【For Immediate Release】

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

Hengan International Announces 2015 Annual Results

Steady Growth Recorded with Net Profit Increased to HK$4.05 billion
Final Dividend at HK$1.15 Per Share

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Financial Highlights

	For the year ended 31 December 2015 HK$'000	2014 HK$'000	Change
Revenue	**24,450,468**	23,830,778	**+2.6%**
Gross profit margin	**47.6%**	46.1%	**+1.5 p.p.**
Operating profit	**6,151,002**	5,750,058	**+7.0%**
Profit attributable to shareholders	**4,050,869**	3,915,818	**+3.4%**
Basic earnings per share (HK dollars)	**3.314**	3.188	**+4.0%**
Diluted earnings per share (HK dollars)	**3.308**	3.184	**+3.9%**
Interim dividend per share (HK dollars)	**0.95**	0.85	
Final dividend per share (HK dollars)	**1.15**	1.15	
Annual dividend per share (HK dollars)	**2.10**	2.00	**+5.0%**

(22 March 2016 - 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 2015.

For the year ended 31 December 2015, faced with fierce market competition alongside tight cash flow and mounting inventory among some distributors, the Group recorded revenue of approximately HK$ 24,450,468,000 (2014: HK$ 23,830,778,000), only rose by about 2.6% compared with last year. Operating profit increased by about 7.0% to approximately HK$ 6,151,002,000 (2014: HK$ 5,750,058,000). During the year under review, Renminbi devalued against the Hong Kong dollar and the US dollar, the Group recorded a foreign exchange loss of approximately HK$ 429,238,000 (2014: HK$ 132,264,000). Profit attributable to shareholders was approximately HK$ 4,050,869,000 (2014: HK$ 3,915,818,000), an increase of approximately

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3.4% compared with that of last year. The Board of Directors declared a final dividend of HK$ 1.15 per share for the year ended 31 December 2015 (2014: HK$ 1.15).

During the year under review, the positive impact brought by an optimized product mix, expanding economies of scale, and falling raw material prices, has offset the negative impact of intensifying market competition, and hence the Group's gross profit margin increased to approximately 47.6% (2014: 46.1%). Distribution costs and administrative expenses decreased as a percentage of revenue, accounting for approximately 25.3% (2014: 26.9%) of the Group’s total revenue. The decrease was mainly attributable to the decline in transportation and warehousing costs amid falling oil prices and improvement in logistics and warehouse management as well as the drop in marketing and advertising expenses resulted from a switch from distributors to self-operation in some of the emerging maternity stores and online sales channels.

Commenting on the Group’s annual results, Mr. Sze Man Bok, Chairman of Hengan International, said, “In 2015, the global economic recovery was tepid. The United States’ economy expanded moderately, while the economic recovery in the eurozone remained slow and the overall economic growth in emerging markets further decelerated. Although the People's Bank of China implemented targeted easing policy during the year under review, China's economic growth continued to slow down. According to China's National Bureau of Statistics, China's GDP rose by about 6.9% to about RMB 67,670.8 billion in 2015. 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 tackle the challenges arising from the sluggish economic growth, and continued to achieve steady growth in business.”

Sanitary Napkins

Revenue of the sanitary napkin business grew by approximately 3.4% to approximately HK$ 7,683,399,000, which accounted for around 31.4% of the total revenue (2014: 31.2%). Optimized product portfolio and the continued decline in the prices of major raw materials, petrochemical products, boosted the gross profit margin of sanitary napkin business to approximately 72.6% (2014: 68.5%).

Looking into 2016, the Group expects sales performance to improve as its new and upgraded products received warm response and inventories at distributors have gradually returned to a reasonable level. Its sales growth in the first quarter of 2016 is better than the sales growth in 2015. The Group will continue to expand its emerging online sales channels, focus on product innovation, optimize product mix and increase the sales of mid-to-high-end and high-end products to meet the changing needs of the market.

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Tissue Paper

China's tissue consumption per capita still lags behind that of developed countries, implying enormous market potential. However, the overall overcapacity in the industry, as well as stiff competition and the devaluation of Renminbi continued to impact the growth rate of the Group's tissue paper business. As such, the sales of the Group's tissue paper declined slightly to approximately 0.5% to approximately HK$ 10,800,191,000, accounting for approximately 44.2% of the Group's total revenue (2014: 45.6%). Excluding the sales of low-margin raw paper business (mainly for export purpose), the sales of domestic products increased mildly by about 1.5%.

As a drop in prices of tissue wood pulp used in tissue paper production offset the negative impact of intense market competition and increased efforts in marketing and brand promotions, gross profit margin increased to approximately 35.6% from last year (2014: 34.5%).

As the newly-packaged products are well accepted by the market, the Group expects tissue sales to improve in 2016. There is a positive overall sales growth in the first quarter of 2016.

The Group's annualized production capacity was approximately 1,020,000 tons in 2015, it is expected to increase to approximately 1,140,000 tons in the second half of 2016 or first half of 2017. The Group will examine future market conditions and sales performance to determine the expansion of its production capacity. In addition, the Group will continue to expand its emerging online sales channels in the future.

Disposable Diapers

Despite increasing competition brought by a large number of manufacturers entering the market, it is expected that market penetration of diapers will continue to grow, thanks to China's new two-child policy and improved living standards.

During the year under review, the Group continued to strengthen promotional efforts for mid-to-high-end products, and actively expanded its presence in the emerging maternity stores and e-commerce sales channels. Sales of mid-to-high-end diapers increased by approximately 21.9%, indicating the rising market demand for higher end products. However, battered by fierce competition in the markets of low-end diapers (i.e. simplified diapers) and mid-end diapers along with the devaluation of Renminbi, its sales dropped by approximately 22.6% and 16.1% respectively. As a result, revenue from the sales of diapers for the year ended 31 December 2015 slightly decreased by approximately 1.6% to approximately HK$ 3,044,739,000, accounting for approximately 12.5% of the Group's total revenue (2014: 13.0%).

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The optimized product portfolio proved to be effective. This, together with the continued drop in prices of major raw materials, petrochemical products, boosted the gross profit margin to approximately 49.3% (2014: 45.3%). The Group will continue to enhance the promotion of mid-to-high-end products, expand its business presence in maternity stores and e-commerce sales channels in 2016 in the hope of increasing sales for the long term.

Food and Snack Products

As the snack products of the Group are not daily necessities, their sales were affected by the economic slowdown. During the year, sales of food and snack products decreased by about 17.4% to approximately HK$ 1,267,144,000, accounting for approximately 5.2% of the Group's total revenue (2014: 6.4%). The decline in the costs of major raw materials such as palm oil and packaging materials offset the negative impact of intense market competition. As such, gross profit margin remained stable at approximately 42.2% (2014: 42.4%).

As quality of living in China improves, the Group believes that the snack business will maintain a steady growth in the long term. In 2016, the Group will continue to commit resources to enriching its product portfolio in order to cater to the different tastes of consumers, and hence propel the revenue growth of the business. The Group plans to spin off the food and snack business, related work is in progress and is expected to be completed in 2016.

Exchange Loss and Foreign Currency Risks

During the year under review, Renminbi devalued against the Hong Kong dollar and the US dollar. The Group's Renminbi-denominated dividend receivables from mainland subsidiaries in the Hong Kong companies' accounts generated a total foreign exchange loss of approximately HK$ 227,653,000. In addition, as Hong Kong and Macau companies had Renminbi deposits while the mainland companies had net US dollar bank loans, a total foreign exchange loss of approximately HK$ 102,654,000 was generated. The Group has taken appropriate measures by reducing substantially Renminbi-denominated assets in Hong Kong and Macau, and having net US dollar deposits in the mainland companies. As a result, foreign exchange losses arising from possible Renminbi devaluation are expected to decrease in 2016.

Most of the Group's income is denominated in Renminbi while part of the raw materials is imported and settled in US dollars. The Group has never had any significant difficulties in obtaining 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 2015, apart from certain forward foreign exchange contracts and interest rate swap contracts entered into with certain large commercial banks, the Group had not issued any

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significant financial instruments or entered into any significant contracts for foreign currency hedging purposes.

Liquidity, Financial Resources and Bank Loans

The Group maintained a solid financial position. As at 31 December 2015, the Group's cash and bank balances, long-term bank deposits and restricted bank deposits amounted to approximately HK$ 18,783,978,000 (31 December 2014: HK$ 22,432,839,000); the liability component of convertible bonds amounted to approximately HK$ 5,558,495,000 (31 December 2014: HK$ 5,390,267,000), and bank borrowings amounted to approximately HK$ 11,573,518,000 (31 December 2014: HK$ 15,164,387,000).

The net proceeds from the issuance of convertible bonds in June 2013 was approximately HK$ 5,324 million, of which approximately HK$ 3,751 million was used for repayment of bank borrowings, approximately HK$ 442 million was invested in subsidiaries, approximately HK$ 302 million was used for share repurchases, approximately HK$ 551 million was used to pay dividends, approximately HK$ 116 million was placed as fixed deposits and approximately HK$ 162 million was used for general working capital purposes.

The convertible bonds were subject to a fixed interest rate of 2.7% while the bank borrowings were subject to floating annual interest rates ranging from approximately 0.3% to 5.2% (2014: from 1.1% to 5.2%).

As at 31 December 2015, the Group's gross gearing ratio, 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) fell to approximately 98.3% (2014: 116.5%). 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 9.3% (2014: negative 10.4%) as the Group was in a net cash position.

During 2015, the Group's capital expenditure amounted to approximately HK$ 1,375,339,000. As at 31 December 2015, the Group had no material contingent liabilities.

Outlook

Looking ahead to 2016, Mr. Sze said, "The global economic environment will remain challenging. China's economy has entered a new normal stage of moderate growth. Nevertheless, China's rising per capita income, accelerated urbanization and consumers' increasing awareness of personal hygiene will continue to bode well for the development of the personal hygiene market."

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"In response to market consolidation and the changes to the structure of product sales, the Group will continue to optimize its product portfolio in order to maintain its market share. Meanwhile, the Group will strive to improve product quality and management efficiency, thereby strengthening its brand influence as well as increasing profitability and overall competitiveness. The Group will continue to pay close attention to the trends in raw material prices, and optimize product portfolio in light of market changes, further improving its gross profit margin. The Group is confident of maintaining its leading position in mainland China's personal hygiene product market and will ensure steady business growth."

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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 snack products in mainland 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.

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