【For Immediate Release】

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

Hengan International Announces 2014 Annual Results
Turnover Rises by 12.5% to HK$23.8 billion
Profit Attributable to Shareholders Rises to HK$3.92 billion
Declares Final Dividend of HK$1.15 Per Share

Financial Highlights

	For the year ended 31 December		
	2014 HK$'000	2013 HK$'000	**Change**
Revenue	**23,830,778**	21,186,368	**+12.5%**
Gross profit margin	**46.1%**	45.1%	
Operating profit	**5,750,058**	5,087,848	**+13.0%**
Profit attributable to shareholders	**3,915,818**	3,721,031	**+5.2%**
Basic earnings per share (HK dollars)	**3.188**	3.024	**+5.4%**
Diluted earnings per share (HK dollars)	**3.184**	3.021	**+5.4%**
Interim dividend per share (HK dollars)	**0.85**	0.85	
Final dividend per share (HK dollars)	**1.15**	1.00	
Anuual dividend per share (HK dollars)	**2.00**	1.85	

(24 March 2015 - Hong Kong) – **Hengan International Group Company Limited** ("Hengan International" or the "Company", SEHK stock code: 1044, together with its subsidiaries, the "Group") announces today its annual results for the year ended 31 December 2014.

For the year ended 31 December 2014, the Group's revenue increased by about 12.5% to approximately HK$23,830,778,000. (2013: HK$21,186,368,000). Operating profit increased by about 13.0% to around HK$5,750,058,000 (2013: HK$5,087,848,000). Profit attributable to shareholders increased by about 5.2% to approximately HK$3,915,818,000 (2013: HK$3,721,031,000). The Board of Directors declared a final dividend of HK$1.15 (2013: HK$1.00) per share.

During the year, the negative impact of intensified market competition was offset by optimized product portfolio, enhanced economies of scale and decrease in raw material prices since the second half of the year. As a result, gross profit margin of the Group increased to approximately 46.1% (2013: 45.1%). Distribution costs and administrative expenses increased and accounted for approximately 26.9% (2013: 24.8%) of the Group's total revenue, mainly due to the increase in expenses on marketing and brand promotion, development of new specialty sales channels, research and development as well as enhancement of information system during the year.

Commenting on the Group's annual results, Mr. Sze Man Bok, Chairman of Hengan International, said, "In 2014, the global economy sustained moderate growth. The United States' economic recovery was on track, but the eurozone's economy failed to pick up despite several interest rate cuts and governments' bond purchases. The Chinese economy maintained steady growth on the back of the People's Bank of China's loose monetary and fiscal policies in the year. As a leading company in the market for personal care and family hygiene products in mainland China, the Group draws on its economies of scale and adopts effective cost control measures to seize market opportunities arising from the booming market, which was driven by the steady economic growth, and achieved steady growth in business."

Sanitary Napkins

The Group continued to improve product quality, optimize product portfolio and increase the proportion of mid-to-high-end products in sales in order to enhance the overall sales growth of the sanitary napkin business. During the year, the Group launched various new products, which were well received by the market, and hence successfully expanded the Group's market share.

The revenue of the sanitary napkin business grew by approximately 24.4% to approximately HK$7,427,740,000, which accounted for around 31.2% of the total revenue (2013: 28.2%). Optimized product portfolio and a decline in the prices of major raw materials, petrochemical products, since the fourth quarter boosted the gross profit margin of sanitary napkin business to approximately 68.5% (2013: 66.3%). Looking ahead, the Group will continue to focus on product innovation, optimize the product mix and increase the sales of mid-to-high-end products in order to satisfy the changing demand of the market.

Tissue Paper

Overall overcapacity in the industry and fierce competition continued to affect the growth rate of the Group's tissue paper business. In order to ensure that the tissue paper business could maintain a reasonable profit margin, the Group did not step up efforts in marketing and brand promotion in the second half of the year, thus making it more challenging for the sales in the second half of the year. The Group's tissue paper sales increased by approximately 6.4% to approximately HK$10,857,293,000, accounting for approximately 45.6% (2013: 48.2%) of the Group's total revenue.

Gross profit margin remained fairly stable at approximately 34.5% (2013: 34.1%) because the decrease in price of tissue wood pulp, a major raw material since the second half of 2014 offset the impact of such unfavourable factors as overcapacity and intense market competition. The

Group's current annualized production capacity is 1,020,000 tons. The Group will increase production capacity according to market conditions and sales performance in the future.

Disposable Diapers

During the year, the Group stepped up marketing and brand promotion, and proactively expanded its business presence by gaining footholds in maternity stores and e-commerce sales channels. The Group continued to focus on and launched new mid-end and mid-to-high-end diaper products. The sales of mid-end and mid-to-high-end disposable diapers increased by approximately 11.9%, reflecting an increase in market demand for these products. However, due to persistent market competition, sales of low-end diapers decreased by approximately 15.4%. Overall, revenue from the sales of disposable diapers for the year ended 31 December 2014 increased only by approximately 5.3% to approximately HK$3,094,573,000, accounting for approximately 13.0% (2013: 13.9%) of the Group's total revenue.

The optimized product portfolio proved to be effective. This, coupled with the drop in prices of major raw materials, petrochemical products, since the fourth quarter of 2014, boosted the gross profit margin to approximately 45.3% (2013: 44.5%). The Group will continue to enhance the promotion of brand and products, expand its business presence in maternity stores and e-commerce sales channels in 2015 in the hope of increasing sales for the long term.

Food and Snacks Products

During the year, sales of food and snacks products decreased slightly by about 4.4% to approximately HK$1,534,749,000, accounting for approximately 6.4% (2013: 7.6%) of the Group's total revenue. The decline in the costs of major raw materials such as sugar and palm oil offset the negative impact of intense market competition. As such, gross profit margin remained fairly stable at approximately 42.4% (2013: 42.3%). As quality of living in China improves, the Group believes that the snack business will keep booming in the long term. In 2015, the Group will continue to commit resources to enriching its product portfolio in order to cater to the different tastes of consumers, and hence boost the revenue growth of the business.

Liquidity, Financial Resources and Bank Loans

The Group maintained a solid financial position. As at 31 December 2014, the Group's cash and bank balances, long-term bank deposits and restricted bank deposits amounted to approximately HK$22,432,839,000 in total (31 December 2013: HK$20,438,069,000); the liability component of convertible bonds amounted to approximately HK$5,390,267,000 (31 December 2013: HK$5,227,130,000), and bank borrowings amounted to approximately HK$15,164,387,000 (31 December 2013: HK$14,192,557,000).

As at 31 December 2014, the Group's gross gearing ratio was approximately 116.5% (2013: 117.5%), which was calculated on the basis of the total amount of borrowings as a percentage of the total shareholders' equity (not including non-controlling 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 non-controlling interests), was approximately negative 10.4% (2013: negative 5.8%) as the Group was in a net cash position.

During 2014, the Group's capital expenditure amounted to approximately HK$1,754,669,000. As at 31 December 2014, the Group had no material contingent liabilities.

Outlook

Looking ahead to 2015, Mr. Sze said, "Although the United States will speed up its pace of economic recovery, Europe's economy is expected to remain weak, which will affect the speed of China's economic growth. Although the overcapacity in the tissue paper market has intensified the competition in the short term, China's rising per capita income, accelerating urbanization and consumers' increasing awareness of health and hygiene will continue to provide support for the development of the market for personal hygiene products. All these factors, coupled with the benefits from the decline in the cost of raw materials since the second half of 2014 are expected to persist well into 2015, will help to improve the Group's income and gross profit margins."

"In order to fit itself better for market consolidation and change in product sales mix, the Group will continue to enhance product portfolio and increase the market penetration of its products. Meanwhile, the Group is committed to improving product quality in order to strengthen its brand values, overall competitiveness and profit margins. The Group will continue to monitor closely the price trends of raw materials and optimize its product mix to match the changes in the market with a view to improving its gross profit margin. With its solid business, outstanding corporate governance and nationwide distribution network, the Group is confident of maintaining its leading position in mainland China's personal hygiene product market. It will strive for consistent growth in its business and create greater shareholder value."

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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 & Mather
Charis Yau / Karen Tse/ Clara Liu/ Michelle Tang
Tel : (852) 2136 6183/ 2136 6950/ 3920 7631/ 3920 7651
Fax : (852) 3170 6606
E-mail: hengan@iprogilvy.com