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Vinda International Holdings Limited
維達國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3331)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

- **Solid revenue growth & strong EBITDA margin despite challenging operating environment**
  - Total revenue grew by 11.9% to HK$13.5 billion, representing 8.5% of organic growth[1].
  - Full year revenue organic growth[1] in mainland China was 11.0%.
  - EBITDA grew by 7.1% and EBITDA margin stood at 13.4%, reflecting strong cash generation from our business.

- **Decrease in total SG&A expense ratio**
  - Thanks to the effective management and strict cost control, total selling, general & administrative expenses ("SG&A") ratio dropped 0.4 percentage point ("ppt") to 22.8%.

- **Narrowed the margin squeeze at operating & net profit levels through active cost saving initiatives, operation efficiency improvement & effective financing strategy, despite the significant increase of wood pulp cost**
  - Gross margin was 29.7%, down by 2.0 ppts.
  - Operating margin was 7.3%, down by 1.1 ppts.
  - Net margin was 4.6%, down by 0.8 ppt.

- **Optimised Tissue product portfolio; Continuous strong growth in e-commerce; Strong growth in Personal Care in mainland China**
  - Revenue from Tissue segment was HK$10.9 billion. Notable sales growth in softpack, kitchen towels and wet wipes.
  - Revenue growth from e-commerce stood out, accounting for 21% of the Group's total revenue.
  - Revenue from Personal Care segment reached HK$2.6 billion, accounting for 19% of the Group's total revenue. Both incontinence and feminine business in mainland China delivered double-digit organic growth in revenue.

- **Lower gearing level**
  - Net gearing ratio[3] was 54% (2016: 59%).

- **Increase in final dividend and dividend payout ratio**
  - A final dividend of 14.0 HK cents per share is proposed (2016: 12.0 HK cents).
  - Total dividend for the year would be 19.0 HK cents (2016: 17.0 HK cents).
  - Dividend payout ratio would be 36.1% (2016: 28.4%).

The Board of Directors (the "Board") of Vinda International Holdings Limited ("Vinda" or the "Company") is pleased to present the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 (the "Year").

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

2017 was an exceptional year as we reached a milestone, our 10th anniversary of listing. 2017 was also particularly challenging for us and most of our peers, as our cost was under great pressure amid an upward cycle of pulp price. Besides, intensified market competition, the sluggish offline trade and the fluctuation of Renminbi ("RMB") also led to a challenging operating environment.

Nevertheless, we managed to grow our sales and stayed ahead of our peers in terms of market share[4], thanks to the consumption upgrade, tissue market consolidation, our competitive advantage in e-commerce, and most importantly, our innovation capability. In addition, despite we suffered from higher wood pulp cost, we were able to narrow the margin squeeze at operating and net profit levels through active cost saving initiatives, operational efficiency improvement and effective financing strategy.

Financial Highlights

Total revenue reached HK$13,486 million, up by 11.9% (organic growth[1]: 8.5%). Full year organic growth in mainland China was 11.0%.

In respect of business segment, Tissue and Personal Care respectively contributed to 81% and 19% of total revenue. In respect of sales channels, traditional distributors, key account managed supermarkets and hypermarkets, B2B corporate customers and e-commerce accounted for 39%, 26%, 14% and 21% respectively. Revenue growth from e-commerce stood out among other channels, particularly with the help of e-festivals such as Double-11.

Gross profit rose by 4.8% to HK$4,000 million. Leveraging our efforts in portfolio management and cost saving programme, gross margin only contracted by 2.0 ppts to 29.7% in spite of the significant increase of wood pulp cost. The impact brought by the product price hike initiative in the fourth quarter is expected to carry forward to 2018.

EBITDA grew by 7.1% and EBITDA margin stood at 13.4%, reflecting strong cash generation from our business.

Thanks to the effective management and strict cost control, total selling, general & administrative expenses ("SG&A") ratio dropped 0.4 ppt to 22.8%. Total administrative costs as a percentage of sales was down by 0.6 ppt to 5.4%. Total selling and marketing costs as a percentage of sales was 17.4%, slightly up by 0.2 ppt. Such increase was mainly attributable to advertising new brands and products, as well as the increased logistics costs. As a result, operating profit decreased by 2.4% to HK$984 million. Operating margin was 7.3%, contracted by 1.1 ppts.

Net gearing ratio[3] was 54%, down from 59% last year. In order to mitigate the foreign exchange rate risk, we have balanced our borrowings to assets with more RMB borrowings. Total foreign exchange losses decreased to HK$27.4 million (2016: HK$45.4 million), of which HK$0.5 million was reported in operating items (2016: HK$25.0 million), and HK$26.9 million in financing items (2016: HK$20.4 million). Yet, interest cost was inevitably higher with the increased proportion of RMB borrowings.

Effective tax rate was 19.3%, slightly up by 0.2 ppt.

As a result, net profit contracted by 5.0% to HK$621 million. Net profit margin was 4.6%, down by 0.8 ppt. Basic earnings per share was 52.6 HK cents (2016: 59.8 HK cents).

As a gratitude to our shareholders for their continuous support, the Board recommends the payment of a final dividend of 14.0 HK cents per share. Together with the interim dividend, total dividend for 2017 would be 19.0 HK cents (2016: 17.0 HK cents per share). Dividend payout ratio for 2017 would be 36.1% (2016: 28.4%).

Business Review

Tissue Segment

Revenue from the Tissue segment was HK$10,908 million accounting for 81% of the Group's total revenue (2016: 83%). Softpack, kitchen towels and wet wipes recorded notable increase in revenue.

We have introduced a number of measures such as optimising the product mix, raising product price in the fourth quarter and introducing cost saving programme, which eased part of the pressure brought by the significant increase in wood pulp cost. However, the profitability of Tissue segment was inevitably affected. Gross profit margin and segment result margin of the Tissue segment were 29.6% and 8.5% respectively.

Despite the competition, *Vinda* has strengthened its share leadership in the tissue category[4] and maintained its online leadership. The launch of high-margin embossed series, *Vinda Deluxe 4D-Déco*™, and the marketing campaign, *Vinda's "Fifth Ultra Strong China Tour*", were well received by consumers. *Tempo* has increased its market share[4] and extended its sales network. *Tork* officially launched its digital flagship store in China on a leading e-commerce platform.

During the Year, we tapped into South East Asia premium tissue market by rolling out *Vinda Deluxe* series to various supermarket chain stores in Malaysia. *Vinda Deluxe* is also available through WeChat e-shop in Singapore.

Personal Care Segment

Revenue from the Personal Care segment reached HK$2,578 million, accounting for 19% of the Group's total revenue (2016: 17%). Both incontinence and feminine business in mainland China delivered double-digit organic growth in revenue. Gross profit margin and segment result margin of the Personal Care segment were 29.9% and 6.1% respectively. The segment result margin reflected the investment stage of the Personal Care business in China.

In incontinence care, we have expanded the institutional sales clientele by actively working with local governments and nursing homes. Online sales development has seen positive trend. *TENA* stands as a leading incontinence brand in our major markets.

Feminine care business recorded remarkable revenue growth. In Malaysia, *Libresse* fortified its No. 1[5] market position. In China, *Libresse*, starring famous photographer Ms. Chen Man, re-launched on both cross-border e-commerce platforms and boutique personal cares stores. *VIA* attracted young consumers with its successful social media campaign and its newly launched pant products.

The majority of our baby care business is in Southeast Asia. *Drypers* ranked No. 1[5] and No. 3[6] respectively in Malaysia and Singapore in terms of market share. *Drypers Drypantz* was voted by consumers in Malaysia as Product of The Year 2017/18. In China, *Libero* focused on e-strategy and raised the brand awareness.

Production Capacity Plan

Vinda's annual designed production capacity for tissue paper reached 1,100,000 tons as at 31 December 2017. 120,000 and 60,000 tons of new capacity will be added in Hubei and our tenth factory located in Yangjiang respectively in the second half of 2018, thereby bringing the total to 1,280,000 tons by the end of 2018.

We have well-equipped facilities in mainland China for the production of certain personal care products, and have three production bases in Malaysia and Taiwan.

Internal Control and Human Resources Management

All Vinda employees are required to follow Vinda's codes of conduct and core principles. The heads of all functional departments and business units of Vinda are responsible for identifying, handling and reporting major risks and inadequacies in internal control. The internal control department is responsible for conducting internal audits, receiving reports on misconduct, reporting cases to the senior management and advising solutions for cases. The head of the internal audit department reports to the chairman of the Audit Committee. The formulation, review and updating of our internal control system and guidelines to align with the latest external regulatory and internal control requirements fall within the ambit of the corporate management and legal departments. During the Year, we reviewed and updated our policies on issues including but not limited to risk management, communications with shareholders, handling and dissemination of inside information, and the code for securities transactions by directors and employees.

Vinda believes that employees are the most valuable contributors to its success. We strive to offer equal opportunities to all qualified candidates regardless of age, nationality, race, religion, sexual orientation, gender, marital status, disability or political stance. We also offer fair and reasonable remunerations, performance incentives and a career advancement mechanism. Furthermore, we ensure that our employees continuously develop their skills and capabilities by providing a range of training opportunities. During the Year, we rolled out a talent management cycle initiative to identify, screen, develop and retain our talents. We have also introduced a long-term incentive scheme for key senior executives to retain key talents.

As at 31 December 2017, we had a total of 11,277 employees.

Award & Recognition

Sustainability is one of our core principles. During the Year, Vinda has been selected as a constituent of the Hang Seng Corporate Sustainability Benchmark Index under Hang Seng Corporate Sustainability Index Series. In addition, Vinda has received "Gold Award" in The Asset Corporate Awards 2017 from The Asset, which recognised our financial performance, corporate governance, social responsibility, environmental responsibility and investor relations. Vinda has rewarded the "Most Valuable Company in Consumer and Service Sector" in Golden Hong Kong Stocks Awards 2017.

Outlook

In the medium to long run, we see enormous opportunities for Vinda's tissue and high-end personal care brands. The increasing disposable income will trade up the consumption with quality and innovative hygiene products. The aging population will drive the demand for professional incontinence care. The increasing popularity of online shopping will lower the entry barrier for new but strong brands, while the elimination of obsolete capacity will lead to market consolidation.

Looking ahead to 2018, we anticipate that market competition will continue; e-commerce will continue to take share from offline retailers; more small peers will scale back their operation under cost pressure and tightening environmental regulation; the uncertainty of currency rates remains; the wood pulp cost will continuously put pressure during 2018. To counter balance these, our focuses for the following year will be on product portfolio enhancement, active cost saving, innovation, product pricing management, and operational efficiency improvement.

[1] *Since 1 April 2016, the completion date of the acquisition of SCA Asia business in Malaysia, Taiwan and Korea by the Group, the financial figures of business of SCA Asia have been consolidated into the financial results of the Group. Therefore, with respect to the calculation of the organic revenue growth, the data recorded between January and March excluded the acquired Asia business in Malaysia, Taiwan and Korea, as well as the exchange rate effects; whereas for the calculation of the organic revenue growth between April and December, only the exchange rate effects were excluded.*

[2] *SCA (Svenska Cellulosa Aktiebolaget) spun off its hygiene unit into a new listed company, namely Essity Aktiebolag (publ) ("Essity") in June 2017. Since 14 June 2017, Essity has become Vinda's ultimate controlling shareholder in place of SCA.*

[3] *Net gearing ratio: Total borrowings less bank balances and cash and restricted deposits divided by total shareholders' equity*

[4.] *Source: Kantar Worldpanel, sales value for the period between 31 December 2016 and 29 December 2017*

[5] *Source: Kantar Worldpanel, sales value year-to-date at 3 December 2017*

[6] *Source: Kantar Worldpanel, sales volume year-to-date at 31 December 2017*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended 31 December **2017** *HK$*	2016 *HK$*
Revenue	*4*	**13,485,960,780**	12,056,548,935
Cost of sales	*5*	**(9,486,047,682)**	(8,239,615,131)
Gross profit		**3,999,913,098**	3,816,933,804
Selling and marketing costs	*5*	**(2,351,849,995)**	(2,074,739,697)
Administrative expenses	*5*	**(727,035,386)**	(728,394,604)
Other income and losses – net		**62,498,407**	(6,226,887)
Operating profit		**983,526,124**	1,007,572,616
Finance income and costs – net	*6*	**(214,027,686)**	(199,265,704)
Profit before income tax		**769,498,438**	808,306,912
Income tax expense	*7*	**(148,541,984)**	(154,772,358)
Profit attributable to equity holders of the Company		**620,956,454**	653,534,554
Other comprehensive income:			
Item that may be reclassified to profit or loss			
– Currency translation differences		**692,642,246**	(531,450,105)
Item that will not be reclassified subsequently to profit or loss			
– Remeasurements of post-employment benefit obligations		**2,491,047**	(273,967)
Total comprehensive income attributable to equity holders of the Company		**1,316,089,747**	121,810,482
Earnings per share for profit attributable to the equity holders of the Company for the year			
– basic	*8(a)*	**0.526**	0.598
– diluted	*8(b)*	**0.525**	0.597

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2017	2016
	Note	***HK$***	*HK$*
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**8,739,887,326**	7,281,873,804
Leasehold land and land use rights	*10*	**1,042,127,885**	432,130,671
Intangible assets	*10*	**2,913,888,055**	2,796,001,162
Deferred income tax assets		**348,762,906**	268,225,330
Investment properties		**7,660,539**	4,859,059
Total non-current assets		**13,052,326,711**	10,783,090,026
Current assets			
Inventories		**3,048,179,318**	1,785,142,568
Trade receivables, other receivables and prepayments	*11*	**2,309,863,202**	1,938,829,069
Prepayments to and receivables from related parties		**28,949,331**	106,197,276
Cash and cash equivalents		**534,589,786**	1,015,254,277
Total current assets		**5,921,581,637**	4,845,423,190
Total assets		**18,973,908,348**	15,628,513,216
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*13*	**119,416,737**	113,741,237
Share premium	*13*	**4,345,689,034**	3,498,754,174
Other reserves		**4,271,362,605**	3,167,068,811
Total equity		**8,736,468,376**	6,779,564,222

		As at 31 December	
		2017	2016
	Note	***HK$***	*HK$*
LIABILITIES			
Non-current liabilities			
Borrowings	*14*	**3,310,130,427**	2,879,551,662
Loans from a related party	*14*	**1,236,403,002**	915,499,741
Deferred government grants		**142,848,544**	90,486,296
Deferred income tax liabilities		**211,437,204**	203,135,117
Post-employment benefits		**33,214,008**	36,601,481
Other non-current liabilities	*15*	**17,675,709**	–
		4,951,708,894	4,125,274,297
Current liabilities			
Trade payables, other payables and accrued expenses	*12*	**4,493,818,093**	3,384,235,435
Borrowings	*14*	**689,740,941**	1,221,694,623
Due to related parties		**37,687,965**	37,775,333
Current income tax liabilities		**64,484,079**	79,969,306
		5,285,731,078	4,723,674,697
Total liabilities		**10,237,439,972**	8,848,948,994
Total equity and liabilities		**18,973,908,348**	15,628,513,216

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company			
		Share capital	Share premium	Other reserves	Total
	Note	***HK$***	***HK$***	***HK$***	***HK$***
Balance as at 1 January 2016		99,908,769	1,688,013,706	3,159,837,388	4,947,759,863
Profit for the year		–	–	653,534,554	653,534,554
Other comprehensive income					
– Currency translation differences		–	–	(531,450,105)	(531,450,105)
– Remeasurements of post-employment benefit obligations		–	–	(273,967)	(273,967)
Total comprehensive income for the year ended 31 December 2016		–	–	121,810,482	121,810,482
Transaction with owners					
Employees share option scheme					
– Exercise of share options	*13*	78,800	14,832,224	(3,994,104)	10,916,920
Allotment of shares	*13*	10,589,703	1,359,281,030	–	1,369,870,733
Conversion of convertible notes	*13*	3,163,965	436,627,214	–	439,791,179
Dividends	*9*	–	–	(110,584,955)	(110,584,955)
Transaction with owners		13,832,468	1,810,740,468	(114,579,059)	1,709,993,877
Balance as at 31 December 2016		113,741,237	3,498,754,174	3,167,068,811	6,779,564,222
Balance as at 1 January 2017		**113,741,237**	**3,498,754,174**	**3,167,068,811**	**6,779,564,222**
Profit for the year		**–**	**–**	**620,956,454**	**620,956,454**
Other comprehensive income					
– Currency translation differences		**–**	**–**	**692,642,246**	**692,642,246**
– Remeasurements of post-employment benefit obligations		**–**	**–**	**2,491,047**	**2,491,047**
Total comprehensive income for the year ended 31 December 2017		**–**	**–**	**1,316,089,747**	**1,316,089,747**
Transaction with owners					
Employees share option scheme					
– Exercise of share options	*13*	**175,500**	**32,934,860**	**(8,868,020)**	**24,242,340**
Allotment of shares	*13*	**5,500,000**	**814,000,000**	**–**	**819,500,000**
Dividends	*9*	**–**	**–**	**(202,927,933)**	**(202,927,933)**
Transaction with owners		**5,675,500**	**846,934,860**	**(211,795,953)**	**640,814,407**
Balance as at 31 December 2017		**119,416,737**	**4,345,689,034**	**4,271,362,605**	**8,736,468,376**

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended 31 December	
		2017	2016
	Note	***HK$***	*HK$*
Cash flows generated from operating activities:			
– cash generated from operations		**1,450,394,542**	2,474,317,860
– interest paid		**(231,198,820)**	(176,469,869)
– income tax paid		**(232,802,650)**	(82,493,987)
Net cash generated from operating activities		**986,393,072**	2,215,354,004
Cash flows used in investing activities:			
– cash (paid to)/acquired through acquisition of subsidiaries	*16*	**(81,716,451)**	301,808,005
– purchase of property, plant and equipment		**(1,243,552,114)**	(1,234,409,827)
– proceeds from disposal of property, plant and equipment		**31,807,475**	2,808,522
– proceeds from government grants		**53,157,005**	9,157,723
– payment for leasehold land and land use rights		**(6,880,281)**	(81,552,655)
– purchase of intangible assets		**(38,907,355)**	(28,618,295)
– interest received		**9,170,849**	4,700,126
Net cash used in investing activities		**(1,276,920,872)**	(1,026,106,401)
Cash flows used in financing activities:			
– proceeds from shares issued		**24,242,340**	401,169,913
– proceeds from borrowings		**5,080,559,653**	5,239,059,652
– proceeds from loans from a related party		**300,000,000**	–
– repayments of borrowings		**(5,502,116,055)**	(4,556,236,373)
– repayments of loans from a related party		**–**	(1,502,702,986)
– dividends paid	*9*	**(202,927,933)**	(110,584,955)
Net cash used in financing activities		**(300,241,995)**	(529,294,749)
Net (decrease)/increase in cash and cash equivalents		**(590,769,795)**	659,952,854
Cash and cash equivalents, beginning of the year		**1,015,254,277**	393,247,986
Effect of foreign exchange rate changes		**110,105,304**	(37,946,563)
Cash and cash equivalents, end of the year		**534,589,786**	1,015,254,277

The reconciliation of liabilities arising from financing activities is as follows:

	Borrowings (Non-Current) *HK$*	Borrowings (Current) *HK$*	Loans from related parties (Non-current) *HK$*	Total *HK$*
As of 31 December 2016	2,879,551,662	1,221,694,623	915,499,741	5,016,746,026
Cash flows				
– Inflow from financing activities	971,101,614	4,109,458,039	300,000,000	5,380,559,653
– Outflow from financing activities	(547,156,081)	(4,954,959,974)	–	(5,502,116,055)
Non-cash changes				
– Reclassification	(236,008,014)	236,008,014	–	–
– Addition to loans through acquisition of a subsidiary (i)	47,572,933	–	–	47,572,933
Currency translations	195,068,313	77,540,239	20,903,261	293,511,813
As of 31 December 2017	3,310,130,427	689,740,941	1,236,403,002	5,236,274,370

(i) On 31 March 2017, the Group completed the acquisition of 100% equity interest of Jiangmen Dynasty Fortune Paper Limited. As a result, loans amounting to HK$47,572,933 were carried into the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 GENERAL INFORMATION

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

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

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

Svenska Cellulosa Aktiebolaget ("SCA") was the ultimate holding company of the Group. SCA spun off its hygiene unit into a new listed company, namely Essity Aktiebolag (publ) ("Essity") in June 2017. Essity has become Vinda's ultimate controlling shareholder in place of SCA from 14 June 2017.

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

These consolidated financial statements are presented in Hong Kong dollar ("HK$") unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 25 January 2018.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of other non-current liabilities and plan assets of defined benefit pension plans measured at fair value.

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2017:

HKAS 7 (Amendments) "Statement of cash flows" is effective for annual periods beginning on or after 1 January 2017. The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

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

(b) Standards, amendments and interpretations to existing standards effective in 2017 but not relevant to the Group

		Effective for annual periods beginning on or after
HKAS 12 (Amendments)	Income taxes	1 January 2017
HKFRS 12 (Amendment)	Disclosure of interest in other entities	1 January 2017

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted:

		Effective for annual periods beginning on or after	
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018	
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018	
HKFRS 4 (Amendments)	Insurance contracts	1 January 2018	
HKFRS 9	Financial instruments	1 January 2018	(i)
HKFRS 15	Revenue from contracts with customers	1 January 2018	(ii)
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018	
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2018	
HKAS 40 (Amendments)	Transfers of investment property	1 January 2018	
HKFRS 16	Leases	1 January 2019	(iii)
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019	
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined	
HKFRS 17	Insurance contracts	1 January 2021 or when apply HKFRS 15 and HKFRS 9	

Note:

(i) HKFRS 9, Financial Instruments

Nature of change

HKFRS 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group does not expect the new guidance to have significant impact on the classification and measurement of its financial assets as the Group does not have:

- Debt instrument that are classified as available-for-sale financial assets;
- Debt instrument classified as held-to-maturity and measured at amortised cost;
- Equity investment measured at fair value through profit or loss.

The group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge instrument. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparative figures for 2017 will not be restated.

(ii) HKFRS 15, Revenues from Contracts with Customers

Nature of change

The HKICPA issued HKFRS 15 as a new standard for the recognition of revenue to 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 engaged in providing paper and personal care consumer products business. The Group didn't introduce 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:

- 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. Due to the large size and low value of the Group's products, the historical goods return rate is very low. The financial impact of applying new HKFRS 15 is not material.

- Presentation of contract assets and contract liabilities in the balance sheet – HKFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of 1 January 2018 in relation to contract liabilities which are currently included in other balance sheet line items.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated. The Group will adopt two practical expedients under modified retrospective approach. One is completed contract which is a contract for which the entity has transferred all the goods or services identified in accordance with HKAS 11, HKAS 18 and related interpretations. Under modified retrospective method, the Group can elect to apply the HKFRS 15 only to contracts that are not completed as at 1 January 2018. Another is contract modification, for contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications in accordance with IFRS 15. As the nature of the Group's business is to deliver consumer products to various customers, management estimates no material financial impact due to the effectiveness of new HKFRS 15.

(iii) HKFRS 16, Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of HK$151,286,620. The Group estimates that approximately 5%-10% of these relate to payments for short-term and low-value leases which will be recognised on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by Group

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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 9, 15 and 16 stated above, none of these is expected to have a significant effect on the consolidated financial statements of the Group.

4 SEGMENT INFORMATION

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

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

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

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

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

The segment information for the years ended 31 December 2017 and 2016 are as follows:

	For the year ended 31 December 2017			
	Household paper products	**Personal care products**	**Elimination**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Year ended 31 December 2017				
Segment revenue	**10,907,902,750**	**2,578,058,030**	**–**	**13,485,960,780**
Segment results	**928,437,053**	**158,081,228**	**–**	**1,086,518,281**
Amortisation of trademarks, licences and contractual customer relationships	**(18,880,595)**	**(56,754,440)**	**–**	**(75,635,035)**
Segment profit	**909,556,458**	**101,326,788**	**–**	**1,010,883,246**
Other income and losses – net				**62,498,407**
Unallocated costs				**(89,855,529)**
Operating profit				**983,526,124**
Finance income and costs – net				**(214,027,686)**
Profit before income tax				**769,498,438**
Income tax expense				**(148,541,984)**
Profit for the year				**620,956,454**
Other segment items included in the income statement				
Depreciation of property, plant and equipment	**(597,211,117)**	**(105,139,534)**	**–**	**(702,350,651)**
Amortisation of leasehold land and land use rights, investment properties and intangible assets other than trademarks, licences and contractual customer relationships	**(39,256,171)**	**(2,606,409)**	**–**	**(41,862,580)**
Additions to non-current assets	**2,111,408,797**	**134,404,334**	**–**	**2,245,813,131**

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

	As at 31 December 2017			
	Household paper products	**Personal care products**	**Elimination**	**Total**
	HK$	***HK$***	***HK$***	***HK$***
As at 31 December 2017				
Segment assets	**14,647,757,242**	**3,965,254,881**	**–**	**18,613,012,123**
Deferred income tax assets				**348,762,906**
Prepaid income tax recoverable				**12,133,319**
Total assets				**18,973,908,348**
Segment liabilities	**8,843,848,525**	**1,117,670,164**	**–**	**9,961,518,689**
Deferred income tax liabilities				**211,437,204**
Current income tax liabilities				**64,484,079**
Total liabilities				**10,237,439,972**

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

5 EXPENSES BY NATURE

	For the year ended 31 December	
	2017	2016
	HK$	*HK$*
Raw materials and trading merchandise consumed	**7,105,711,376**	6,047,927,399
Staff costs	**1,480,996,899**	1,358,817,708
Utilities	**849,739,006**	798,010,324
Transportation expenses	**642,270,308**	520,380,269
Promotion expenses	**787,081,564**	768,931,785
Depreciation of property, plant and equipment *(Note 10)*	**702,350,651**	581,842,499
Operating lease rent	**174,753,171**	208,054,296
Advertising costs	**132,571,325**	70,629,381
Travel and office expenses	**72,523,957**	76,614,138
Real estate tax, stamp duty and other taxes	**40,754,911**	39,753,685
Bank charges	**5,964,877**	5,845,459
Provision for impairment of receivables *(Note 11)*	**8,581,128**	6,404,393
Auditor's remuneration	**8,785,995**	8,866,076
Amortisation of leasehold land and land use rights *(Note 10)*	**20,290,589**	9,659,959
Amortisation of intangible assets *(Note 10)*	**96,897,839**	83,931,279
Provision for write-down of inventories	**4,762,242**	2,199,662
Impairment charge on property, plant and equipment *(Note 10)*	**9,165,525**	2,022,608
Other expenses	**421,731,700**	452,858,512
Total cost of sales, selling and marketing costs and administrative expenses	**12,564,933,063**	11,042,749,432

6 FINANCE INCOME AND COSTS－NET

	For the year ended 31 December	
	2017	2016
	HK$	*HK$*
Interest expense		
– borrowings (a)	**(196,317,004)**	(165,722,432)
Other financial costs (b)	**–**	(17,815,460)
Foreign exchange loss – net (a)	**(26,881,531)**	(20,427,938)
Interest income		
– bank deposits	**9,170,849**	4,700,126
Net finance costs	**(214,027,686)**	(199,265,704)

(a) During the year, the Group has capitalised borrowing costs amounting to HK$37,519,675 (2016: HK$16,663,219) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 4.90% (2016: 2.83%).

(b) Other financial costs mainly comprise the change in fair value of convertible notes and related commitment fee.

7 INCOME TAX EXPENSE

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

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

	For the year ended 31 December	
	2017	2016
	HK$	*HK$*
Current income tax		
– Hong Kong and overseas profits tax	**114,544,242**	54,416,867
– PRC enterprise income tax	**98,885,211**	93,684,744
– Over provision of income tax for prior year	**(4,839,166)**	(7,096,241)
Deferred income tax	**(63,252,995)**	(9,317,697)
Withholding tax	**3,204,692**	23,084,685
	148,541,984	154,772,358

8 EARNINGS PER SHARE

(a) Basic

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

	For the year ended 31 December	
	2017	2016
Profit attributable to equity holders of the Company *(HK$)*	**620,956,454**	653,534,554
Weighted average number of ordinary shares in issue	**1,180,225,239**	1,093,392,635
Basic earnings per share *(HK$ per share)*	**0.526**	0.598

(b) Diluted

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

	For the year ended 31 December	
	2017	2016
Profit attributable to equity holders of the Company *(HK$)*	**620,956,454**	653,534,554
Weighted average number of ordinary shares in issue	**1,180,225,239**	1,093,392,635
Adjustments for share options	**1,427,087**	1,224,001
Weighted average number of ordinary shares for diluted earnings per share	**1,181,652,326**	1,094,616,636
Diluted earnings per share *(HK$ per share)*	**0.525**	0.597

9 DIVIDENDS

	2017	2016
	HK$	*HK$*
Interim dividend paid of HK$0.050 (2016: HK$0.050) per ordinary share	**59,707,169**	56,835,719
Proposed final dividend of HK$0.140 (2016: HK$0.120) per ordinary share	**167,183,432**	136,489,485
	226,890,601	193,325,204

On 25 January 2018, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2017 of HK$167,183,432, representing HK$0.140 per ordinary share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company. These financial statements do not reflect this dividend payable.

The actual final dividends paid for the year ended 31 December 2016 was HK$143,220,764 based on the 1,193,506,375 issued shares outstanding at that time.

The dividends actually paid in 2017 and 2016 were HK$202,927,933 and HK$110,584,955 respectively based on the number of issued shares outstanding at relevant time.

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

	Property, plant and equipment	Leasehold land and land use rights	Intangible assets
	HK$	*HK$*	*HK$*
Year ended 31 December 2016			
Opening net book amount as at 1 January 2016	6,261,216,698	387,818,653	1,306,968,419
Acquisition of subsidiaries	743,301,199	–	1,705,833,995
Additions	1,356,274,748	81,552,655	28,618,295
Disposals	(12,141,487)	–	–
Transfers	(4,900,301)	–	–
Depreciation and amortisation *(Note 5)*	(581,842,499)	(9,659,959)	(83,931,279)
Impairment charges	(2,022,608)	–	(11,363,709)
Exchange differences	(478,011,946)	(27,580,678)	(150,124,559)
Closing net book amount as at 31 December 2016	7,281,873,804	432,130,671	2,796,001,162
Year ended 31 December 2017			
Opening net book amount as at 1 January 2017	**7,281,873,804**	**432,130,671**	**2,796,001,162**
Acquisition of a subsidiary *(Note 16)*	**345,346,510**	**578,105,752**	**–**
Additions	**1,276,573,233**	**6,880,281**	**38,907,355**
Disposals	**(14,419,490)**	**(19,719,890)**	**(353,921)**
Transfers	**(3,010,867)**	**–**	**–**
Depreciation and amortisation *(Note 5)*	**(702,350,651)**	**(20,290,589)**	**(96,897,839)**
Impairment	**(9,165,525)**	**–**	**(3,323,091)**
Exchange differences	**565,040,312**	**65,021,660**	**179,554,389**
Closing net book amount as at 31 December 2017	**8,739,887,326**	**1,042,127,885**	**2,913,888,055**

In March 2016, Vinda Personal Care (China) Limited merged two other subsidiaries in Hubei province. The related land use right, building and property certificates amounting to HK$549,646,774 are pending for renewal as at 31 December 2017.

During the year, the Group has capitalized borrowing costs amounting to HK$37,519,675 (2016: HK$16,663,219) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 4.90% (2016: 2.83%).

During the year, the Group assessed and provided certain impairment provision for a group of diaper production machineries amounting to HK$9,165,525.

11 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2017	2016
	HK$	*HK$*
Trade receivables	**1,879,614,993**	1,677,649,089
Less: Provision for impairment of trade receivables	**(25,730,315)**	(15,984,956)
Trade receivables, net	**1,853,884,678**	1,661,664,133
Other receivables		
– creditable input VAT	**264,291,894**	148,497,154
– prepaid income tax recoverable	**12,133,319**	4,621,930
– purchase rebates	**25,321,575**	18,513,340
– subsidy income receivable	**17,020,533**	–
– sales of investment property receivable	**10,731,420**	–
– others	**87,085,166**	56,969,294
Other receivables	**416,583,907**	228,601,718
Trade and other receivables, net	**2,270,468,585**	1,890,265,851
Notes receivable	**3,601,536**	4,972,221
Prepayments		
– purchase of raw materials	**4,925,274**	4,117,169
– prepayment of utility fee	**6,829,921**	17,589,520
– prepaid expenses	**9,082,290**	8,962,843
– others	**14,955,596**	12,921,465
	35,793,081	43,590,997
	2,309,863,202	1,938,829,069

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

	As at 31 December	
	2017	2016
	HK$	*HK$*
RMB	**1,683,476,812**	1,381,065,402
MYR	**260,503,486**	228,273,374
HK$	**183,148,475**	172,518,124
US$	**78,699,847**	61,458,827
NT$	**43,626,570**	42,116,783
SG$	**23,872,769**	22,696,451
KRW	**17,268,050**	16,240,775
Other currencies	**19,267,193**	14,459,333
	2,309,863,202	1,938,829,069

As at 31 December 2017 and 2016, the carrying amounts of the Group's trade and other receivables approximated their fair values due to short duration.

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

Ageing analysis of trade receivables of the Group based on invoice date as at 31 December 2017 and 2016 is as below:

	As at 31 December	
	2017	2016
	HK$	*HK$*
Within 3 months	**1,758,571,667**	1,585,320,865
4 months to 6 months	**87,153,393**	62,558,295
7 months to 12 months	**13,958,877**	24,863,757
Over 1 year	**19,931,056**	4,906,172
	1,879,614,993	1,677,649,089

As at 31 December 2017, trade receivables of HK$95,313,011 (2016: HK$76,343,268) were past due but not impaired. These balances relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables based on invoice date is as follows:

	As at 31 December	
	2017	2016
	HK$	*HK$*
4 months to 6 months	**87,153,393**	62,558,295
7 months to 12 months	**8,041,121**	13,784,973
Over 1 year	**118,497**	–
	95,313,011	76,343,268

As at 31 December 2017, trade receivables of HK$25,730,315 (2016: HK$15,984,956) were impaired and fully provided for. The individually impaired receivables mainly relate to customers with financial difficulty. The ageing of these receivables is as follows:

	As at 31 December	
	2017	2016
	HK$	*HK$*
7 months to 12 months	**5,917,756**	11,078,784
Over 1 year	**19,812,559**	4,906,172
	25,730,315	15,984,956

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

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

	For the year ended 31 December	
	2017	2016
	HK$	*HK$*
As at 1 January	**(15,984,956)**	(11,590,775)
Provision for impairment of receivables *(Note 5)*	**(8,581,128)**	(6,404,393)
Receivables written off	**267,699**	1,054,511
Exchange differences	**(1,431,930)**	955,701
As at 31 December	**(25,730,315)**	(15,984,956)

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

12 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December	
	2017	2016
	HK$	*HK$*
Trade payables	**2,358,159,286**	1,570,545,171
Notes payable	**323,445,538**	143,880,249
Other payables		
– salaries payable	**240,097,903**	185,858,472
– taxes payable other than income tax	**58,751,689**	74,129,262
– advances from customers	**86,890,937**	60,722,605
– payables for property, plant and equipment	**278,657,250**	311,678,369
– others	**169,236,859**	215,128,750
Accrued expenses		
– promotion fees	**612,314,989**	512,025,664
– utility charges	**41,243,258**	46,488,979
– transportation fees	**140,666,083**	106,547,223
– advertising fee	**61,642,389**	55,292,418
– accrued interest	**6,258,278**	7,584,601
– professional services	**2,734,323**	1,392,014
– others	**113,719,311**	92,961,658
	4,493,818,093	3,384,235,435

As at 31 December 2017 and 2016, the carrying amounts of the Group's trade payables, notes payable and other payables approximated their fair values.

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

	As at 31 December	
	2017	2016
	HK$	*HK$*
RMB	**1,644,103,800**	1,215,086,029
US$	**1,496,148,991**	961,584,349
MYR	**189,767,926**	205,737,772
HK$	**84,881,559**	32,395,778
NT$	**67,214,196**	64,919,163
KRW	**9,362,953**	4,445,730
SG$	**2,992,169**	4,227,000
Other currencies	**20,767,868**	73,547,057
	3,515,239,462	2,561,942,878

The credit period granted by the creditors generally ranged from 30 to 90 days. Ageing analysis of trade and notes payable as at 31 December 2017 and 2016 is as follows:

	As at 31 December	
	2017	2016
	HK$	*HK$*
Within 3 months	**2,147,550,537**	1,450,098,495
4 months to 6 months	**528,324,145**	259,108,821
7 months to 12 months	**2,374,856**	5,076,188
Over 1 year	**3,355,286**	141,916
	2,681,604,824	1,714,425,420

13 SHARE CAPITAL AND SHARE PREMIUM

	Number of authorised shares	Number of issued and fully paid shares	Amount		
			Ordinary shares *HK$*	Share premium *HK$*	Total *HK$*
At 1 January 2016	80,000,000,000	999,087,686	99,908,769	1,688,013,706	1,787,922,475
Employee share option scheme					
– Exercise of share options	–	788,000	78,800	14,832,224	14,911,024
Allotment of shares (i)	–	105,897,034	10,589,703	1,359,281,030	1,369,870,733
Conversion of convertible notes (i)	–	31,639,653	3,163,965	436,627,214	439,791,179
At 31 December 2016	80,000,000,000	1,137,412,373	113,741,237	3,498,754,174	3,612,495,411
Employee share option scheme					
– Exercise of share options	**–**	**1,755,000**	**175,500**	**32,934,860**	**33,110,360**
Allotment of shares (ii)	**–**	**55,000,000**	**5,500,000**	**814,000,000**	**819,500,000**
At 31 December 2017	**80,000,000,000**	**1,194,167,373**	**119,416,737**	**4,345,689,034**	**4,465,105,771**

As at 31 December 2017 and 2016, the par value of authorised and issued ordinary shares is HK$0.1 per share.

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

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

On 1 April 2016, the Company allotted and issued 75,897,034 Consideration Shares at the market price of HK$12.90 per share and 31,639,653 convertible notes to Essity Group Holding B.V. (fomerly known as SCA Group Holding B.V.) for the acquisition of entire issued share capital in Vinda Malaysia Group, Vinda Korea and Vinda Taiwan.

On 26 May 2016, Essity Group fully converted the convertible note into 31,639,653 shares, representing 3% of the equity interest of the Company at the market price of HK$13.90 per conversion share.

(ii) On 31 March 2017, the Group completed the acquisition of 100% equity interest of Jiangmen Dynasty Fortune Paper Limited at a consideration of HK$924,275,889 by way of allotment of 55,000,000 shares at the price of HK$14.90 per share and cash of HK$104,775,889.

14 BORROWINGS

	As at 31 December	
	2017	2016
	HK$	*HK$*
Non-current		
Unsecured bank borrowings	**3,310,130,427**	2,879,551,662
Loans from a related party	**1,236,403,002**	915,499,741
Total non-current borrowings	**4,546,533,429**	3,795,051,403
Current		
Portion of loans from banks due for repayment within one year		
– Unsecured	**629,925,889**	1,216,104,908
Other borrowings due for repayment within one year		
– Unsecured *(Note (a))*	**59,815,052**	5,589,715
Total current borrowings	**689,740,941**	1,221,694,623
Total borrowings	**5,236,274,370**	5,016,746,026

(a) Other borrowings of RMB50,000,000 were granted by PRC local governments during the year and are unsecured and interest-free.

(b) The maturity of borrowings is as follows:

	Bank borrowings As at 31 December		Loans from a related party As at 31 December		Other borrowings As at 31 December	
	2017	2016	**2017**	2016	**2017**	2016
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Portion of loans due for repayment within 1 year	**629,925,889**	1,216,104,908	**–**	–	**59,815,052**	5,589,715
Loans due for repayment after 1 year *(Note (i))*:						
Between 1 and 2 years	**1,739,621,026**	1,751,126,647	**1,236,403,002**	–	**–**	–
Between 2 and 5 years	**1,570,509,401**	1,128,425,015	**–**	915,499,741	**–**	–
	3,940,056,316	4,095,656,570	**1,236,403,002**	915,499,741	**59,815,052**	5,589,715

(i) Loan amounts due for repayment after 1 year are based on the scheduled repayment dates set out in the agreements ignoring effect of any repayment on demand clause.

As at 31 December 2017 and 2016, all of the borrowings of the Group are wholly repayable within 5 years.

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

	Bank borrowings		Loans from a related party	
	2017	2016	**2017**	2016
HK$	**1.80% ~ 2.43%**	1.01% ~ 2.43%	**2.16% ~ 2.68%**	1.66% ~ 2.44%
US$	**1.57% ~ 2.04%**	1.04% ~ 2.07%	**–**	–
RMB	**3.70% ~ 9.80%**	3.70% ~ 9.80%	**4.97% ~ 8.12%**	3.95% ~ 9.63%
MYR	**3.13% ~ 4.16%**	3.13% ~ 4.16%	**–**	–
KRW	**2.20% ~ 2.65%**	2.60% ~ 3.25%	**–**	–
EUR	**0.80%**	0.80%	**–**	–

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

	Borrowings As at 31 December	
	2017	2016
HK$	**2.40%**	2.16%
US$	**1.87%**	1.83%
RMB	**4.88%**	4.31%
MYR	**4.03%**	3.79%
KRW	**2.36%**	2.84%
EUR	**0.80%**	0.80%

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

	As at 31 December	
	2017	2016
	HK$	*HK$*
RMB	**3,792,287,598**	3,470,054,987
HK$	**1,056,957,846**	1,079,607,931
MYR	**343,179,708**	415,210,553
KRW	**43,849,218**	51,872,555
	5,236,274,370	5,016,746,026

15 OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2017	2016
	HK$	*HK$*
Long term incentive plans (i)	**17,675,709**	–

(i) On 7 April 2017, in order to provide a more competitive salary structure to employees and to increase the retention rate of key talents, the Board of Directors approved two cash settled share-based long term incentive plans for the Executive Directors and CFO and the selected senior managements.

Long term incentive plan for Executive Directors and CFO

A total of 6,840,000 compensation units ("CU") were granted to Executive Directors and CFO at a nominal price of HK$15.31. The exercise price of a CU is capped at HK$30. The vesting period is from 1 January 2017 to 1 July 2020.

As at 31 December 2017, the fair value of each CU granted determined by using the Binomial Model was HK$4.50. The significant inputs into the model were share price at the valuation date, the grant price, volatility of 35%, dividend yield of 1.20%, and annual risk-free interest rate of 1.77%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company over relevant period matching the life of the incentive plan.

Long term incentive program for selected senior management

Program participants will receive a bonus up to 100% of their annual salary based on a payout ratio depending on the total shareholder return ("TSR") of the Company versus peer group companies and 2 indexes. The TSR is calculated based on the future share price and the potential dividend yield. There will be two measurement periods for this program, from 2017 to 2019 and from 2019 to 2021.

As at 31 December 2017, the TSR is determined by using the Monte Carlo Simulation Model. The significant inputs into the model were annualized drift rate of 12.15% of the Company and 9.52% of the peer group, dividend yield of 1.06% of the Company and 2.39% of the peer group and annualized asset price volatility of 30% of the Company and 15% of the peer group matching the life of the incentive program.

16 ACQUISITION OF A SUBSIDIARY

On 31 March 2017, the Group completed the acquisition of 100% equity interest of Jiangmen Dynasty Fortune Paper Limited at a consideration of HK$924,275,889 by way of allotment of 55,000,000 shares at the price of HK$14.90 per share and cash of HK$104,775,889. Jiangmen Dynasty Fortune Paper Limited was established on 12 October 2015 from a spin-off of Jiangmen Taiyuan Paper Limited ("Taiyuan Paper"). Taiyuan Paper is principally engaged in wholesale and retail of household paper products in the PRC. Jiangmen Dynasty Fortune Paper Limited's major properties including two land use rights, together with all of the factories, buildings and the ancillary infrastructures and facilities thereon were leased to the Group under the three lease agreements signed on 22 November 2011, 27 March 2012 and 10 April 2014 between Vinda Paper (China) Company Limited and Taiyuan Paper.

The Group acquired Jiangmen Dynasty Fortune Paper Limited in order to obtain the ownership of the aforesaid leasing properties. As a result, the accounting treatment for this acquisition is acquisition of assets and liabilities instead of business combination.

The fair value of assets acquired and liabilities assumed at the acquisition date are analysed as follows:

	HK$
Consideration as at 31 March 2017:	
– Allotment of shares	819,500,000
– Cash	104,775,889
Total consideration	**924,275,889**
Assets and liabilities	
Property, plant and equipment *(Note 10)*	345,346,510
Land use rights *(Note 10)*	578,105,752
Prepayments to and receivables from related parties	62,930,074
Prepayments, deposits and other receivables	238,692
Cash and cash equivalents	23,059,438
Trade and other payables	(1,244,866)
Due to related parties	(34,917,774)
Current income tax liabilities	(1,669,004)
Borrowings	(47,572,933)
Total identifiable net assets acquired	**924,275,889**
Cash consideration	104,775,889
Less: cash and cash equivalents acquired	(23,059,438)
Net cash outflow	**81,716,451**

Foreign Exchange and Fair Value Interest Rate Risk

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

Liquidity, Financial Resources and Borrowings

The Group's financial position remained healthy. As at 31 December 2017, the Group's bank and cash balances amounted to HK$534,589,786 (31 December 2016: HK$1,015,254,277), and short-term and long-term loans amounted to HK$5,236,274,370 (31 December 2016: HK$5,016,746,026), including the loans from a related party amounting to HK$1,236,403,002 (31 December 2016: HK$915,499,741). 86.8% of the borrowings are medium- to long-term (31 December 2016: 75.6%). The annual interest rates of bank loans ranged from 0.8% to 9.8%.

As at 31 December 2017, the net gearing ratio, which was calculated on the basis of the amount of total borrowings less cash and cash equivalents and restricted bank deposits as a percentage of the total shareholders' equity, was 54% (31 December 2016: 59%).

As at 31 December 2017, unutilized credit facilities amounted to approximately HK$2.94 billion (31 December 2016: HK$4.03 billion).

Charges on Group Assets

As at 31 December 2017, the Group did not have any charges on assets (31 December 2016: nil).

Contingent Liabilities

As at 31 December 2017, the Group had no material contingent liabilities (31 December 2016: nil).

Final Dividend

The Board has resolved to propose to shareholders the distribution of a final dividend for the year ended 31 December 2017 at 14.0 HK cents (2016: 12.0 HK cents) per share totaling HK$167,183,432, subject to approval by shareholders at the annual general meeting (the "AGM") on 19 April 2018. If so approved by shareholders, it is expected that the final dividend will be paid on or about 16 May 2018 to shareholders whose names appear on the register of member of the Company on 27 April 2018.

Closure of Register of Members

The register of members of the Company will be closed from 16 April 2018 to 19 April 2018, both dates inclusive, during which period no transfer of shares will be registered. In order to ascertain shareholders' eligibility to attend and vote at the AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 13 April 2018. In addition, the register of members of the Company will be closed from 25 April 2018 to 27 April 2018, both dates inclusive, during which period no transfer of shares will be registered. In order to ascertain shareholders' entitlement to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 24 April 2018.

Purchase, Sale or Redemption of the Securities

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

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices by emphasizing a quality board of directors, sound internal control, transparency and accountability to all the shareholders of the Company. For the year ended 31 December 2017, the Company has complied with all the code provisions set out in the Corporate Governance Code, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Securities Transactions

The Company has adopted a code for securities transactions by directors of the Company (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all the directors of the Company (the "Directors" or individually the "Director"), all of them confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct regarding securities transactions by the Directors during the year ended 31 December 2017.

Audit Committee

The Company's audit committee has four members comprising three Independent Non-Executive Directors, namely, Mr. KAM Robert, Mr. WONG Kwai Huen, Albert and Mr. TSUI King Fai and a Non-Executive Director, Mr. Carl Fredrik Stenson RYSTEDT (appointed on 1 March 2017). The chairman of the audit committee is Mr. KAM Robert. The audit committee is accountable to the Board and the principal duties of the audit committee include the review and supervision of the financial reporting process. It also reviews the effectiveness of internal audit, internal controls and risk evaluation, and reviews the interim and final results of the Group.

The annual results of the Group for the year ended 31 December 2017 have been reviewed by the audit committee of the Company.

Remuneration Committee

The Company's remuneration committee has five members comprising three Independent Non-Executive Directors, namely Mr. TSUI King Fai, Mr. KAM Robert and Mr. CHIA Yen On, an Executive Director, Ms. LI Jielin and a Non-Executive Director, Mr. Jan Christer JOHANSSON (appointed on 7 April 2017). The chairman of the remuneration committee is Mr. TSUI King Fai. The remuneration committee is responsible for formulating and making recommendation to the Board on the Group's remuneration policy, the determination of specific remuneration packages of all Executive Directors and senior management and making recommendations to the Board the remuneration of Non-Executive Directors. It takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

Nomination Committee

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

Risk Management Committee

The Company's risk management committee has five members comprising two Executive Directors, Mr. Johann Christoph MICHALSKI and Ms. YU Yi Fang; two Non-Executive Directors, namely, Mr. Jan Christer JOHANSSON and Mr. Carl Fredrik Stenson RYSTEDT (appointed on 1 March 2017); and an Independent Non-Executive Director, Mr. TSUI King Fai. The chairman of the risk management committee is Mr. Jan Christer JOHANSSON. The principal duties of the risk management committee are to assist the Board in deciding the Group's risk level and risk appetite, advising on major decisions affecting the Group's risk profile or exposure and to give directions where appropriate and reviewing and reporting to the Board the identified risks, risk register and related risk mitigating actions including crisis management.

Executive Committee

The Company's executive committee comprises five members and is chaired by Mr. LI Chao Wang, an Executive Director. The other members are Executive Directors, namely Ms. YU Yi Fang, Mr. Johann Christoph MICHALSKI, Mr. DONG Yi Ping and Ms. LI Jielin. The duties of the executive committee include to develop and make recommendations to the Board the Company's annual budgets, CAPEX budget, material business plans, and to review and approve proposals for restructuring and major asset disposal as well as annual salaries for senior management and senior executives of the Group within the annual budget approved by the remuneration committee of the Company.

Strategic Development Committee

The Company's strategic development committee comprises five members and is chaired by Mr. Jan Christer JOHANSSON, a Non-Executive Director. The other members are three Executive Directors, namely Mr. DONG Yi Ping, Mr. Johann Christoph MICHALSKI, and Ms. LI Jielin and an Independent Non-Executive Director, Mr. CHIA Yen On. The principal duties of the strategic development committee are (a) to advise on strategy of the Group, namely to review and advise the mid to long term strategic positioning, business plans, brand strategies, investment decisions and mergers and acquisitions of the Group and make recommendations to the Board/executive committee of the Company; and (b) to monitor, review and advise the implementations of strategic plans.

Publication of Results Announcement and Annual Report

This announcement is published on the websites of the Company (www.vinda.com) and the Stock Exchange (www.hkexnews.hk). The 2017 annual report of the Company will be dispatched to the shareholders of the Company and available on the same websites in due course.

Acknowledgement

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

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

Hong Kong, 25 January 2018

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

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

Non-Executive Directors
Mr. Jan Christer JOHANSSON
Mr. Carl Magnus GROTH
Mr. Carl Fredrik Stenson RYSTEDT

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

Alternate Directors
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)
Mr. Herve Stephane ROSE (alternate to Mr. RYSTEDT)