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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 2018

HIGHLIGHTS

- **Double-digit growth in revenue despite challenging environment**
 - Total revenue was HK\$14,879 million, up by 10.3% (7.8% at constant exchange rate)
 - Double-digit revenue growth in e-commerce and B2B channels
 - Double-digit revenue growth in softpack, wet wipes and kitchen towel
 - Strong performance in Personal Care
- **Resilient profit margins, thanks to effective price increase initiatives, enhanced product mix and solid cost-saving efforts**
 - Gross profit grew by 4.7% to HK\$4,187 million. Gross margin only contracted by 1.6 percentage points (“ppts”) albeit significant increase in pulp cost
 - Operating profit grew by 3.7% to HK\$1,020 million. Operating margin would have been 7.4%, if excluding the foreign exchange loss from operating activities
 - Net profit grew by 4.6% to HK\$649 million. Net margin stood at 4.4%
- **Total selling & marketing and administrative expense ratio dropped by 1.7 ppts**
- **Effective tax rate was 18.6%, down by 0.7 ppt**
- **Net gearing ratio stood at 54%¹**
- **Basic earnings per share rose by 3.4% to 54.4 HK cents**
- **Total dividends per share for the Year increased to 20 HK cents (2017: 19 HK cents)**

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 2018 (the “**Year**”).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Against the backdrop of increased raw material cost, currency pressure and various global headwinds, we were able to deliver double-digit revenue growth and modest profit growth in 2018. This is the result of a series of actions. Firstly, we have scrutinized our cost structure thoroughly and relentlessly implemented our cost-saving programme across the board. Secondly, we initiated price-increase over a broad range of products. Thirdly, we prioritised to invest in higher-gross margin products, i.e. to strengthen our product portfolio. Furthermore, we continued our innovation programmes across all categories and markets. Finally, our balance sheet remained strong with improved cash flow compared to 2017.

Financial Highlights

Total revenue was HK\$14,879 million, up by 10.3% (growth at constant exchange rate: 7.8%).

In respect of business segment, Tissue and Personal Care contributed to 81% and 19% of total revenue, respectively. In respect of sales channels, traditional distributors, key account managed supermarkets and hypermarkets, B2B corporate customers and e-commerce accounted for 34%, 25%, 16% and 25% respectively. E-commerce and B2B continued to record double-digit growth in revenue.

Gross profit rose by 4.7% to HK\$4,187 million. Despite significant increase in pulp cost (denominated in USD) and RMB depreciation, we were able to deliver 28.1% of gross margin and limited the year-on-year contraction to 1.6 ppts, thanks to our effective price increase initiative, favourable mix enhancement and solid cost-saving efforts.

EBITDA grew by 8.8% to HK\$1,962 million. EBITDA margin was stable at 13.2%, reflecting a sustainable cash generation ability.

RMB volatiled against USD and HKD during the Year, especially in the second half. Total foreign exchange loss for the Year increased to HK\$80.5 million (2017: HK\$27.4 million loss), of which HK\$74.3 million loss was from operating activities (2017: HK\$0.5 million loss), and HK\$6.2 million loss was from financing activities (2017: HK\$26.9 million loss).

Operating profit increased by 3.7% to HK\$1,020 million. Notwithstanding the strong market competition, selling & marketing cost as a percentage of sales declined by 1.4 ppts over last year. General & administrative expenditure as a percentage of sales also decreased by 0.3 ppt. Operating margin therefore only slightly decreased by 0.4 ppt to 6.9%. If excluding the foreign exchange loss from operating activities, operating margin would have been 7.4%.

Interest expense on borrowings increased by 15.6% to HK\$227 million, which was mainly due to increased borrowings. Effective interest rate was 4.2%, down by 5 basis points compared to last year. Net gearing ratio stood at 54%¹.

Effective tax rate decreased by 0.7 ppt to 18.6%.

Net profit increased by 4.6% to HK\$649 million. Net margin was 4.4%, slightly down by 0.2 ppt compared to last year.

Basic earnings per share was 54.4 HK cents (2017: 52.6 HK cents).

The Board recommends the payment of a final dividend per share of 14 HK cents. Together with the interim dividend, total dividends per share for 2018 would be 20 HK cents (2017: 19 HK cents).

Business Review

Tissue Segment

Revenue from the Tissue segment amounted to HK\$12,111 million, representing a reported growth of 11.0% and accounting for 81% of the Group's total revenue (2017: 81%).

During the Year, we had raised our product price across a broad spectrum of Tissue products so as to pass on the cost pressure. We also actively managed our Tissue portfolio by focusing on high-margin product series such as *Vinda Deluxe*, *Vinda Ultra Strong* and *Tempo*. Softpack, wet wipes and kitchen towel respectively recorded double-digit growth in revenue. Gross margin and segment result margin of the Tissue segment were 27.6% and 8.1% respectively.

In terms of market share position, *Vinda* brand regained market leadership² in China at the end of 2018 after some challenges in the middle of the Year. *Tork* made good progress in broadening the premium away-from-home clientele. In Malaysia, we continued to roll out *Vinda Deluxe* to develop our Tissue business. Softpack category is well received by the market.

Personal Care Segment

Revenue from the Personal Care segment reached HK\$2,767 million, representing a reported growth of 7.3% and accounting for 19% of the Group's total revenue (2017: 19%).

Gross profit margin and segment result margin of the Personal Care segment were 30.4% and 8.0% respectively.

Our incontinence care recorded satisfactory growth in mainland China due to its extended reach in e-commerce and institutional channels. Pant-type of products also saw good development in market penetration in all regions outside China.

As to feminine care, *Libresse* has consolidated the No.1³ position and increased its share leadership³ in Malaysia. In China, our focus was on the preparation of product localisation starting from 2019.

The majority of our baby care business is conducted in Southeast Asia. In Malaysia, *Drypers* strengthened its strong No. 1³ position with increasing recognition of pants product.

Production Capacity Plan

During the Year, we added 60,000 tons of capacity respectively in our new Yangjiang and Hubei factory, bringing the total annual designed production capacity for tissue paper to 1,220,000 tons as at 31 December 2018.

In 2019, we plan to add another 60,000 tons of capacity in Hubei by second quarter. We also plan to discontinue the operation of one of the oldest and high energy-consuming paper-making machineries at Guangdong factory, which is equivalent to 30,000 tons of designed capacity. The annual designed production capacity for tissue paper therefore is expected to be 1,250,000 tons by the end of 2019.

In order to better satisfy Chinese consumers' preference in sanitary napkins and incontinence products, and shorten the response time to market, we will expand local production for feminine and incontinent products in 2019.

Sustainability

Human Resources Management

Employees are the most valuable asset. We provide equal opportunities for employment to candidates regardless of their age, ethnic origin, nationality, race, religion, sexual orientation, gender, marital status, disability or political stance. We offer fair and competitive remunerations, performance incentives and a career advancement mechanism to our employees, as well as enhancing their skills and capabilities with a series of continuous training programmes. We run talent management cycle to identify a talent pool. We also have a long-term incentive scheme for retaining key senior executives. During the Year, we had conducted an Employee Engagement Survey (with 98% of response rate) to review employees' satisfaction over 20 dimensions including benefits, career opportunities, company reputation etc. We are encouraged to score over 80% of engagement degree, which is higher than the market and industry average, indicating that our employees are highly dedicated to Vinda. Additionally, Vinda in China was selected as Guangdong Outstanding Enterprise for Celebrating the 40th Anniversary of Reform and Opening Up. Vinda in Malaysia also won the prestigious M100 Leading Graduate Employers Awards.

As at 31 December 2018, we had a total of 11,250 employees.

Internal Control

We are committed to maintaining high standard of corporate governance. All employees are required to comply with Vinda' codes of conduct. We regularly review and update our internal control policies, handling procedures and guidelines to align with the latest external regulatory and internal control requirements. While the heads of all functional departments and business units are responsible for identifying, handling and reporting major risks and inadequacies in internal control, the internal audit 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 of the Company (the “**Audit Committee**”).

Green Production

We always make great effort in reducing carbon footprints, 2018 was no exception. In China, average overall energy consumption per ton of paper (ton of standard coal) was 0.31 (2017: 0.32), far below the national standard upper limit of 0.42. Carbon dioxide emissions per 10,000 tons of product was 10,726 tons (2017: 11,189 tons). Water recycling rate was over 95% (2017: over 95%). Additionally, we aim to source all wood pulp from pulp suppliers who have environmental certification.

Health & Safety Performance

We attach great importance to occupational safety and health with our goal “zero accidents”. In mainland China, 1,505 (2017: 698) safety seminars were held for a total of 71,446 (2017: 40,742) participants during the Year. The number of production safety accidents dropped to 14 (2017: 20). The Lost Time Accidents (“**LTA**”) was 14,952 (2017: 22,576) hours. The Lost Days from above Accident (“**DLA**”) was 1,869 (2017: 2,822) days. In Malaysia, LTA remained 1 (2017: 1) case and the DLA was 90 (2017: 37) days. In Taiwan, both LTA and DLA are zero (2017: zero).

*For details, please refer to our Environmental, Social and Governance (“**ESG**”) report 2018, which would be published on or around 11 March 2019 together with Annual Report 2018.*

Subsequent Events after the Reporting Period

On 21 December 2018,

- (i) the Company and Essity Group Holding BV (formerly known as SCA Group Holding BV, a controlling shareholder and a connected person of the Company) (“**Essity Group Holding**”) entered into the new master procurement agreement, to renew the existing agreement which is due to expire on 30 March 2019, for a term of three (3) years commencing on 1 January 2019 in order to continue to regulate the purchase of certain products by the Group from the Essity Group (i.e. the group of companies of which Essity Aktiebolag (publ) is the ultimate holding company, including any body corporate controlled by Essity Aktiebolag (publ) (but excluding the Group));

- (ii) the Company and Essity Group Holding entered into the new master procurement agreement, to renew the existing agreement which is due to expire on 30 March 2019, for a term of three (3) years commencing on 1 January 2019 in order to continue to regulate the sale of certain products by the Group to the Essity Group; and
- (iii) the Company and Asaleo Personal Care Pty Ltd. entered into the new product supply agreement, to renew the existing agreement which expired on 31 December 2018, for a term of three (3) years commencing on 1 January 2019 to continue to regulate the sale of certain products by the Group to Asaleo Care Limited and its subsidiaries.

For details, please refer to the announcement of the Company dated 21 December 2018.

Save as disclosed, there is no other material event undertaken by the Company or the Group subsequent to 31 December 2018 and up to the date of this announcement.

Outlook

Our short-term outlook remains carefully optimistic. While the lingering Sino-US trade tension, the nation-wide deleveraging situation, the uncertain RMB movement or even the slowdown of property market in China will possibly impede the consumers' confidence and economic growth, we still see promising growth opportunities both in Tissue and Personal Care with likely stabilising pulp price. We also believe that government-led stimulus such as tax cut and other structural changes of the Chinese economy are beneficial to domestic consumption.

In medium-to-long run, we see a lot of positive catalysts that will also benefit the market growth as well as our business development. Quality-driven type of consumption, per capita increase in usage, evolution of new-retail and more stringent regulated environmental rules, etc., to name a few.

To secure the sales growth and recovery of profit margins amid all the above-mentioned challenges and opportunities, we will stay focused on the following plans:

- a. We will always put innovation in place to differentiate ourselves from competitors instead of joining the price competition;
- b. We will continue to enhance our product portfolio in a bid to broaden our margin profile;
- c. We will be cautious on every dollar spent on all functions, projects and business units;
- d. We will keep up our high efficiency of production and operation;
- e. We will maintain a healthy financial position, improve the management of working capital and cash generating ability; and
- f. We will deliver this in a sustainable and mindful way as well as respecting our code of conduct.

Remarks

¹ *Net gearing ratio: Total borrowings less bank balances and cash and restricted deposits divided by total shareholders' equity*

² *Source: Nielsen, sales value for the full year in 2018*

³ *Source: Kantar Worldpanel, sales value year-to-date at 2 December 2018*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
		2018	2017
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Revenue	4	14,878,547,902	13,485,960,780
Cost of sales	5	<u>(10,691,953,432)</u>	<u>(9,486,047,682)</u>
Gross profit		4,186,594,470	3,999,913,098
Selling and marketing costs	5	(2,379,803,125)	(2,351,849,995)
Administrative expenses	5	(758,565,392)	(727,035,386)
Net impairment losses on financial assets	5	(1,829,013)	–
Other income and losses – net		<u>(26,772,076)</u>	<u>62,498,407</u>
Operating profit		<u>1,019,624,864</u>	<u>983,526,124</u>
Finance income and costs – net	6	<u>(221,951,496)</u>	<u>(214,027,686)</u>
Profit before income tax		797,673,368	769,498,438
Income tax expense	7	<u>(148,368,679)</u>	<u>(148,541,984)</u>
Profit attributable to equity holders of the Company		<u><u>649,304,689</u></u>	<u><u>620,956,454</u></u>
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		(421,842,655)	692,642,246
<i>Item that will not be reclassified subsequently to profit or loss</i>			
– Remeasurements of post-employment benefit obligations		<u>396,637</u>	<u>2,491,047</u>
Total comprehensive income attributable to equity holders of the Company		<u><u>227,858,671</u></u>	<u><u>1,316,089,747</u></u>
Earnings per share for profit attributable to the equity holders of the Company			
– basic	8(a)	<u><u>0.544</u></u>	<u><u>0.526</u></u>
– diluted	8(b)	<u><u>0.543</u></u>	<u><u>0.525</u></u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2018	2017
	Note	HK\$	HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	10	8,997,273,418	8,739,887,326
Leasehold land and land use rights	10	1,050,718,413	1,042,127,885
Intangible assets	10	2,823,114,342	2,913,888,055
Deferred income tax assets		403,828,940	348,762,906
Investment properties		7,217,853	7,660,539
Total non-current assets		13,282,152,966	13,052,326,711
Current assets			
Inventories		2,745,883,730	3,048,179,318
Trade receivables, other receivables and prepayment	11	–	2,309,863,202
Trade and notes receivables	11	1,888,459,707	–
Other receivables	11	449,515,451	–
Prepayments	11	90,514,885	–
Due from related parties		36,609,005	28,949,331
Cash and cash equivalents		574,465,154	534,589,786
Total current assets		5,785,447,932	5,921,581,637
Total assets		19,067,600,898	18,973,908,348
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		119,485,237	119,416,737
Share premium		4,351,781,230	4,345,689,034
Other reserves		4,258,649,944	4,271,362,605
Total equity		8,729,916,411	8,736,468,376

		As at 31 December	
		2018	2017
	<i>Note</i>	HK\$	HK\$
LIABILITIES			
Non-current liabilities			
Borrowings	<i>14</i>	3,004,812,188	3,310,130,427
Loans from a related party	<i>14</i>	1,218,116,846	1,236,403,002
Deferred government grants		215,070,111	142,848,544
Deferred income tax liabilities		208,522,060	211,437,204
Post-employment benefits		31,124,829	33,214,008
Other non-current liabilities	<i>15</i>	10,709,487	17,675,709
		<u>4,688,355,521</u>	<u>4,951,708,894</u>
Current liabilities			
Trade payables, other payables and accrued expenses	<i>12</i>	4,436,032,657	4,493,818,093
Contract liabilities		72,527,241	–
Borrowings	<i>14</i>	1,022,567,206	689,740,941
Due to related parties		18,406,558	37,687,965
Current income tax liabilities		99,795,304	64,484,079
		<u>5,649,328,966</u>	<u>5,285,731,078</u>
Total liabilities		<u><u>10,337,684,487</u></u>	<u><u>10,237,439,972</u></u>
Total equity and liabilities		<u><u>19,067,600,898</u></u>	<u><u>18,973,908,348</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company			Total HK\$
		Share capital HK\$	Share premium HK\$	Other reserves HK\$	
Balance 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 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		<u>5,675,500</u>	<u>846,934,860</u>	<u>(211,795,953)</u>	<u>640,814,407</u>
Balance at 31 December 2017		<u>119,416,737</u>	<u>4,345,689,034</u>	<u>4,271,362,605</u>	<u>8,736,468,376</u>
Change in accounting policy – HKFRS 9		–	–	(66,461)	(66,461)
Balance at 1 January 2018 (Restated)		119,416,737	4,345,689,034	4,271,296,144	8,736,401,915
Profit for the year		–	–	649,304,689	649,304,689
Other comprehensive income					
– Currency translation differences		–	–	(421,842,655)	(421,842,655)
– Remeasurements of post-employment benefit obligations		–	–	396,637	396,637
Total comprehensive income for 2018		–	–	<u>227,858,671</u>	<u>227,858,671</u>
Transaction with owners					
Employees share option scheme					
– Exercise of share options	13	68,500	6,092,196	(1,626,396)	4,534,300
Dividends	9	–	–	(238,878,475)	(238,878,475)
Transaction with owners		<u>68,500</u>	<u>6,092,196</u>	<u>(240,504,871)</u>	<u>(234,344,175)</u>
Balance at 31 December 2018		<u>119,485,237</u>	<u>4,351,781,230</u>	<u>4,258,649,944</u>	<u>8,729,916,411</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended 31 December	
	2018	2017
<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Cash flows generated from operating activities:		
– cash generated from operations	1,759,556,384	1,450,394,542
– interest paid	(242,194,613)	(231,198,820)
– income tax paid	(185,331,154)	(232,802,650)
	<u>1,332,030,617</u>	<u>986,393,072</u>
Net cash generated from operating activities		
Cash flows used in investing activities:		
– purchase of property, plant and equipment	(1,173,196,843)	(1,243,552,114)
– proceeds from disposal of property, plant and equipment	27,378,233	31,807,475
– proceeds from government grants	94,574,263	53,157,005
– payment for leasehold land and land use rights	10 (84,172,134)	(6,880,281)
– purchase of intangible assets	10 (59,959,927)	(38,907,355)
– interest received	6 11,196,309	9,170,849
– cash used in acquisition of a subsidiary	–	(81,716,451)
	<u>(1,184,180,099)</u>	<u>(1,276,920,872)</u>
Net cash used in investing activities		
Cash flows used in financing activities:		
– proceeds from shares issued	4,534,300	24,242,340
– proceeds from borrowings	6,752,247,360	5,080,559,653
– proceeds from loans from a related party	331,118,453	300,000,000
– repayments of borrowings	(6,546,622,208)	(5,502,116,055)
– repayments of loans from a related party	(359,151,000)	–
– dividends paid	9 (238,878,475)	(202,927,933)
	<u>(56,751,570)</u>	<u>(300,241,995)</u>
Net cash used in financing activities		
Net increase/(decrease) in cash and cash equivalents		
Effect of foreign exchange rate changes	(51,223,580)	110,105,304
Cash and cash equivalents, beginning of the year	<u>534,589,786</u>	<u>1,015,254,277</u>
Cash and cash equivalents, end of the year	<u><u>574,465,154</u></u>	<u><u>534,589,786</u></u>

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

	Borrowings (Non-Current)	Borrowings (Current)	Loans from related party (Non-current)	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
As at 1 January 2017	<u>2,879,551,662</u>	<u>1,221,694,623</u>	<u>915,499,741</u>	<u>5,016,746,026</u>
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	<u>195,068,313</u>	<u>77,540,239</u>	<u>20,903,261</u>	<u>293,511,813</u>
As at 31 December 2017	<u>3,310,130,427</u>	<u>689,740,941</u>	<u>1,236,403,002</u>	<u>5,236,274,370</u>
As at 1 January 2018	<u>3,310,130,427</u>	<u>689,740,941</u>	<u>1,236,403,002</u>	<u>5,236,274,370</u>
Cash flows				
– Inflow from financing activities	1,568,180,366	5,184,066,994	331,118,453	7,083,365,813
– Outflow from financing activities	(306,583,583)	(6,240,038,625)	(359,151,000)	(6,905,773,208)
Non-cash changes				
– Reclassification	(1,420,060,052)	1,420,060,052	–	–
Currency translations	<u>(146,854,970)</u>	<u>(31,262,156)</u>	<u>9,746,391</u>	<u>(168,370,735)</u>
As at 31 December 2018	<u>3,004,812,188</u>	<u>1,022,567,206</u>	<u>1,218,116,846</u>	<u>5,245,496,240</u>

- (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 2018

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 Company and its subsidiaries are collectively referred to as the “Group”. The principal activities of the Group 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 the Company’s 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 30 January 2019.

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 Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

		Effective for annual periods beginning on or after	
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 40 (Amendments)	Transfers of investment property	1 January 2018	
Annual Improvements 2014-2016 Cycle		1 January 2018	

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 9 and HKFRS 15. The other newly adopted standards or amendments listed above did not have material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future period.

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting HKFRS 9. The reclassification and adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The Group adopted HKFRS 15 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 following tables show the adjustments recognised for each individual line item. The adjustments are explained in more details below.

	31 December 2017	HKFRS 9	HKFRS 15	1 January 2018
	As originally presented			Restated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
ASSETS				
Non-current assets				
Property, plant and equipment	8,739,887,326	–	–	8,739,887,326
Leasehold land and land use rights	1,042,127,885	–	–	1,042,127,885
Intangible assets	2,913,888,055	–	–	2,913,888,055
Deferred income tax assets	348,762,906	–	–	348,762,906
Investment properties	7,660,539	–	–	7,660,539
	<u>13,052,326,711</u>	<u>–</u>	<u>–</u>	<u>13,052,326,711</u>
Total non-current assets	<u>13,052,326,711</u>	<u>–</u>	<u>–</u>	<u>13,052,326,711</u>
Current assets				
Inventories	3,048,179,318	–	–	3,048,179,318
Trade receivables, other receivables and prepayments	2,309,863,202	(2,309,863,202)	–	–
Trade and notes receivables	–	1,857,419,753	–	1,857,419,753
Other receivables	–	416,583,907	–	416,583,907
Prepayments	–	35,793,081	–	35,793,081
Due from related parties	28,949,331	–	–	28,949,331
Cash and cash equivalents	534,589,786	–	–	534,589,786
	<u>5,921,581,637</u>	<u>(66,461)</u>	<u>–</u>	<u>5,921,515,176</u>
Total current assets	<u>5,921,581,637</u>	<u>(66,461)</u>	<u>–</u>	<u>5,921,515,176</u>
Total assets	<u>18,973,908,348</u>	<u>(66,461)</u>	<u>–</u>	<u>18,973,841,887</u>

	31 December 2017	HKFRS 9	HKFRS 15	1 January 2018
	As originally presented			Restated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
EQUITY				
Share capital	119,416,737	–	–	119,416,737
Share premium	4,345,689,034	–	–	4,345,689,034
Other reserves	4,271,362,605	(66,461)	–	4,271,296,144
Total equity	8,736,468,376	(66,461)	–	8,736,401,915
LIABILITIES				
Non-current liabilities				
Borrowings	3,310,130,427	–	–	3,310,130,427
Loans from a related party	1,236,403,002	–	–	1,236,403,002
Deferred government grants	142,848,544	–	–	142,848,544
Deferred income tax liabilities	211,437,204	–	–	211,437,204
Post-employment benefits	33,214,008	–	–	33,214,008
Other non-current liabilities	17,675,709	–	–	17,675,709
Total non-current liabilities	4,951,708,894	–	–	4,951,708,894
Current liabilities				
Trade payables, other payables and accrued expenses	4,493,818,093	–	(86,890,937)	4,406,927,156
Contract liabilities	–	–	86,890,937	86,890,937
Borrowings	689,740,941	–	–	689,740,941
Due to related parties	37,687,965	–	–	37,687,965
Current income tax liabilities	64,484,079	–	–	64,484,079
Total current liabilities	5,285,731,078	–	–	5,285,731,078
Total liabilities	10,237,439,972	–	–	10,237,439,972

There is no impact on the statement of profit or loss and other comprehensive income by adopting HKFRS 9 and HKFRS 15.

(i) **HKFRS 9, Financial Instruments**

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

There is 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 which are subject to HKFRS 9.

The adoption of HKFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated as the Group does not have any hedge instrument. As a result, the adjustments arising from the new impairment rules are not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet as at 1 January 2018.

The Group has trade receivables for sales of products that are subject to HKFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under HKFRS 9 for these receivables.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This resulted in an increase of the loss allowance on 1 January 2018 by HK\$66,461 for trade receivables.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

Other receivables and prepayments were previously presented together with trade receivables but are now presented as separate line items in the balance sheet to reflect their different nature.

	HKAS 39		HKFRS 9
	carrying		carrying
	amount	Reclassification	amount
	31 December		1 January
	2017		2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trade receivables, other			
receivables and prepayment	2,309,863,202	(2,309,863,202)	–
Trade and notes receivables	–	1,857,486,214	1,857,486,214
Other receivables	–	416,583,907	416,583,907
Prepayments	–	35,793,081	35,793,081

(ii) **HKFRS 15, Revenue from Contracts with Customers**

The Group has adopted HKFRS 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 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. Following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

	HKAS 18		HKFRS 15
	carrying		carrying
	amount	Reclassification	amount
	31 December		1 January
	2017		2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trade payables, other payables and accrued expenses	4,493,818,093	(86,890,937)	4,406,927,156
Contract liabilities	–	86,890,937	86,890,937

The Group didn't introduce any customer loyalty programme which is likely to be affected by HKFRS 15.

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

No additional cost occurs to fulfil the contract was identified.

Contract liabilities are recognised when the payment is made or the payment is due (whichever is earlier), if customers pay consideration, or have a right to an amount of consideration that is unconditional, before the Group transfers goods or service to the customer.

As a result, other than certain reclassifications of contract liabilities, the adoption of HKFRS 15 did not result in any impact to the financial statements as the timing of revenue recognition on sales of products is not changed.

- (b) Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for annual periods beginning on or after	
HKFRS 16	Leases	1 January 2019	(i)
HKFRS 17	Insurance contracts	1 January 2021	
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019	
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019	
HKAS 28 (Amendments)	Long-term interests in associates and joint venture	1 January 2019	
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement	1 January 2019	
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined	

(i) ***HKFRS 16, Leases***

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, 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 Group has set up a project team which has reviewed all of the Group's leasing arrangements over the year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK\$229,221,932. Of these commitments, approximately HK\$14 million relate to short-term leases and HK\$0.9 million to low value leases which will be both recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately HK\$204 million on 1 January 2019, lease liabilities of HK\$202 million (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018).

The Group expects that profit before income tax will decrease by approximately HK\$4 million for 2019 as a result of adopting the new rules.

Operating cash flows will increase and financing cash flows will decrease by approximately HK\$69 million as repayment of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted by the amount of any previously recognised prepaid or accrued lease payments relating to that lease).

Apart from HKFRS 16, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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.

The segment information for the years ended 31 December 2018 and 2017 are as follows:

	For the year ended 31 December 2018		
	Household paper products	Personal care products	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Year ended 31 December 2018			
Segment revenue	<u>12,111,465,853</u>	<u>2,767,082,049</u>	<u>14,878,547,902</u>
Segment results	976,948,655	222,231,370	1,199,180,025
Amortisation of trademarks, licences and contractual customer relationships	<u>(10,918,563)</u>	<u>(58,722,422)</u>	<u>(69,640,985)</u>
Segment profit	<u>966,030,092</u>	<u>163,508,948</u>	<u>1,129,539,040</u>
Other income and losses – net			(26,772,076)
Unallocated costs			<u>(83,142,100)</u>
Operating profit			<u>1,019,624,864</u>
Finance income and costs – net			<u>(221,951,496)</u>
Profit before income tax			797,673,368
Income tax expense			<u>(148,368,679)</u>
Profit for the year			<u>649,304,689</u>
Other segment items included in the income statement			
Depreciation of property, plant and equipment	(707,039,831)	(111,836,088)	(818,875,919)
Amortisation of leasehold land and land use rights, investment property and intangible assets other than trademarks, licences and contractual customer relationships	<u>(51,289,542)</u>	<u>(2,762,916)</u>	<u>(54,052,458)</u>
Additions to non-current assets	<u>1,418,465,122</u>	<u>230,182,742</u>	<u>1,648,647,864</u>

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

	As at 31 December 2018		
	Household paper products <i>HK\$</i>	Personal care products <i>HK\$</i>	Total <i>HK\$</i>
As at 31 December 2018			
Segment assets	<u>14,798,339,760</u>	<u>3,850,103,102</u>	18,648,442,862
Deferred income tax assets			403,828,940
Prepaid income tax recoverable			<u>15,329,096</u>
Total assets			<u><u>19,067,600,898</u></u>
Segment liabilities	<u>9,123,781,804</u>	<u>905,585,319</u>	10,029,367,123
Deferred income tax liabilities			208,522,060
Current income tax liabilities			<u>99,795,304</u>
Total liabilities			<u><u>10,337,684,487</u></u>

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

The Group has recognised following liabilities related to contracts with customers:

	As at 31 December 2018 HK\$	As at 1 January 2018 HK\$
Contract liabilities – Household paper products	71,968,908	86,263,223
Contract liabilities – Personal care products	558,333	627,714
Total contract liabilities	<u>72,527,241</u>	<u>86,890,937</u>

The following table shows how much of the revenue recognised for the year ended 31 December 2018 related to carried-forward contract liabilities that were satisfied in a prior year.

	2018 HK\$
Household paper products	86,263,223
Personal care products	<u>627,714</u>
	<u>86,890,937</u>

5 EXPENSES BY NATURE

	For the year ended 31 December	
	2018	2017
	HK\$	HK\$
Raw materials and trading merchandise consumed	8,159,442,250	7,105,711,376
Staff costs	1,572,967,168	1,480,996,899
Utilities	855,926,505	849,739,006
Transportation expenses	671,057,141	642,270,308
Promotion expenses	731,142,480	787,081,564
Depreciation of property, plant and equipment (<i>Note 10</i>)	818,875,919	702,350,651
Operating lease rent	185,378,391	174,753,171
Advertising costs	124,754,266	132,571,325
Travel and office expenses	75,049,083	72,523,957
Real estate tax, stamp duty and other taxes	47,198,907	40,754,911
Bank charges	4,660,859	5,964,877
Provision for impairment of receivables (<i>Note 11</i>)	1,829,013	8,581,128
Auditor's remuneration	8,666,277	8,785,995
Amortisation of leasehold land and land use rights (<i>Note 10</i>)	25,685,870	20,290,589
Amortisation of intangible assets (<i>Note 10</i>)	97,696,304	96,897,839
Provision for write-down of inventories	13,652,538	4,762,242
Impairment charge on property, plant and equipment (<i>Note 10</i>)	2,709,040	9,165,525
Other expenses	435,458,951	421,731,700
	<u>13,832,150,962</u>	<u>12,564,933,063</u>
Total cost of sales, selling and marketing costs, administrative expenses and net impairment losses on financial assets		

6 FINANCE INCOME AND COSTS – NET

	For the year ended 31 December	
	2018	2017
	HK\$	HK\$
Interest expense		
– borrowings (a)	(226,972,410)	(196,317,004)
Foreign exchange loss – net (a)	(6,175,395)	(26,881,531)
Interest income		
– bank deposits	11,196,309	9,170,849
	<u>11,196,309</u>	<u>9,170,849</u>
Net finance costs	(221,951,496)	(214,027,686)

- (a) During the year, the Group has capitalised borrowing costs amounting to HK\$21,747,236 (2017: HK\$37,519,675) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 4.38% (2017: 4.90%).

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 may additionally deduct 75% 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 or regions in which the Group operates respectively.

	For the year ended 31 December	
	2018	2017
	HK\$	HK\$
Current income tax		
– Hong Kong and overseas profits tax	143,008,161	114,544,242
– Mainland China income tax	67,394,237	98,885,211
– Tax filing difference for prior year	(2,356,036)	(4,839,166)
Deferred income tax	(71,568,760)	(63,252,995)
Withholding tax	11,891,077	3,204,692
	<u>148,368,679</u>	<u>148,541,984</u>

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	
	2018	2017
Profit attributable to equity holders of the Company (HK\$)	<u>649,304,689</u>	<u>620,956,454</u>
Weighted average number of ordinary shares issued	<u>1,194,413,726</u>	<u>1,180,225,239</u>
Basic earnings per share (HK\$ per share)	<u>0.544</u>	<u>0.526</u>

(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	
	2018	2017
Profit attributable to equity holders of the Company (<i>HK\$</i>)	<u>649,304,689</u>	<u>620,956,454</u>
Weighted average number of ordinary shares issued	1,194,413,726	1,180,225,239
Adjustments for share options	<u>1,010,558</u>	<u>1,427,087</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>1,195,424,284</u>	<u>1,181,652,326</u>
Diluted earnings per share (<i>HK\$ per share</i>)	<u>0.543</u>	<u>0.525</u>

9 DIVIDENDS

	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Interim dividend paid of HK\$0.06 (2017: HK\$0.05) per ordinary share	<u>71,663,542</u>	<u>59,707,169</u>
Proposed final dividend of HK\$0.14 (2017: HK\$0.14) per ordinary share	<u>167,279,332</u>	<u>167,183,432</u>
	<u>238,942,874</u>	<u>226,890,601</u>

On 30 January 2019, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2018 of HK\$167,279,332, representing HK\$0.14 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 2017 was HK\$167,214,933 based on the 1,194,392,373 issued shares outstanding at that time.

The interim dividends actually paid in 2018 and 2017 were HK\$71,663,542 and HK\$59,707,169 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
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
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	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 (<i>Note 5</i>)	(702,350,651)	(20,290,589)	(96,897,839)
Impairment charges	(9,165,525)	–	(3,323,091)
Exchange differences	565,040,312	65,021,660	179,554,389
	<u>8,739,887,326</u>	<u>1,042,127,885</u>	<u>2,913,888,055</u>
Closing net book amount as at 31 December 2017	<u>8,739,887,326</u>	<u>1,042,127,885</u>	<u>2,913,888,055</u>
Year ended 31 December 2018			
Opening net book amount as at 1 January 2018	8,739,887,326	1,042,127,885	2,913,888,055
Additions	1,504,515,803	84,172,134	59,959,927
Disposals	(16,384,609)	–	–
Depreciation and amortisation (<i>Note 5</i>)	(818,875,919)	(25,685,870)	(97,696,304)
Impairment charges	(2,709,040)	–	–
Exchange differences	(409,160,143)	(49,895,736)	(53,037,336)
	<u>8,997,273,418</u>	<u>1,050,718,413</u>	<u>2,823,114,342</u>
Closing net book amount as at 31 December 2018	<u>8,997,273,418</u>	<u>1,050,718,413</u>	<u>2,823,114,342</u>

During the year, the Group has capitalised borrowing costs amounting to HK\$21,747,236 (2017: HK\$37,519,675) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 4.38% (2017: 4.90%).

11 TRADE, NOTES AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	1,909,762,277	1,879,614,993
Less: Provision for impairment of trade receivables	<u>(25,987,508)</u>	<u>(25,730,315)</u>
	1,883,774,769	1,853,884,678
Notes receivable	<u>4,684,938</u>	<u>3,601,536</u>
Trade and notes receivable	<u>1,888,459,707</u>	<u>1,857,486,214</u>
Other receivables		
– creditable input VAT	304,850,539	264,291,894
– prepaid income tax recoverable	15,329,096	12,133,319
– purchase rebates	26,576,733	25,321,575
– subsidy income receivable	–	17,020,533
– sales of investment property receivable	–	10,731,420
– deposits and others	<u>102,759,083</u>	<u>87,085,166</u>
	<u>449,515,451</u>	416,583,907
Prepayments		
– purchase of raw materials	30,494,115	4,925,274
– prepaid expenses	21,492,411	9,082,290
– prepayments of utility fee	3,368,579	6,829,921
– others	<u>35,159,780</u>	<u>14,955,596</u>
	<u>90,514,885</u>	35,793,081
	<u>2,428,490,043</u>	<u>2,309,863,202</u>

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 2018 and 2017 is as below:

	As at 31 December	
	2018	2017
	HK\$	HK\$
Within 3 months	1,784,440,966	1,758,571,667
4 months to 6 months	89,596,135	87,153,393
7 months to 12 months	15,950,020	13,958,877
Over 1 year	19,775,156	19,931,056
	<u>1,909,762,277</u>	<u>1,879,614,993</u>

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and notes receivables. This resulted in an increase of the loss allowance on 1 January 2018 by HK\$66,461 for trade and notes receivables.

The closing loss allowances for trade receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

As at 31 December 2017 – calculated under HKAS 39	25,730,315
Amounts restated through opening retained earnings	<u>66,461</u>
Opening loss allowance as at 1 January 2018	
– calculated under HKFRS 9	25,796,776
Increase in loss allowance recognised in profit or loss during the year	1,829,013
Receivables written off during the year as uncollectible	(363,667)
Exchange differences	<u>(1,274,614)</u>
As at 31 December 2018	<u>25,987,508</u>

12 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December	
	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Trade payables	2,071,567,933	2,358,159,286
Notes payable	322,676,392	323,445,538
Other payables		
– salaries payable	255,123,590	240,097,903
– taxes payable other than income tax	37,303,747	58,751,689
– advances from customers	–	86,890,937
– payables for property, plant and equipment	570,967,807	278,657,250
– others	156,147,473	169,236,859
Accrued expenses		
– promotion fees	672,901,394	612,314,989
– utility charges	39,906,095	41,243,258
– transportation fees	138,032,415	140,666,083
– advertising fee	47,685,432	61,642,389
– accrued interest	8,651,491	6,258,278
– professional services	3,424,060	2,734,323
– others	111,644,828	113,719,311
	<u>4,436,032,657</u>	<u>4,493,818,093</u>

As at 31 December 2018 and 2017, the carrying amounts of the Group's trade payables, notes payable and other payables approximated their fair values.

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 2018 and 2017 is as follows:

	As at 31 December	
	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Within 3 months	1,829,550,803	2,147,550,537
4 months to 6 months	562,254,130	528,324,145
7 months to 12 months	522,231	2,374,856
Over 1 year	1,917,161	3,355,286
	<u>2,394,244,325</u>	<u>2,681,604,824</u>

13 SHARE CAPITAL AND SHARE PREMIUM

	Number of authorized shares	Number of issued and fully paid shares	Amount		
			Ordinary shares <i>HK\$</i>	Share premium <i>HK\$</i>	Total <i>HK\$</i>
At 1 January 2017	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 (i)	–	55,000,000	5,500,000	814,000,000	819,500,000
At 31 December 2017	<u>80,000,000,000</u>	<u>1,194,167,373</u>	<u>119,416,737</u>	<u>4,345,689,034</u>	<u>4,465,105,771</u>
Employee share option scheme					
– Exercise of share options	–	685,000	68,500	6,092,196	6,160,696
At 31 December 2018	<u>80,000,000,000</u>	<u>1,194,852,373</u>	<u>119,485,237</u>	<u>4,351,781,230</u>	<u>4,471,266,467</u>

- (i) 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	
	2018	2017
	HK\$	HK\$
Non-current		
Unsecured bank borrowings	3,004,812,188	3,310,130,427
Loans from a related party	1,218,116,846	1,236,403,002
Total non-current borrowings	4,222,929,034	4,546,533,429
Current		
Portion of loans from banks due for repayment within one year		
– Unsecured	965,502,609	629,925,889
Other borrowings due for repayment within one year		
– Unsecured (<i>Note (a)</i>)	57,064,597	59,815,502
Total current borrowings	1,022,567,206	689,740,941
Total borrowings	5,245,496,240	5,236,274,370

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

(b) The maturity of borrowings is as follows:

	Bank borrowings		Loans from a related party		Other borrowings	
	As at 31 December		As at 31 December		As at 31 December	
	2018	2017	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Portion of loans due for repayment within 1 year	965,502,609	629,925,889	-	-	57,064,597	59,815,052
Loans due for repayment after 1 year (<i>Note (i)</i>):						
Between 1 and 2 years	1,419,889,951	1,739,621,026	338,000,000	1,236,403,002	-	-
Between 2 and 5 years	1,584,922,237	1,570,509,401	880,116,846	-	-	-
	<u>3,970,314,797</u>	<u>3,940,056,316</u>	<u>1,218,116,846</u>	<u>1,236,403,002</u>	<u>57,064,597</u>	<u>59,815,052</u>

(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.

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

	Bank borrowings		Loans from a related party	
	2018	2017	2018	2017
HK\$	1.76%~3.15%	1.80%~2.43%	2.22%~3.52%	2.16%~2.68%
US\$	2.20%~3.40%	1.57%~2.04%	-	-
RMB	3.65%~6.60%	3.70%~9.80%	5.85%	4.97%~8.12%
EUR	0.80%	0.80%	-	-
KRW	2.20%~2.75%	2.20%~2.65%	-	-
MYR	3.84%~4.34%	3.13%~4.16%	-	-

(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	
	2018	2017
HK\$	2.81%	2.40%
US\$	2.81%	1.87%
RMB	4.88%	4.88%
EUR	0.80%	0.80%
KRW	2.56%	2.36%
MYR	4.01%	4.03%

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

	As at 31 December	
	2018 HK\$	2017 HK\$
RMB	3,692,235,150	3,792,287,598
HK\$	1,304,116,847	1,056,957,846
MYR	131,275,302	343,179,708
KRW	41,942,479	43,849,218
US\$	75,926,462	-
	5,245,496,240	5,236,274,370

15 OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2018	2017
	HK\$	HK\$
Long term incentive plans (i)	<u>10,709,487</u>	<u>17,675,709</u>

- (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

Compensation unit (“CU”) can be granted under the plan to Executive Directors and CFO to reward for their future services during the vesting period. A total of 6,840,000 CUs were granted to Executive Directors and CFO at a nominal price of HK\$15.31 under the plan. The exercise price of a CU is capped at HK\$30. The vesting period is from 1 January 2017 to 1 July 2020. A CU can be realised at the exercise price after the vesting period until 31 December 2025, subject to the provisions of the plan.

As at 31 December 2018, the fair value of each CU granted determined by using the Binomial Model was HK\$2.74. The significant inputs into the model were share price at the valuation date, the grant price, volatility of 30%, dividend yield of 1.21%, and annual risk-free interest rate of 1.92%. 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 2018, the TSR is determined by using the Monte Carlo Simulation Model. The significant inputs into the model were annualized drift rate of 7.59% of the Company and 8.54% of the peer group, dividend yield of 1.10% of the Company and 2.54% of the peer group and annualized asset price volatility of 25% of the Company and 15% of the peer group matching the life of the incentive program.

Foreign Exchange and Fair Value Interest Rate Risk

The majority of the Group's assets and sales business are located in Mainland China, 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 2018, the Group's bank and cash balances amounted to HK\$574,465,154 (31 December 2017: HK\$534,589,786), and short-term and long-term loans amounted to HK\$5,245,496,240 (31 December 2017: HK\$5,236,274,370), including the loans from a related party amounting to HK\$1,218,116,846 (31 December 2017: HK\$1,236,403,002). 80.5% of the borrowings are medium-to long-term (31 December 2017: 86.8%). The annual interest rates of bank loans ranged from 0.8% to 6.6%.

As at 31 December 2018, 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 2017: 54%).

As at 31 December 2018, unutilized credit facilities amounted to approximately HK\$6.79 billion (31 December 2017: HK\$2.94 billion).

Charges on Group Assets

As at 31 December 2018, the Group did not have any charges on assets (31 December 2017: nil).

Contingent Liabilities

As at 31 December 2018, the Group had no material contingent liabilities (31 December 2017: nil).

Final Dividend

The Board has resolved to propose to shareholders of the Company the distribution of a final dividend for the Year at 14 HK cents (2017: 14 HK cents) per share totaling HK\$167,279,332, subject to approval by shareholders at the annual general meeting (the “AGM”) to be held on 10 April 2019. If so approved by shareholders, it is expected that the final dividend will be paid on or about 16 May 2019 to shareholders of the Company whose names appear on the register of member of the Company on 29 April 2019.

Closure of Register of Members

The register of members of the Company will be closed from 4 April 2019 to 10 April 2019, 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 transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited (the “**Share Registrar**”), 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 3 April 2019. In addition, the register of members of the Company will be closed from 25 April 2019 to 29 April 2019, 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 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 2019.

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, 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 (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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.

Audit Committee

The Audit Committee has three members comprising two Independent Non-Executive Directors, namely, Mr. TSUI King Fai and Mr. WONG Kwai Huen, Albert and a Non-Executive Director, Mr. Carl Fredrik Stenson RYSTEDT. The chairman of the Audit Committee is Mr. TSUI King Fai. 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 have been reviewed by the Audit Committee.

Remuneration Committee

The Company's remuneration committee (the "**Remuneration Committee**") has five members comprising three Independent Non-Executive Directors, namely Mr. TSUI King Fai, Mr. CHIA Yen On and Ms. LEE Hsiao-yun Ann (appointed on 31 March 2018), an Executive Director, Ms. LI Jielin and a Non-Executive Director, Mr. Jan Christer JOHANSSON. 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 (the "**Nomination Committee**") has five members comprising three Independent Non-Executive Directors, namely, Mr. WONG Kwai Huen, Albert, Mr. CHIA Yen On and Ms. LEE Hsiao-yun Ann (appointed on 31 March 2018), 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 (the "**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, 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 (the "**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.

Strategic Development Committee

The Company's strategic development committee (the "**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; 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 2018 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, 30 January 2019

As at the date of this announcement, the Board 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

Ms. LEE Hsiao-yun Ann

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)