恒安國際集團有限公司*

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1044)

Websites: http://www.hengan.com
http://www.irasia.com/listco/hk/hengan

"Growing with You for a Better Life"

2011 ANNUAL RESULTS ANNOUNCEMENT
FINANCIAL SUMMARY

	2011 *HK$'000*	2010 *HK$'000*	Change
Revenue	**17,050,557**	13,431,688	26.9%
Profit attributable to shareholders	**2,648,839**	2,438,328	8.6%
Gross profit margin (%)	**39.9**	44.3	
Earnings per share			
— Basic	**HK$2.160**	HK$1.996	8.2%
— Diluted	**HK$2.156**	HK$1.988	8.5%
Dividends			
— Interim (paid)	**HK$0.60**	HK$0.60	
— Final (proposed)	**HK$0.75**	HK$0.70	
Finished goods turnover (days)	**44**	54	
Accounts receivable turnover (days)	**35**	31	
Current ratio (times)	**1.4**	1.8	
Gross gearing ratio (%)	**58.5**	50.6	
Net gearing ratio (%)	**(10.8)**	(13.9)	
	(at net cash position)		

* *For identification purposes only*

RESULTS

The Board of Directors of Hengan International Group Company Limited (the "Company" or "Hengan International") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011, together with the comparative figures for the previous year, as follows:

Consolidated income statement

		Year ended 31 December	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Revenue	2	**17,050,557**	13,431,688
Cost of goods sold		**(10,250,259)**	(7,486,900)
Gross profit		**6,800,298**	5,944,788
Other gains — net		**456,083**	248,811
Distribution costs		**(3,211,723)**	(2,591,384)
Administrative expenses		**(750,882)**	(602,515)
Operating profit	3	**3,293,776**	2,999,700
Finance income		**109,406**	110,460
Finance costs		**(147,807)**	(71,793)
Finance (costs)/income — net		**(38,401)**	38,667
Profit before income tax		**3,255,375**	3,038,367
Income tax expense	4	**(569,929)**	(551,950)
Profit for the year		**2,685,446**	2,486,417
Profit attributable to:			
Shareholders of the Company		**2,648,839**	2,438,328
Non-controlling interests		**36,607**	48,089
		2,685,446	2,486,417
Earnings per share for profit attributable to shareholders of the Company			
— Basic	5	**HK$2.160**	HK$1.996
— Diluted	5	**HK$2.156**	HK$1.988
Dividends	6	**1,659,137**	1,591,484

Consolidated statement of comprehensive income

	Year ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
Profit for the year	**2,685,446**	2,486,417
Other comprehensive income		
— Currency translation differences	**659,552**	370,631
Total comprehensive income for the year	**3,344,998**	2,857,048
Attributable to:		
Shareholders of the Company	**3,288,809**	2,804,658
Non-controlling interests	**56,189**	52,390
Total comprehensive income for the year	**3,344,998**	2,857,048

Consolidated balance sheet

	Note	As at 31 December 2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**5,203,336**	4,519,090
Construction-in-progress		**2,053,903**	665,130
Land use rights		**850,365**	613,982
Intangible assets		**601,212**	606,508
Prepayments for non-current assets		**439,325**	537,714
Deferred income tax assets		**131,110**	98,213
Long-term bank deposits		**296,040**	786,274
		9,575,291	7,826,911
Current assets			
Inventories		**2,934,323**	2,760,090
Trade and bills receivables	7	**1,892,632**	1,395,837
Other receivables, prepayments and deposits		**589,734**	532,479
Derivative financial instruments		**258**	13,802
Restricted bank deposits		**68,640**	59,237
Cash and bank balances		**8,258,202**	5,989,024
		13,743,789	10,750,469
Total assets		**23,319,080**	18,577,380
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**122,901**	122,422
Other reserves		**3,489,931**	3,630,385
Retained earnings			
— Proposed final dividend		**921,756**	856,953
— Unappropriated retained earnings		**7,806,825**	5,893,427
		12,341,413	10,503,187
Non-controlling interests		**377,334**	322,345
Total equity		**12,718,747**	10,825,532

	Note	As at 31 December 2011 HK$'000	2010 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		**403,735**	1,497,050
Deferred income tax liabilities		**180,903**	172,637
Deferred income on government grants		**3,807**	5,281
		588,445	1,674,968
Current liabilities			
Trade payables	8	**1,881,313**	1,318,908
Other payables and accrued charges		**968,976**	659,696
Derivative financial instruments		**1,869**	—
Current income tax liabilities		**345,102**	283,085
Bank borrowings		**6,814,628**	3,815,191
		10,011,888	6,076,880
Total liabilities		**10,600,333**	7,751,848
Total equity and liabilities		**23,319,080**	18,577,380
Net current assets		**3,731,901**	4,673,589
Total assets less current liabilities		**13,307,192**	12,500,500

1. Basis of preparation and principal accounting policies

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments at fair value through profit or loss.

(a) New and amended standards adopted by the group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011 that are relevant to the Group.

- HKFRS 7 "Financial instruments: Disclosures" clarifies seven disclosure requirements for financial instruments, with a particular focus on the qualitative disclosures and credit risk disclosures. The Group has applied this new accounting policy; however it has no impact on the financial statements.

- HKAS 24 (Revised), 'Related Party Disclosures' is effective for annual period beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

  - The name of the government and the nature of their relationship;

  - The nature and amount of any individually significant transactions; and

  - The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party. The Group has applied this new accounting policy. However it has no impact on the Group's financial statements.

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted

- HKFRS 7 (Amendent) 'Financial instruments: Disclosures-Offsetting financial assets and financial liability', effective 1 January 2013.

- HKFRS 9 'Financial instruments', effective 1 January 2015.

- HKFRS 10 'Consolidated financial statements', effective 1 January 2013.

- HKFRS 12 'Disclosures of interests in other entities', effective 1 January 2013.

- HKFRS 13 'Fair value measurement', effective 1 January 2013.

- HKAS 19 (Amendment) 'Employee benefits', effective 1 January 2013.

- HKAS 1 (Amendment) 'Presentation of financial statements'.

  They are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. Revenue and segment information

An analysis of the Group's revenue and contribution to the operating profit by business segments is as follows:

	2011					
	Sanitary napkins products *HK$'000*	**Disposable diapers products** *HK$'000*	**Tissue paper products** *HK$'000*	**Food and snacks products** *HK$'000*	**Skin care products and others** *HK$'000*	**Group** *HK$'000*
Consolidated income statement for the year ended 31 December 2011						
Segment revenue	**4,309,922**	**2,757,763**	**8,357,761**	**1,542,511**	**931,750**	**17,899,707**
Inter-segment sales	**(195,497)**	**(34,749)**	**(340,241)**	**—**	**(278,663)**	**(849,150)**
Revenue of the Group	**4,114,425**	**2,723,014**	**8,017,520**	**1,542,511**	**653,087**	**17,050,557**
Segment profit	**1,456,729**	**360,040**	**783,446**	**88,501**	**191,295**	**2,880,011**
Unallocated costs						**(42,318)**
Other gains — net						**456,083**
Operating profit						**3,293,776**
Finance income						**109,406**
Finance costs						**(147,807)**
Profit before income tax						**3,255,375**
Income tax expense						**(569,929)**
Profit for the year						**2,685,446**
Non-controlling interests						**(36,607)**
Profit attributable to shareholders of the Company						**2,648,839**
Consolidated balance sheet as at 31 December 2011						
Segment assets	**3,410,775**	**3,850,847**	**12,019,993**	**1,137,165**	**2,601,479**	**23,020,259**
Deferred income tax assets						**131,110**
Unallocated assets						**167,711**
Total assets						**23,319,080**
Segment liabilities	**503,257**	**555,628**	**2,492,518**	**300,001**	**78,374**	**3,929,778**
Deferred income tax liabilities						**180,903**
Current income tax liabilities						**345,102**
Unallocated liabilities						**6,144,550**
Total liabilities						**10,600,333**
Other items for the year ended 31 December 2011						
Additions to non-current assets	**194,162**	**162,424**	**1,763,262**	**383,000**	**522,477**	**3,025,325**
Depreciation charge	**50,009**	**52,076**	**275,365**	**27,509**	**9,824**	**414,783**
Amortisation charge	**4,127**	**2,144**	**7,988**	**11,516**	**2,811**	**28,586**

	Sanitary napkins products *HK$'000*	Disposable diapers products *HK$'000*	Tissue paper products *HK$'000*	Food and snacks products *HK$'000*	Skin care products and others *HK$'000*	Group *HK$'000*
	2010					
Consolidated income statement for the year ended 31 December 2010						
Segment revenue	3,274,838	2,495,982	6,403,214	1,202,726	925,033	14,301,793
Inter-segment sales	(105,294)	(49,081)	(288,835)	—	(426,895)	(870,105)
Revenue of the Group	3,169,544	2,446,901	6,114,379	1,202,726	498,138	13,431,688
Segment profit	1,138,211	503,486	962,896	98,549	92,932	2,796,074
Unallocated costs						(45,185)
Other gains — net						248,811
Operating profit						2,999,700
Finance income						110,460
Finance costs						(71,793)
Profit before income tax						3,038,367
Income tax expense						(551,950)
Profit for the year						2,486,417
Non-controlling interests						(48,089)
Profit attributable to shareholders of the Company						2,438,328
Consolidated balance sheet as at 31 December 2010						
Segment assets	3,239,417	3,502,243	8,741,452	961,307	1,809,052	18,253,471
Deferred income tax assets						98,213
Unallocated assets						225,696
Total assets						18,577,380
Segment liabilities	455,888	592,198	2,130,624	219,840	42,219	3,440,769
Deferred income tax liabilities						172,637
Current income tax liabilities						283,085
Unallocated liabilities						3,855,357
Total liabilities						7,751,848
Other items for the year ended 31 December 2010						
Additions to non-current assets	122,291	281,218	1,001,519	55,417	153,555	1,614,000
Depreciation charge	57,517	45,286	221,895	22,922	9,002	356,622
Amortisation charge	3,603	2,592	10,294	11,160	232	27,881

No geographical analysis is provided as less than 10% of the Group's revenue and consolidated results are attributable to markets outside the People's Republic of China (the "PRC" or "mainland China").

3. Operating profit

Operating profit is stated after crediting and charging the following:

	2011	2010
	HK$'000	*HK$'000*
Crediting		
Exchange gain	**113,748**	71,172
Government grants income *(Note)*	**275,034**	165,067
Amortisation of deferred income on government grants	**1,701**	1,616
Realised fair value gain on derivative financial instruments	**—**	7,202
Reversal of impairment of trade receivables	**—**	1,865
Reversal of impairment of inventories	**—**	297
Charging		
Depreciation of property, plant and equipment	**414,783**	356,622
Amortisation of land use rights	**18,556**	17,958
Amortisation of intangible assets	**10,030**	9,923
Losses on disposal/write-off of property, plant and equipment	**2,285**	4,802
Employee benefit expenses, including director's emoluments	**1,265,593**	958,354
Operating leases rentals	**76,624**	59,466
Repairs and maintenance expenses	**128,124**	99,345
Provision for impairment of trade receivables	**1,832**	—
Provision for impairment of inventories	**19,263**	—
Realised fair value losses on derivative financial instruments	**7,582**	—
Unrealised fair value losses on derivative financial instruments	**1,611**	136

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

4. Income tax expense

The amount of income tax expense charged to the consolidated income statement represents:

	2011	2010
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**37,288**	49,241
— PRC income tax	**558,027**	454,672
Deferred income tax, net	**(25,386)**	48,037
Income tax expense	**569,929**	551,950

(a) Hong Kong profits tax has been provided for at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the year. Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group operates.

(b) The Company's subsidiaries incorporated in the PRC are subject to Corporate Income Tax ("CIT") at the rate of 25%. In current year, some subsidiaries entitled to exemptions or reductions from the standard income tax rate according to the CIT law approved by the National People's Congress on 16 March 2007.

(c) Enterprises incorporated in Hong Kong and other places are subject to income tax at the prevailing rates ranging from 0% to 16.5%.

(d) According to the CIT Law, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors incorporated in Hong Kong, or at a rate of 10% for other foreign investors. Deferred income tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

5. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the Group's profit attributable to shareholders of HK$2,648,839,000 (2010: HK$2,438,328,000) by the weighted average number of 1,226,448,622 (2010: 1,221,449,809) ordinary shares in issue during the year.

	2011	2010
	HK$'000	*HK$'000*
Profit attributable to shareholders of the Company (HK$'000)	**2,648,839**	2,438,328
Weighted average number of ordinary shares in issue (thousands)	**1,226,449**	1,221,450
Basic earnings per share (HK$)	**HK$2.160**	HK$1.996

(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 share options are regarded as dilutive potential ordinary shares as at 31 December 2011. Calculations are done to determine the number of shares that could have been acquired at fair value (determined by using average market share price of the Company's shares for the year ended 31 December 2011) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2011	2010
	HK$'000	*HK$'000*
Profit attributable to shareholders of the Company (HK$'000)	**2,648,839**	2,438,328
Weighted average number of ordinary shares in issue (thousands)	**1,226,449**	1,221,450
Share options (thousands)	**2,154**	5,189
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,228,603**	1,226,639
Diluted earnings per share (HK$)	**HK$2.156**	HK$1.988

6. Dividends

	2011	2010
	HK$'000	*HK$'000*
Interim, paid, HK$0.60 (2010: HK$0.60) per ordinary share	**737,381**	734,531
Final, proposed, HK$0.75 (2010: HK$0.70) per ordinary share	**921,756**	856,953
	1,659,137	1,591,484

The dividends paid in 2011 amounted to HK$1,594,334,000 (2011 interim: HK$0.60 per share, 2010 final: HK$0.70 per share). The dividends paid in 2010 amounted to HK$1,466,119,000 (2010 interim: HK$0.60 per share, 2009 final: HK$0.60 per share). A dividend in respect of the year ended 31 December 2011 of HK$0.75 per share, amounting to a total dividend of HK$921,756,000, is proposed by Directors at a meeting held on 27 March 2012 and to be approved by the shareholders at the Annual General Meeting to be held on 22 May 2012. These financial statements do not reflect this dividend payable.

7. Trade and bills receivables

The majority of the Group's sales is on open accounts with credit terms ranging from 30 days to 90 days. At 31 December 2011, the ageing analysis of the trade and bills receivables based on invoice date was as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**1,003,328**	691,307
31–180 days	**841,474**	667,640
181–365 days	**35,028**	31,726
Over 365 days	**12,802**	5,164
	1,892,632	1,395,837

8. Trade payables

At 31 December 2011, the ageing analysis of the trade payables was as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**1,002,675**	707,931
31–180 days	**851,895**	589,328
181–365 days	**14,930**	14,119
Over 365 days	**11,813**	7,530
	1,881,313	1,318,908

BUSINESS OVERVIEW

In 2011, the euro-zone sovereign debt crisis and the slowdown of the United States economy continued to plague the global economy. On the other hand, China faced rising inflationary pressure as the prices of commodity increased drastically during the year, and remained at relatively high levels though the prices showed signs of slowing down in the second half. Facing various uncertainties, the China Government launched proactive fiscal and economic policies, in view of the prevailing economic conditions, to maintain prudent development pace of the China economy and continuously drive domestic demand to support economic development.

In 2011, China's GDP amounted to around RMB47,156.4 billion, representing a year-on-year increase of about 9.2%. With the continued urbanization in China, the nation's urban population reached approximately 690 million, more than 50% of total population in China. The per capita disposable income of urban households was approximately RMB21,810, an increase of about 14.1%, while the per capita disposable income of rural households was approximately RMB6,977, up by about 17.9%. The ongoing urbanization of China will help to promote people's awareness of health and hygiene, while the rising per capita income, led by economic growth, would in turn stimulate consumer spending — both factors are beneficial to the development of the personal and family hygiene products market. The Group, a leader in the domestic personal and family hygiene products industry, continued to maintain steady growth by capitalizing on economies of scale and effective cost controls.

For the year ended 31 December 2011, the Group's revenue amounted to approximately HK$17,050,557,000, representing approximately 26.9% increase from that of the previous year. Profit attributable to shareholders grew by approximately 8.6% to about HK$2,648,839,000. The overall gross profit margin for the Group in 2011 dropped to approximately 39.9% (2010: 44.3%), mainly due to the significant increase in production costs resulted from rising raw material prices in the first half of 2011. Meanwhile, the Group continued to optimize its product mix, gradually expand production capacity to enhance economies of scale and implement strict cost control initiatives, thus reducing the negative impact of increasing raw material prices on production costs and gross profit margin.

During the year, distribution costs and administrative expenses accounted for approximately 23.2% (2010: 23.8%) of revenue, which remained fairly stable as compared with that of previous year.

BUSINESS REVIEW

Tissue papers

In recent years, the demand for quality tissue paper continued to rise, underpinning the further expansion of China's quality tissue paper market. The annual tissue paper consumption per capita of Chinese citizens is still much lower than that of other developed countries, implying huge market potential.

In 2011, revenue from the Group's tissue paper business grew by about 31.1% to approximately HK$8,017,520,000, accounting for approximately 47.0% (2010: 45.5%) of the total revenue. The gross profit margin of the tissue paper business decreased to approximately 31.4% (2010: 37.3%), reflecting the negative impact brought by the sharp increase in production cost resulted from the significant surge in the price of the major raw material, tissue wood pulp, in the first half of 2011. Meanwhile, the Group continued to adjust its product mix to reduce the pressure of rising production costs. As such, the sales of toilet roll products, with relatively lower gross profit margin, approximately accounted for 31.7% of total tissue paper products revenue (2010: 33.4%).

The new tissue paper production base in Chongqing, with an annualized production capacity of 60,000 tons, commenced operation in early January 2012. To cater to the increasing market demand of Hearttex products, the Group will further increase additional capacity of 60,000 tons, 120,000 tons and 120,000 tons in Chongqing, Wuhu and Jinjiang respectively, so that the Group's total annualized production capacity is expected to reach about 900,000 tons by the end of 2012.

Sanitary Napkins

Awareness of personal hygiene rose alongside the accelerating urbanization, driving the demand for sanitary napkins with a gradually rising market penetration. During the year, the Group continued to leverage its brand advantage and saw its sanitary napkin business recorded satisfactory growth. As a result, the revenue of sanitary napkin business increased by about 29.8% to approximately HK$4,114,425,000, accounting for about 24.1% of total revenue (2010: 23.6%).

During the first half of 2011, the significant increase in the prices of major raw materials, fluff pulp and petrochemical products, added pressure to the Group's production costs. Through strengthening cost controls and increasing sales of mid-to-high-end products, the Group was able to mitigate the negative impact brought by the increasing prices of raw materials. As such, the gross profit margin of sanitary napkins business still reached approximately 60.4% (2010: 62.5%).

In the future, the Group will continue to optimize its product mix and introduce more mid-to-high-end products. The Group officially launched the high-end Space Seven "Princess" series through traditional channels in seven provinces and cities in mid December 2011, to meet the market's demand for quality high-end products. This series will be available in all supermarkets nationwide in mid 2012.

Disposable Diapers

The penetration rate of disposable diapers is still very low in China. Urbanization along with increasing disposable income per capita helped to boost the rapid development of disposable diapers market in China which saw sales volume growing rapidly.

In 2011, revenue from the disposable diapers business grew by about 11.3% to approximately HK$2,723,014,000, accounting for about 16.0% of the total revenue (2010: 18.2%). During the year, the growth rate of the disposable diapers business of the Group was not satisfactory. This was mainly because the quality of the Group's old version diaper products required further improvement in quality, and many small and medium new market players entered into the diaper market while many international brands continued their development in second and third tier cities, thus affecting the Group's disposable diaper business.

In order to enhance the competitiveness of the disposable diapers business, the Group gradually introduced upgraded version products from March to August 2011, the sales of which started to improve from the fourth quarter of 2011 as the old version products were gradually digested in the retail market. Meanwhile, the Group also launched the "Q. Mo" series (previously known as the "Day and Night" series) by phases to many major cities in China from late August 2011, targeting consumers demand for high-end products. The product is expected to be launched nationwide in the third quarter of 2012. The Group is prudently optimistic about the long term outlook of disposable diapers business after the launch of the above products.

The prices of major raw materials, fluff pulp and petrochemical products, had increased substantially in the first half of 2011. In addition, more promotion activities were launched during the year to clear the old version products. Therefore, the gross profit margin of the disposable diapers business dropped to approximately 35.2% (2010: 42.4%).

Food and Snacks Products

During the year, revenue of the food and snacks business increased by about 28.3% to approximately HK$1,542,511,000, accounting for about 9.0% of Group total revenue (2010: 9.0%). As the prices of major raw materials such as sugar, seasoning and flour have increased significantly during the year, the gross profit margin of the food and snacks business dropped to approximately 32.4% (2010: 36.2%).

In 2012, the Group will exert greater efforts to integrate its distribution network in order to consolidate its profit base.

First Aid Products

Revenue from the Group's first aid product business in 2011 under the "Banitore" and "Bandi" brand names amounted to approximately HK$35,823,000 (2010: HK$35,719,000). As this business only accounted for approximately 0.2% (2010: 0.3%) of the Group's total revenue, it had an insignificant impact on the Group's overall results.

Skincare and Cleansing Products

Revenue of the Group's skincare and cleansing product business reached approximately HK$18,493,000 (2010: HK$30,708,000). As this business only accounted for approximately 0.1% (2010: 0.2%) of the Group's total revenue, it had only a negligible impact on the Group's overall results.

Distribution and Marketing Strategy

During 2011, less advertisements and other forms of marketing campaigns were launched by the Group such that the related expenses decreased and accounted for about 10.0% of the total revenue (2010:11.1%).

On the other hand, the Group was subject to new taxes including urban construction and maintenance tax and education surcharge, which totally accounted for around 0.6% of the total revenue (2010: nil).

During 2011, overall speaking, the sales and distribution costs to revenue ratio decreased accordingly to approximately 18.8% (2010: 19.3%).

Research and Development of Products

The Group always strives for excellence of its products. As the first and so far the only enterprise in the mainland's tissue paper industry being awarded the Enterprise Technological Centre with State Accreditation, the Group continued to allocate more resources on the research and development front during the year, in a bid to further enhance its product quality, offer new and high quality hygiene products to consumers, and strengthen the Group's leading position in the personal hygiene product market.

Inclusion as a Hang Seng Index Constituent Stock

On 7 June 2011, the Group was admitted as a constituent of the Hang Seng Index by Hang Seng Indexes Company Limited. This is an important milestone in the development history of the Group, and also marks the market's recognition of the Group's practical and proactive business strategy over the years.

Latest Awards

During the year, the Group was awarded "Fujian Quality Award" by the Fujian Provincial Government, "Meritorious Enterprise of Quanzhou City" and "Quality Award of Quanzhou City" by the Quanzhou City Government, and "2011 The Most Potential Company" by Capital Magazine and Capital Weekly respectively. These awards endorse the outstanding performance of the Group and its market leadership in China's personal hygiene product market.

Liquidity, Financial Resources and Bank Loans

The Group has maintained a solid financial position. As at 31 December 2011, the Group's cash and bank balances, long-term time deposits and restricted bank deposits totally amounted to approximately HK$8,622,882,000 (2010: HK$6,834,535,000); and the Group's total borrowings amounted to approximately HK$7,218,363,000 (2010: HK$5,312,241,000). The bank borrowings were subject to floating annual interest rates ranging from approximately 0.8% to 4.0% (2010: 0.8% to 3.4%). As at 31 December 2011, apart from the bank deposits of HK$68,640,000 (2010: HK$59,237,000) put in banks as restricted bank deposits for issuing letters of credit, there were no other charges on the Group's assets for its bank loans. As at 31 December 2011, the Group's gross gearing ratio was approximately 58.5% (2010: 50.6%), which was calculated on the basis of the total amount of borrowings as a percentage of the total shareholders' equity (not including minority interests). The net gearing ratio, which was calculated on the basis of the amount of borrowings less cash and bank balances and long-term time deposits as a percentage of the shareholders' equity (not including minority interests), was negative 10.8% (2010: negative 13.9%) as the Group was in a net cash position.

During the year, the Group's capital expenditure (excluding prepayment) amounted to approximately HK$2,437,340,000.

As at 31 December 2011, the Group had no material contingent liabilities.

Human Resources and Management

As at 31 December 2011, the Group employed approximately 31,000 staff members. The Group's remuneration package is determined with reference to the experience and qualifications of the individual employee and general market conditions. Bonus is linked to the Group's financial results as well as individual performance. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs.

Foreign Currency Risks

Most of the Group's income is denominated in Renminbi while some of the raw materials purchased from overseas are required to be settled in US dollar. The Group has never had any difficulties in getting sufficient foreign currencies for settlement of the purchases or repatriation of profits declared by the subsidiaries in mainland China to the overseas holding companies.

As at 31 December 2011, apart from certain non-deliverable foreign exchange forward contracts to sell Renminbi for US dollars entered into with certain large commercial banks, the Group had not issued any significant financial instruments or entered into any significant contracts for foreign currency hedging purposes.

Outlook

Looking forward, the Group is still optimistic about the demand for various hygiene products and daily necessities in view of China's economic growth and increasing urbanization. Consumers' increasing awareness of personal hygiene and pursuit of life quality will also spur the consumption of high quality hygiene products. Capitalizing on its brand equity and business scale, as well as by continuously developing and launching high quality products, the Group is confident that it will continue to lead the sustainable development of the domestic personal hygiene product market.

In 2012, the Group will expand its production capacity as planned to satisfy market expansion. In addition, the Group strives to improve product quality, enhance management efficiency and expand sales network to boost the overall competitiveness of the Group, and also further enhance brand influence and expand market share.

The prices of raw materials started to drop from high level in the second half of 2011. Hence, the Group believes that the raw materials cost pressure of the Group will be alleviated in 2012. Meanwhile, the Group will continue to optimize its product mix and stringently control costs. Hence, the Group believes that the gross profit margin of the Group will be improved in 2012.

Leveraging its solid foundation and brand equity, the Group is confident in maintaining its leading position in the personal hygiene product market, delivering steady business growth and creating greater value for shareholders.

PROPOSED FINAL DIVIDEND

The directors have resolved to recommend the payment of a dividend of HK0.75 (2010: HK$0.70) per share to shareholders, whose names appear in the register of members of the Company on 28 May 2012 (the "Proposed Final Dividend"). Subject to the passing of the necessary resolution at the forthcoming annual general meeting to be held on Thursday, 22 May 2012 (the "2012 AGM"), the Proposed Final Dividend will be payable on or before 31 May 2012.

CLOSURE OF THE REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the 2012 AGM

The 2012 AGM is scheduled to be held on Tuesday, 22 May 2012. For determining the entitlement to attend and vote at 2012 AGM, the register of members of the Company will be closed from Friday, 18 May 2012 to Tuesday, 22 May 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at 2012 AGM, unregistered holders of shares of the Company should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 17 May 2012.

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

The Proposed Final Dividend is subject to the approval of shareholders at the 2012 AGM. For determining the entitlement to the Proposed Final Dividend for the year ended 31 December 2011, the register of members of the Company will also be closed from Monday, 28 May 2012 to Tuesday, 29 May 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 25 May 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance. The Company has complied with the appendix 14 of the Code on Corporate Governance Practices throughout the year ended 31 December 2011.

REVIEW OF ACCOUNTS

The Audit Committee, which is chaired by an independent non-executive director and currently has a membership comprising another two independent non-executive directors, has discussed with management and reviewed the consolidated financial statements for the year ended 31 December 2011. The figures contained in the financial information set out in page 2 to 13 of this announcement of the Group's results for the year ended 31 December 2011 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year as approved by the Board. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

ACKNOWLEDGEMENT

The directors would like to take this opportunity to express our sincere thanks to our shareholders for their support and to our staff for their commitment and diligence during the year.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Sze Man Bok, Mr. Hui Lin Chit, Mr. Hung Ching Shan, Mr. Xu Shui Shen, Mr. Xu Da Zuo, Mr. Xu Chun Man, Mr. Sze Wong Kim, Mr. Hui Ching Chi and Mr. Loo Hong Shing Vincent as executive directors, and Mr. Chan Henry, Mr. Wang Ming Fu and Ms. Ada Ying Kay Wong as independent non-executive directors.

By order of the Board
Sze Man Bok
Chairman

Hong Kong, 27 March 2012

* *For identification purpose only*