

**【For Immediate Release】**



**恒安國際集團有限公司**

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

**Hengan International Announces 2009 Annual Results  
Profit Attributable to Shareholders Surged by 57.9% to HK\$2,118 million**

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**Maintained Fast Growth in Major Businesses with Improved Gross Margins**

**Financial Highlights**

For the year ended 31 December	<b>2009</b> HK\$'000	2008 HK\$'000	Change (%)
Revenue	10,833,839	8,001,545	35.4%
Gross profit	4,980,491	3,202,546	55.5%
Gross profit margin (%)	46.0	40.0	6ppt
Profit attributable to shareholders	2,117,509	1,340,914	57.9%
Basic earnings per share (HK\$)	1.770	1.172	51.0%
Diluted earnings per share (HK\$)	1.765	1.152	53.2%
Final dividend per share (HK\$)	0.60	0.40	50.0%

(25 March 2010 - Hong Kong) – **Hengan International Group Company Limited** (“Hengan International” or the “Company”, SEHK stock code: 1044, together with its subsidiaries, the “Group”) announced today its 2009 annual results. For the year ended 31 December 2009, the Group’s revenue amounted to approximately HK\$10,833,839,000 representing an approximately 35.4% increase from that of the previous year. Profit attributable to shareholders grew by approximately 57.9% to approximately HK\$2,117,509,000. Basic and diluted earnings per share amounted to approximately HK\$1.770 (2008: HK\$1.172) and HK\$1,765 (2007: HK\$1.152) respectively.

The Board of Directors recommended a final dividend of HK\$0.60 per share (2008: HK\$0.40). Taking into account the interim dividend of HK\$0.50 per share, the annual dividend amounted to HK\$1.10 per share (2008: HK\$0.72).

Commenting on the Group’s annual results, Mr. Sze Man Bok, Chairman of Hengan International, said, “During the year, the global economies were affected to different extents by the financial tsunami. China, as one of the major economies in the world, was inevitably affected. Nonetheless, with the Chinese government’s positive attitude and the implementation of proactive fiscal policies and moderately loose monetary policy, China maintained steady economic growth during the year. Hygiene products, as daily necessities, also maintained rapid growth in demand. Coupled with strong brand awareness and leading position in the domestic personal and family hygiene product industry, the Group is well positioned to maintain its robust revenue and profit growth.”

### **Tissue papers**

In 2009, revenue from the Group's tissue paper business rose by about 15% to approximately HK\$4,455,841,000, representing about 41.1% of the total revenue (2008: 48.4%). During the year, the Group continued to focus on manufacturing and selling products with higher gross profit margins, including box tissue papers, pocket handkerchiefs and wet tissues. Revenue from these products accounted for approximately 66.1% of total tissue revenue of the Group (2008: 68.7%).

Benefited from the price decline of tissue wood pulp, a major raw material, the production costs of tissue paper business dropped, leading to a surge of gross profit margin to about 42.1% (2008: 31.6%). In addition, the Group increased its inventory of tissue wood pulp during the fourth quarter of 2008 and the first half of 2009 at a relatively low cost, in an attempt to alleviate the impact of price fluctuations in the second half of 2009 and first half of 2010. As at 31 December 2009, the Group had over 200,000 tons of tissue wood pulp in hand and in transit purchased at below-current-market price, which are sufficient for production until around June 2010.

In order to cater to the Group's development, the third phase of the Hunan plant commenced production at the end of 2009, bringing the Group's annualised production capacity to approximately 420,000 tons.

### **Sanitary napkins**

Benefited from the rising living standard and increasing awareness of personal hygiene, consumers are more willing to purchase quality sanitary napkin products with higher selling prices, driving the continuous growth in the demand for quality products.

During the year, the Group's sanitary napkin business recorded satisfactory growth, with revenue increased by about 26.3% to approximately HK\$2,546,369,000, accounting for almost 23.5% of total revenue (2008: 25.2%). As a result of the decline in prices of major raw materials, such as petrochemical products and fluff pulp, as compared with those of the previous year, and the higher sales contribution of mid-to-high end products, gross profit margin of the Group's sanitary napkin business rose to about 61.1% (2008: 57.9%).

### **Disposable diapers**

As a result of the sluggish global economy, consumers became more cautious in spending, thus affecting the growth of disposable diaper business of the Group in the first half of 2009. However, the improved economic situation in the second half of the year drove the demand for disposable diapers. In addition, the "Super Absorbent" series, which was officially launched for sale nationwide in July 2009, received positive market response and generated satisfactory revenue for the Group.

During the year, revenue from the Group's disposable diapers business grew by about 15.3% to approximately HK\$2,160,251,000, accounting for about 19.9% of the total revenue (2008: 23.4%). Thanks to the decline in prices of major raw materials, petrochemical products and fluff pulp, and as a result of the Group's continuous efforts on strengthening cost controls and optimising product mix, gross profit margin of disposable diapers business rose to about 41.1% (2008: 35.3%).

### **Food and snacks business**

The Group acquired mainland confectionary manufacturer QinQin Foodstuffs Group Company Limited (“QinQin Foodstuffs”) in November 2009, marking the Group’s first step to establish a presence in the food and snacks industry. During the year, revenue from food and snacks business amounted to approximately HK\$863,283,000 (2008: HK\$63,084,000), representing 8.0% (2008: 0.8%) of the total revenue. The Group dedicated to integrating QinQin Foodstuff’s logistics and transportation management in an attempt to realise gradually the synergy effect on QinQin Foodstuff’s business. Such improvement, together with the decline in raw material prices, drove gross profit margin of the Group’s food and snacks business to approximately 36.5% (2008: 30.1%).

### **Future prospects**

The global economy shows signs of recovery and the Chinese economy continues with its steady development with strong domestic consumption. The improving overall living standard in China and increasing personal hygiene awareness of the mainland population continue to facilitate the development of personal hygiene products industry in China. Rising consumer demand for quality personal hygiene products is favourable for the development of enterprises which manufacture quality products. Leveraging on the Group’s strong foundation and its core competitiveness in the industry, the Group is confident to maintain its leadership in the continuous development of the personal hygiene products market in China.

With regard to the tissue paper business, the Group will further increase its annual production capacity to cope with market demand. It is expected that the annual production capacity will reach 540,000 tons by the end of 2010. As for sanitary napkin business, the Group will actively produce more mid-to-high end products, and strengthen brand promotion in order to increase market share. For disposable diaper business, apart from the “Super Absorbent” products fully launched in 2009 as mentioned above, the Group is also arranging a test sale of another new product in mid-2010 to support the expansion of disposable diaper business.

Regarding the food and snacks business, the Group will continue to focus on integrating QinQin Foodstuffs business in order to achieve greater synergy with the existing personal hygiene product business in respect of logistics, supply chain, distribution network and brand management, and consolidate its profit foundation. Furthermore, the Group also plans to develop more varieties of snacks products, in the hope of achieving better development of the food and snacks business.

Mr. Sze concluded, “2010 is the 25th anniversary of Hengan International. The Group will strive to take its business to new heights through utilising its valuable experience and resources accumulated throughout the years, and leveraging its competitive edges in brand, distribution network, research and development as well as production capabilities. Looking ahead, the Group will continue to uphold its belief that quality takes precedence and will enhance technologies, improve product quality and refine product portfolio. Meanwhile, the Group will actively expand sales network, increase its efforts on advertising and promotion, reinforce the Group’s brand equity and further boost market share. With the strong foundation and brand equity, the Group is confident to consolidate its leading position in personal hygiene product industry, maintain steady business growth and create greater values for shareholders.”

**Company Background**

Hengan International is principally engaged in the provision of personal hygiene products since 1985, starting as a manufacturer to become today's customer-oriented fast moving consumer goods provider responsible for production, sales and marketing. Today, Hengan International is mainly engaged in production, distribution and sales of personal hygiene products and food and snacks products in China. The shares of Hengan International have been listed on the Hong Kong Stock Exchange since 1998.

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