【For Immediate Release】

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

Hengan International Announces 2011 Annual Results
Profit Attributable to Shareholders Rose 8.6% to HK$2,649 million

Financial Highlights

For the year ended 31 December	2011 HK$'000	2010 HK$'000	Change
Revenue	**17,050,557**	13,431,688	+26.9%
Gross profit	**6,800,298**	5,944,788	+14.4%
Gross profit margin	**39.9%**	44.3%	-4.4p.p.
Profit attributable to shareholders	**2,648,839**	2,438,328	+8.6%
Basic earnings per share (HK dollars)	**2.160**	1.996	+8.2%
Diluted earnings per share (HK dollars)	**2.156**	1.988	+8.5%
Final dividend per share (HK dollars)	**0.75**	0.70	+7.1%

(27 March 2012 - 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 annual results for the year ended 31 December 2011.

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 about 8.6% to approximately HK$2,648,839,000. Basic earnings per share were HK$2.160 (2010: HK$1.996). The Board of Directors recommended a final dividend of HK$0.75 per share (2010: HK$0.70). Taking into account the interim dividend of HK$0.60 per share, the annual dividend amounted to HK$1.35 per share (2010: HK$1.30).

During the year, overall gross profit margin 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. Distribution costs and administrative expenses as a percentage of revenue accounted for around 23.2% (2010: 23.8%), which remained fairly stable as compared with that of the previous year.

Commenting on the Group's annual results, Mr. Sze Man Bok, Chairman of Hengan International, said, "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. Moreover, the ongoing urbanization process of China helps 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."

Tissue papers

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 by 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

During the year, the Group continued to leverage its brand advantage and saw its sanitary napkin business recorded satisfactory growth. Revenue of sanitary napkin business increased by about 29.8% to approximately HK$4,114,425,000, accounting for about 24.1% of the total revenue (2010: 23.6%).

During the first half of 2011, the significant increase in the prices of major raw materials, petrochemical products and fluff pulp, 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%).

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 products. This series will be available in all supermarkets nationwide in mid 2012.

Disposable diapers

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 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, 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 by the end of the second quarter or early the third quarter of 2012. As the above products are launched in the market, the Group is prudently optimistic about the long term outlook of its disposable diapers business.

The prices of major raw materials, fluff pulp and petrochemical products, 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 business

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 the Group's 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%).

The Group has maintained a solid financial position. As at 31 December 2011, the Group's cash and cash equivalents, long-term time deposits and restricted bank deposits totally amounted to approximately HK$8,622,882,000 (31 December 2010: HK$6,834,535,000). As at 31 December 2011, the Group's gross gearing ratio was approximately 58.5% (31 December 2010: 50.6%), and the net gearing ratio was negative (31 December 2010: negative) as the Group was in a net cash position.

Looking ahead, Mr. Sze said, "Looking forward, the Group is optimistic about the demand for various hygiene products and daily necessities in view of China's rapid economic growth and increasing urbanization. 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 price of raw material started to drop from high levels from the second half of 2011, thus the raw materials cost pressure of the Group is expected to alleviate 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 improve 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."

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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. The Group has become a Hang Seng Index constituent since June 2011.

For further information, please contact:
iPR Ogilvy Ltd.
Beatrice Wong/ Karen Tse / Charis Yau
Tel : (852) 2136 6176/ 2136 6950/ 2136 6183
Fax : (852) 3170 6606
E-mail: beatrice.wong@iprogilvy.com/ karen.tse@iprogilvy.com/ charis.yau@iprogilvy.com