the "2018 AGM"), the Proposed Final Dividend will be payable on Wednesday, 30 May 2018.

CLOSURE OF THE REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the 2018 AGM

The 2018 AGM is scheduled to be held on Thursday, 17 May 2018. For determining the entitlement to attend and vote at 2018 AGM, the register of members of the Company will be closed from Monday, 14 May 2018 to Thursday, 17 May 2018, 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 2018 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 Friday, 11 May 2018.

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

The Proposed Final Dividend is subject to the approval of shareholders at the 2018 AGM. For determining the entitlement to the Proposed Final Dividend for the year ended 31 December 2017, the register of members of the Company will also be closed from Thursday, 24 May 2018 to Friday, 25 May 2018, 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 Wednesday, 23 May 2018.

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 2017. The figures contained in the financial statements set out in page 2 to 20 of this announcement of the Group's results for the year ended 31 December 2017 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

The Company did not redeem any of the Company's shares during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year.

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 2017 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. Ms. Ada Ying Kay Wong and Mr. Wang Ming Fu 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 17 May 2017 because they had other urgent business engagement.

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, 22 March, 2018