

【For Immediate Release】



恒安國際集團有限公司
HENGAN INTERNATIONAL GROUP COMPANY LIMITED

**Hengan International Announces 2010 Annual Results
Profit Attributable to Shareholders Surged 15.2% to HK\$2.4 billion**

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Implement Strict Cost Controls to Achieve Stable Growth

Financial Highlights

For the year ended 31 December	2010 HK\$'000	2009 HK\$'000	Change
Revenue	13,431,688	10,833,839	24.0%
Gross profit	5,944,788	4,980,491	19.4%
Gross profit margin (%)	44.3	46.0	N/A
Profit attributable to shareholders	2,438,328	2,117,509	15.2%
Basic earnings per share (HK dollars)	1.996	1.770	12.8%
Diluted earnings per share (HK dollars)	1.988	1.765	12.6%
Final dividend per share (HK dollars)	0.7	0.60	16.7%

(29 March 2011 - Hong Kong) – **Hengan International Group Company Limited** (“Hengan International” or the “Company”, SEHK stock code: 1044, together with its subsidiaries, the “Group”) today announced its 2010 annual results.

For the year ended 31 December 2010, the Group’s revenue amounted to approximately HK\$13,431,688,000, representing an increase of approximately 24.0% from the same period last year. Profit attributable to shareholders was approximately HK\$2,438,328,000, which increased by approximately 15.2% from the same period last year. Basic earnings per share and diluted earnings per share were HK\$1.996 (2009: HK\$1.770) and HK\$1.988 (2009: HK\$1.765) respectively.

The Board of Directors recommended a final dividend of HK\$0.70 per share (2009: HK\$0.60). Taking into account the interim dividend of HK\$0.60 per share, the annual dividend amounted to HK\$1.30 per share (2009: HK\$1.10).

Commenting on the Group’s annual results, Mr. Sze Man Bok, Chairman of Hengan International, said, “In 2010, although the global economy was gradually recovering from the financial tsunami, the European sovereign debt crisis brought uncertainty to the global financial market. Nevertheless, China still achieved robust economic growth during the year under review with the strong foundation of the China economy and a series of domestic demand stimulating measures launched by the Central Government. Meanwhile, the ongoing urbanization process and the rising overall living standards promoted people’s awareness in health and hygiene as well as their demand for personal hygiene products. As a leader in the domestic personal and family hygiene product industry, the Group still benefited from market expansion and maintained steady growth capitalizing on its brand reputation and economies of scale.”

Tissue papers

In 2010, revenue from the Group's tissue paper business increased by approximately 37.2% to approximately HK\$6,114,379,000, accounting for approximately 45.5% of the Group's total revenue (2009: 41.1%). During the period, the Group continued to manufacture and sell products with higher gross profit margins, namely box tissue papers, pocket handkerchiefs and wet tissues, while the sales of toilet roll products with relatively lower gross profit margin accounted for approximately 33.4% of revenue of tissue paper products (2009: 33.9%).

During the period, the production costs of tissue paper business increased sharply as the price of the major raw material, tissue wood pulp, rebounded significantly from the trough in 2009. As a result, gross profit margin of the Group's tissue paper business decreased by 4.8% to approximately 37.3% (2009: 42.1%).

Sanitary napkins

The Group's sanitary napkin business recorded satisfactory growth during the period, with revenue increased by approximately 24.5% to about HK\$3,169,544,000, accounting for approximately 23.6% of the Group's total revenue (2009: 23.5%). Despite the significant increase in the prices of major raw materials, petrochemical products and fluff pulp, which caused pressure on the Group's production costs, the Group was able to offset the negative influence brought by the increasing prices of raw materials through strengthening cost controls and increasing sales of mid-to-high-end products, thus the overall gross profit margin of sanitary napkins business increased slightly to approximately 62.5% (2009: 61.1%).

Disposable diapers

During the year under review, revenue from the disposable diaper business increased by about 13.3% to approximately HK\$2,446,901,000, accounting for approximately 18.2% of the total revenue (2009: 19.9%). The moderate growth of the Group's disposable diapers business during the year reflected keen market competition. It was because the revenue of the Group's low-end diapers was impacted by the lower-priced products launched by new small and medium enterprises which entered into the low-end diapers market due to the low entry barrier.

Through the continuous effort in cost controls and product mix optimization, the Group was able to offset the surge in the prices of major raw materials, petrochemical products and fluff pulp. During the year, gross profit margin of the disposable diapers business still recorded slight increase to approximately 42.4% (2009: 41.1%).

Food and snacks

The Group actively optimized the distribution network of food and snack business during the year by applying the distribution network operation mode of personal hygiene products business to the food and snacks business in order to further improve the operation of this business. In 2010, revenue of food and snacks business increased by 39.3% to approximately HK\$1,202,726,000, accounting for about 9.0% of the Group total revenue (2009: 8.0%). Through continuous cost controls effort and product mix optimization, the Group effectively offset the influence brought by the increase of raw materials prices, which enabled gross profit margin to remain fairly stable at approximately 36.2% (2009: 36.5%).

Future prospects

Looking forward, the country's rapid economic growth and the increasing domestic demand will continue to drive the demand for various daily products and hygiene products. Furthermore, consumers' increasing awareness of personal hygiene will also promote growth in consumption of high quality hygiene products. Capitalizing on its brand reputation and scale advantage, as well as its improving distribution network, the Group is confident that it will continue to lead the sustainable development of domestic personal hygiene product market.

For the tissue paper segment, the current annualized production capacity of the Group is approximately 540,000 tons. In order to cater to the Group's development and grasp the opportunities brought by the Central Government's policy in developing Western China, the Group has determined to build a new tissue paper production base in Chongqing, which will commence operation in the fourth quarter of 2011 with an annualized production capacity of 60,000 tons. Thus, the Group's annualized production capacity will reach 600,000 tons by the end of 2011. Besides, the Group also focuses on the market development in Eastern China, and plans to add a new tissue paper production base in Wuhu. In 2012, the Group will increase 60,000 tons, 120,000 tons and 120,000 tons of production capacity in Chongqing, Wuhu and Jinjiang respectively. Subsequent to the expansion, the Group's total annualized production capacity is expected to reach 900,000 tons by the end of 2012.

For the sanitary napkins segment, the Group will continue to optimize its product portfolio to produce more mid-to-high-end products. Currently, in order to cater to the market's need for high quality products, the Group is planning to launch new "Space Seven" series of sanitary napkins in the second half of 2011, the average selling price and gross profit margin of which are expected to be higher than those of the existing products.

As for disposable diapers, after the successful launch of Super Absorbent series in the second half of 2009 which was well received by the market, the Group has planned to launch higher-end products including "Day and Night" series in mid of 2011 and "Pull Up" series in the second half of 2011 in order to meet consumers' demand for high-end products. It is expected that the average selling price and gross profit margin of these new series will be higher than those of the current product lines.

With regards to food and snacks business, the Group will continue to integrate distribution network and launch new high-end products to consolidate its profit base.

Mr. Sze concluded, "In the future, the Group will continue to uphold its belief that quality takes precedence, improve product quality through unceasingly enhancing technology and refine product portfolio. Meanwhile, the Group will continue to enhance management efficiency to increase competitiveness, and also reinforce its brand influence as well as further expand market share by actively expanding sales network and increasing its efforts on advertising and promotion activities. Leveraging on its solid foundation and brand equity, the Group is confident in maintaining its leading position in the personal hygiene product market and creating greater value for shareholders by delivering steady growth of business."

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Company Background

Hengan Group was established in 1985. It is principally 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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