【For Immediate Release】

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

Hengan International Announces 2019 Annual Results
Revenue Increased by 9.6% to RMB22.5 Billion
Final Dividend at RMB1.25 Per Share

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Sales and Profits Sustained Steady Growth Momentum
Positive Effects of Sales Channel Reform Became Increasingly Evident
Continuous Increase in Market Penetration of Upgraded and High-end Products

Financial Highlights

	For the year ended 31 December 2019		Change
	2019 RMB'000	2018 RMB'000	
Revenue	**22,492,845**	20,513,881	**+9.6%**
Gross profit margin	**38.6%**	38.2%	**+0.4 p.p.**
Operating profit	**5,680,296**	5,429,224	**+4.6%**
Profit attributable to shareholders	**3,907,723**	3,799,805	**+2.8%**
Basic earnings per share (RMB)	**3.285**	3.151	**+4.3%**
Final dividend per share (RMB)	**1.25**	1.20	**+4.2%**

(26 March 2020— 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 2019.

During the year under review, Hengan Group further enhanced and strengthened implementation of the platform rules of 'Fair and Transparent' and continuously reinforced the 'small sales team' operating model (also known as 'Hengan's Amoeba model') and developed effective sales strategies and adjusted product portfolios that are more suitable for regional markets in order to improve sales and operational efficiency. Meanwhile, the Group stepped up efforts to reform sales channels, strengthened the construction and expansion of point-of-sales, and enhanced its capability to conduct precision marketing, thereby increasing product penetration and market share. Benefitting from the rapid sales growth of tissue business and growth in incomes from other businesses, during 2019, the Group's revenue increased by approximately 9.6% to approximately RMB22,492,845,000 (2018: RMB20,513,881,000).

In 2019, the overall prices of wood pulp gradually declined from the peak level, thus helping to reduce the production cost of tissue business of the Group and offsetting the impact of the increase in selling and distribution costs during the year and mitigating the pressure on gross profit margin. As the proportion of revenue generated from other businesses increased to approximately 13.7% (2018: 10.5%), and its respective gross profit margin was lower comparing with the three major business segments, offsetting some of the growth, therefore the Group's gross profit margin increased slightly to approximately 38.6% (2018: 38.2%). It is expected that the favourable effect of weaker pulp prices will continue into the first half of 2020, coupled with the Group's continued efforts to optimise its product mix and focus on high margin products in order to mitigate the negative effects of intensified market competition. The Group expects to continue to improve gross profit margin in the first half of 2020.

During the year, in the light of the launch of high-end and new products, the Group stepped up brand promotion, resulting in the increase in selling and distribution costs and administrative expenses by approximately 29.4%. In terms of the percentage of total revenue, the proportion of distribution costs and administrative expenses increased to approximately 20.0% (2018: 16.9%).

In 2019, operating profit increased by approximately 4.6% to approximately RMB5,680,296,000 (2018: RMB5,429,224,000). Profit attributable to shareholders of the Company amounted to approximately RMB3,907,723,000 (2018: RMB 3,799,805,000). The Board of Directors declared a final dividend of RMB1.25 per share for the year ended 31 December 2019 (2018: RMB1.20).

Commenting on the Group's annual results, Mr. Sze Man Bok, Chairman of Hengan International, said, "During the year under review, against the backdrop of the long dragging trade war between China and the US, global economic and investor sentiment turned cautious. However, personal and household hygiene products industry as the daily necessities continued to see firm support from steady growth of China's economy and national income. In addition to benefitting from persistently low wood pulp prices during the year, the positive effects of transforming sales channels were gradually realised in the second half of the year after the Group experienced a short painful transition period in the first half of the year, amplifying the positive effectives of product upgrades and optimisation strategy implemented by the Group in the recent years. The Group managed to achieve near double-digit sales growth in a challenging year."

Sanitary Napkin

The development of China's sanitary napkin market is becoming more mature and the market competition is fierce. Thus, product upgrade and innovation will become the key growth drivers of the market in the future. During the year, the Group increased its efforts to transform the sales channels and required "small sales teams" to strengthen the construction and maintenance of point-of-sales in order to enhance the capabilities of precision marketing and be more responsive to consumer needs. Furthermore, the Group continued to launch upgrades and premium products so as to further expand the high-end and high-quality market. Despite the reform of sales channels brought a period of transition and adjustment in the first half of the year which affected sales growth, the positive effects of a series of optimisation measures became increasingly evident in the second half of the year, driving the recovery of sanitary napkin sales. Sales of sanitary napkins returned to low single-digit growth in the second half and even achieved high single-digit growth in the fourth quarter, above the industry average. Therefore, despite the sales of sanitary napkins decreased by approximately 4.6% in the first half of the year, the sales decline of the sanitary napkin business narrowed to approximately 1.6% to approximately RMB6,487,003,000 during the year under review, which accounted for approximately 28.8% of the Group's revenue (2018: 32.1%). In 2020, the Group will capitalise on consumer demand by launching well-crafted upgraded and new premium products while complementing with effective marketing strategies and diversified sales channels. It is expected that the sanitary napkin business will resume steady growth.

During the year, the Group upgraded the popular Sweet Sleeping Panty to Ultra-Thin Adorable Sleeping Panty (超薄萌睡褲), offering carefree and comfortable user experience to the consumers. Meanwhile, the premium Space 7 series continued to expand store network and consumer groups. Upgraded products effectively increased the average selling price, coupled with the Group's continued increase in the proportion of high-end products in its product portfolio, and the decline in the cost of petrochemical raw materials during the year. As a result, the Group still managed to increase profitability of the sanitary napkins business in spite of the intensified market competition. In 2019, the gross profit margin of the sanitary napkins business increased to approximately 70.3% (2018: 69.4%).

Regarding the development of other feminine care products, during the year under review, the Group launched a new feminine care brand, 'Origin and Prime' (若顏初), and launched products such as cotton towels, makeup removers, moisturising facial masks and other feminine care products. In 2020, the Group will continue to actively research and develop other feminine care products beyond sanitary napkins, steadily developing the "feminine care industry" to open up new growth opportunities.

Tissue Paper

At present, the per capita consumption of tissue paper in China is still lower than those in mature overseas markets. In addition, with the continuous domestic consumption upgrade and increasing national health awareness, consumer demand for tissue products have seen constant improvement in diversity and quality. The overall market still has huge untapped potential.

In 2019, the Group's core tissue products achieved satisfactory sales performance, coupled with strong growth in e-commerce sales, resulting in a near double-digit growth in sales of tissue products, thus being one of the driving forces for the Group's overall sales growth. During the year, revenue from the Group's tissue paper segment increased by about 12.3% to approximately RMB11,486,538,000, accounting for approximately 51.1% (2018: 49.9%) of the Group's total revenue. On the other hand, the sales of the Group's wet wipe products (including "Super Mini" wet wipes) maintained significant growth. The revenue of wet wipes amounted to approximately RMB606,663,000 (2018: RMB500,372,000), increased by approximately 21.2% year on year.

During the year, wood pulp prices decreased from the first half of 2019, the benefits brought by the decline in raw material costs were gradually reflected in the second half of 2019, resulting in a significant improvement in gross profit margin. The gross profit margin of tissue product remarkably improved from about 25.0% in first half of 2019 to about 30.1% in second half of 2019. During the year, the gross margin rebounded to about 27.7% (2018: 22.5%). The Group expects the price of wood pulp will continue to remain at a low level and the gross profit margin of tissue paper will continue to improve in the first half of 2020.

In addition, the Group focused on promoting the Bamboo π series which features fast-growing natural bamboo fibres, expanding its product portfolio to include toilet rolls and kitchen paper. Meanwhile, the Group further strengthened its mid-to-high-end positioning of Hengan brand paper towels such as upgrading the 'Tea Classical' series by introducing the new packaging in the form of cassette tapes. In terms of wet tissue business, the Group not only focused on the promotion of the highly popular 'Super Mini' wet wipes, but also launched wet toilet paper and baby wipes to continuously expand its market share in domestic wet tissue market and maintain its leading market position.

In order to meet the increasingly sophisticated and diversified consumer needs, in 2020, the Group will focus on the promotion of the new series of 'Cloudy Soft Skin' (雲感柔膚) to improve the consumer experience by using new double-sided stereoscopic embossed high quality tissue paper with cotton soft skin like. The Group will also launch more high-quality products in new packaging and continue to upgrade and optimise the popular star products, in order to increase the Group's market share in the mid-to-high-end product market. Driven by the optimisation of the product mix, the Group is confident that the sales of tissue paper can maintain growth and continue to improve its gross profit margin.

The Group's production capacity was approximately 1,420,000 tons. The Group will consider expanding its production capacity according to the market conditions and sales performance in the future.

Disposable Diapers

With rising level of national education and health awareness, and continuous ageing trend, coupled with national consumption upgrade which supports the market expansion of high-quality and high-margin products, the overall diapers market still has huge untapped potential. During the year, the Group continued to strengthen its sales distribution of disposable diapers though e-commerce channel and it has continued to make good progress with the strategy. In addition, the Group upgraded high-end products ‘Q • MO’ and ‘Soft and Thin’ which achieved satisfactory sales performance and gradually increased the market penetration rate, thus effectively narrowing the decline in sales of disposable diapers.

Benefiting from the increase in e-commerce penetration and the increase in the proportion of sales of high-end product ‘Q • MO’, the sales decline of the diaper business narrowed from about 7.4% in the first half of 2019 to about 5.1% in the second half of 2019. For the year ended 31 December 2019, revenue from the Group’s disposable diapers segment was approximately RMB1,439,087,000, narrowing the decline to about 6.3% (2018: 14.4%) which accounted for approximately 6.4% of the Group’s revenue (2018: 7.5%). During the year under review, the sales distribution of e-commerce channel effectively drove sales growth and the proportion of the Group’s disposable diapers sales through e-commerce channel increased to more than 40% of the overall sales of disposable diapers, and the sales of e-commerce channels increased by more than 10% year-on-year, which helped to alleviate the decline in the overall sales of the Group’s disposable diapers business.

The Group seized the opportunities of consumption upgrade to deeply develop the high-end product market and focused resources and product development on high-quality premium products and constantly upgraded high-end diaper series such as ‘Q • MO’ and ‘Soft and Thin’, the upgraded product of Anerle. During the year under review, the sales of ‘Q • MO’ and ‘Soft and Thin’ reported more than 70% and 10% growth respectively, accounting for approximately 10.8% and 20.0% of the overall sales of disposable diapers. On the other hand, the Group’s revenue of adult diapers amounted to approximately RMB222,532,000 (2018: RMB174,963,000), which accounted for approximately 15.5% of the total revenue of disposable diapers (2018: 11.4%). Sales increased by approximately 27.2%. During the year, adult diaper products have consistently increased its market share in the PRC market and also entered the Malaysian market successfully, laying a good foundation for the Group’s future development in the Malaysian and the Southeast Asian markets. Benefitting from the decline in the petrochemical raw material costs during the year and the increase in the proportion of high-margin products, the gross profit margin of the disposable diapers segment increased to 40.5% during the period (2018: 39.2%).

Looking ahead, the Group will continue to leverage on its understanding of the market and swift response through the ‘small sales team’ to improve the sales performance of disposable diapers in the e-commerce channel, and sell other baby care products in the ‘Q • MO’ online flagship store, while integrating online store with offline maternity stores to attract families to make one-stop consumption in the ‘Q• MO’ online flagship store. The Group will also continue to consider premium high-end market as a long-term development goal in order to alleviate the impact on traditional channels and improve the sales performance of traditional channels. In addition, with the substantial growth in the elderly care demand, the Group will continue to cooperate with nursing homes and hospitals and supply adult disposable diapers and mattresses and other care products so as to develop the elderly care products business in the long run. It believed that the development of the elderly care industry will become the long-term growth driver of the disposable diapers business.

Household products

Revenue from the Group's household products segment amounted to approximately RMB376,874,000 (2018: RMB230,423,000), including revenue from Sunway Kordis Holding Limited ('Sunway Kordis') amounted to approximately RMB243,962,000 (2018: RMB201,343,000). The business accounted for approximately 1.7% (2018: 1.1%) of the Group's revenue. Sales of first-aid products under the brands of 'Banitore' and 'Bandi' amounted to approximately RMB27,575,000 (2018: RMB32,717,000). The business accounted for approximately 0.1% (2018: 0.2%) of the Group's revenue and did not have any significant impact on the Group's overall results.

In recent years, the Group has stepped up its efforts to develop the household products business so as to expand its market coverage. The revenue of the Group's household products segment increased significantly by about 63.6%. The increase was mainly attributable to the Group's acquisition of Sunway Kordis and its subsidiaries in April 2018. The acquisition greatly expanded the product diversification, production technology and sales network of the Group's household products. Sunway Kordis is principally engaged in the manufacturing of food wrap film and plastic bags in the PRC which are sold locally and exported to markets in Europe, Australia, North America and Asia. The acquisition will further enhance the overall growth of the Group and is undertaken as part of its plan to expand its household products offerings and diversify its revenue stream inside and outside the PRC. In 2020, the Group will further utilise the extensive experiences of Sunway Kordis in household product industry to vigorously develop its strategic footholds of household products in China. The Group will also seek to leverage on its overseas sales network to bring Hengan's products to the overseas market.

Other Incomes

The Group's other incomes mainly included the revenue of Wang-Zheng in Malaysia, the revenue of Sunway Kordis and the revenue of raw materials trading business. For the year ended 31 December 2019, revenue of Wang-Zheng Group amounted to RMB446,551,000 (2018: RMB425,080,000), increased by about 5.1%. The increase was mainly attributable to the efforts made by Hengan Group to actively reinvigorate the sales momentum of Wang-Zheng in Malaysia and expand its e-commerce sales. In addition, the newly launched 'Super Mini' wet wipes and Banitore adult diapers and other Hengan Group's products received overwhelming responses from the local market, which helped boost the sales. For the year ended 31 December 2019, revenue of Sunway Kordis amounted to approximately RMB243,962,000 (2018: RMB 201,343,000), increased by about 21.2% year-on-year. On the other hand, the revenue of the Group's raw materials sales business, increased by approximately 58.7% compared to the year ended 31 December 2018. Therefore, other incomes increased by about 42.8% year-on-year.

E-commerce

In 2019, the national online retail sales of physical products increased by approximately 16.5% year-on-year. Its contribution to the total retail sales of social consumer goods amounted to approximately 20.7%, representing an increase of 2.3 percentage points from 18.4% in 2018, indicating the continuous expansion of the domestic online shopping market. Online shopping, as a convenient shopping channel, has been integrated into the daily lives of Chinese consumers. Since the Group launched its e-commerce business, the e-commerce channel has become one of the Group's high-growth direct sales channels.

The Group's core brands such as Space 7, Hearttex and 'Q •MO' have opened official flagship online stores which are operated directly by the Group, enabling the Group to unify its sales strategy and flexibly adjust its product portfolio. In addition, the Group also collected and analysed the shopping and browsing habits and preferences of consumers through strategic cooperation with well-known large-scale e-commerce platforms in China, which helped products planning and development, and improved efficiency of sales, to meet customer needs. Through the Retail Integrated (零售通) and

New Channel (新通路) platforms, the Group expanded the customer base of B2B business, enhanced the logistics system, and increased the coverage of its offline sales network.

In response to the current macroeconomic environment, the Group launched a number of online exclusive products including online exclusive packaging and combo packages to attract consumers to make purchases through e-commerce channel and to persistently boost the rapid sales growth of the channel. Apart from that, in the light of the growing number of young e-commerce users with strong purchasing power, the Group implemented youth marketing strategy. For example, Space 7 cooperated with the World University Cyber Games (WUCG) to increase its appeal to young consumer groups.

During the year, the Group's sales of e-commerce recorded rapid growth. The e-commerce sales of the core business such as sanitary napkins, tissue papers, disposable diapers maintained a good growth momentum. The Group's market share in e-commerce channels continued to increase. During the year, revenue from e-commerce (including Retail Integrated Platform and Wechat sales) exceeded approximately RMB4.4 billion, up by more than 50%. E-commerce's contribution to the total sales revenue also rose to approximately 19.8% (2018: 14.4%).

Looking ahead, the 'small sales team' of the Group's e-commerce department will leverage on big data technology to analyse consumer data obtained from interaction with the market so as to better understand market demand and consumer preferences, formulate effective strategic marketing timely, and continue to expand the coverage of e-commerce channels. The Group will also continue to make good use of the promotion season of the e-commerce platform to promote the brand, continue to launch high-margin and different combinations of exclusive themed products to further garner market share in the e-commerce channel. E-commerce will remain the driving force of the overall sales growth.

Hengan's Amoeba Model

To cater to the rapidly evolving demand of consumers, Hengan Group began to implement the "small sales team" operating model at the end of 2016. Leveraging on the platform and the "Fair and Transparent" platform rules, the Group has fully empowered the employees, motivated the team and stimulated creativity, which enhanced the team's flexibility and market responsiveness. Adhering to the "customer-oriented" principle, the Group managed to quickly adjust its supplies, production capacity and product development, effectively formulate suitable sales strategy according to the needs of consumers in various markets and launch products and services for different targeted consumer groups.

The 'small sales team' operating model has been implemented for more than two years and achieved full coverage with all divisions of the Group implementing the model. The extensive establishment of controlled sales model through the 'small sales team' model has helped the Group to swiftly implement decisions, increase the sales proportion of new products and high-margin products while better serving the needs of customers, thereby benefiting the Group's long-term development. As a result, the Group maintained steady progress and achieved a near double-digit growth in overall sales in 2019. The Group will continue to fully authorise the 'small sales team' while optimising the operational rules and strengthening the control of operating expenses, to increase the support and supervision of the 'small sales team' by the regional operation centers. Meanwhile, the Group is striving to increase the proportion of direct sales to consumers and analyse the consumer data gathered from the interactions at the point-of-sales, in order to achieve precision marketing by understanding the consumer needs more precisely.

In July 2019, the Group promulgated the refined rules for the 'small sales team' operating model at the mid-year sales review meeting held at the headquarter of the Group, in order to further strengthen the supervision and promote the operating efficiency of the ‘small sales team’. Going forward, the Group believes that benefits of the “small sales team” operating model will become increasingly evident at all the business divisions. The Group will continue to enhance the supply chain efficiency and the operational efficiency of “small sales team”, thereby further improving the Group’s overall flexibility and market responsiveness to take full advantage of the strategy.

International business development

The Group has actively expanded to overseas markets. Currently, the Group sells its products in 51 countries and regions, with 74 direct partnerships with major clients or distributors.

In April 2017, the Group acquired an aggregate of 80,003,000 shares of Wang-Zheng Berhad (Stock code: 7203), a company listed on the Main Market of Bursa Malaysia Securities Berhad. The sale shares represented approximately 50.45% of the equity interest in Wang-Zheng. Wang-Zheng and its subsidiaries are principally engaged in investment holding and the manufacturing and processing of fibre-based products, which include disposable adult and baby diapers, sanitary protection and tissue products, cotton products and processed papers.

In 2018, Hengan successfully expanded into the Malaysian market by launching the high-end adult diapers and the Banitore brand in order to establish a foothold in the elderly care industry. In 2019, the innovative ‘Super Mini’ wet wipes series launched by Hengan in Malaysia continued to sell like hot cakes, while the disposable adult diapers also achieved good sales and received great word-of-mouth reviews. Besides, Hengan assisted Wang-Zheng to develop the e-commerce business, laying the foundation for expansion into the Malaysian and Southeast Asian markets. The Group will continue to utilise the sales network of Wang-Zheng in Southeast Asia (including supermarkets and personal hygiene products chain stores), in order to promote Hengan products to the Malaysian and Southeast Asian markets. During the year, the revenue and net profit of Wang-Zheng amounted to approximately RMB446,551,000 (2018: RMB425,080,000) and RMB16,902,000 (2018: RMB14,975,000) respectively, accounting for approximately 2.0% (2018: 2.1%) and 0.4% (2018: 0.4%) of the Group’s total revenue and net profit respectively.

Looking to 2020, Wang-Zheng will continue to vigorously promote Hengan’s products to the Southeast Asian market through various sales channels (such as convenient store and e-commerce channels), comprehensively establish brand image and high-quality product philosophy. The Group will continue to upgrade the existing Wang-Zheng products and develop high-end products. In addition, as part of its strategic plan for the Southeast Asian market, the Group has established a sales office in Indonesia to promote and sell Hengan branded products.

In addition, the Russian plant invested by the Group has started production of diapers in June 2019, thereby expanding its diaper business to the Russian market. In 2020, the Group will continue to promote Hengan products in the Russian market in order to gradually establish its brand reputation in the local market.

Regarding the Group’s investment in Finnpulp made in April 2018, the Supreme Administrative Court (KHO) rejected the environmental permit for Finnpulp on 19 December 2019. The decision was based on uncertainty of long-term effects of the Pulp Mill Project to the Kallavesi lake which is very close to the planned location of the mill. The decision is final and is not subject to appeal. To the best of knowledge of the Group, the said environmental permit is crucial to the construction of the Pulp Mill Project. As such, the Group is engaging in discussions with Finnpulp and the existing shareholders of Finnpulp in relation to the next course of action, including the continuity of obligations under the initial investment agreement and the shareholders’ agreement and the possibility of alternative investment options. Since the subsequent arrangement is still being discussed, as of now, there is no clear indication of impairment factor for the investment, thus the

Group has not made any provision for impairment in relation to the investment during the reporting year. The Group will review and evaluate the investment annually.

Foreign currency risks

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 not experienced any 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 2019, apart from certain foreign currency swap contracts and interest rate swap contracts 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.

Liquidity, Financial Resources and Bank Loans

The Group maintained a solid financial position. As at 31 December 2019, the Group's cash and bank balances, long-term bank time deposits and restricted bank deposits totally amounted to approximately RMB22,977,561,000 (31 December 2018: RMB25,919,500,000); Corporate bonds amounted to RMB3,994,474,000 (31 December 2018: RMB3,987,943,000); medium-term notes (panda bonds) and super short-term commercial papers totally amounted to approximately RMB Nil (31 December 2018: RMB5,998,881,000), and bank borrowings amounted to approximately RMB17,613,967,000 (31 December 2018: RMB14,275,540,000).

In the second half of 2016, the Group successfully registered for the proposed issue of RMB5 billion medium-term notes (panda bonds) and RMB5.75 billion domestic corporate bonds. The Group also completed the issue of the first tranche 3-year panda bonds of RMB2 billion and the issue of the first tranche of 5-year domestic corporate bonds of RMB1 billion in September 2016, with a coupon rate of 3.24% and 3.30% per annum respectively. The Group finished the second tranche 3-year domestic bonds of RMB3 billion, with a coupon rate of 4.58% per annum on 30 July 2018. During the year, the Group has fully repaid the panda bonds of RMB2 billion.

In addition, the Group successfully registered for the proposed issue of RMB5.0 billion super short-term commercial paper on April 2017. The Group issued commercial paper in five batches of RMB4.5 billion, with a coupon rate from 3.78% to 4.15% per annum respectively. Apart from one of the tranches having an effective period of 97 days and was fully repaid during the year 2018, the rest of these super short-term commercial paper tranches are 270 days. During the year, the Group has fully repaid the RMB4.0 billion super short-term commercial paper.

The bank borrowings were subject to floating annual interest rates ranging from approximately 1.97% to 4.80% (2018: from 1.4% to 7.0%).

As at 31 December 2019, the Group's gross gearing ratio fell to approximately 120.9% (31 December 2018: 145.1%), 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 negative 7.6% (31 December 2018: negative 9.9%) as the Group was in a net cash position.

During the year, the Group's capital expenditure amounted to approximately RMB729,363,000. As at 31 December 2019, the Group had no material contingent liabilities.

In December 2019, the Group successfully registered for the proposed issue of RMB3 billion super short-term commercial papers on t he National Association of Financial Market Institutional Investors. In February and March 2020, the Group issued super short-term commercial papers in four batches of RMB3 billion, with a coupon rate from 2.60% to 2.85% per annum respectively. The super short-term commercial papers will mature in 207 days from the respective issue date.

Outlook

Looking ahead to 2020, Mr. Sze Man Bok, Chairman of Hengan International, said, “the global economic environment remains complicated and volatile. In the light of lingering uncertainties over the China-US trade friction, softening Chinese yuan and novel coronavirus epidemic, the Group will closely monitor the impact of external factors on the prices of imported wood pulp and petrochemical products. As China has been accelerating its efforts to drive industrial upgrading and consumption upgrading, personal hygiene awareness of citizens has continued to increase, thereby promoting the high-quality and sophisticated development of the personal hygiene product market in the long run. Meanwhile, the Group will closely monitor the development of the health crisis and evaluate the impacts of epidemic on the Group’s financial position and operational performance. As of the publication date of the financial report, the Group has not identified any significant adverse impact.“

“The worldwide outbreak of coronavirus began in 2020. China has continued to implement epidemic control mechanism across the country, including countrywide extension of Chinese New Year Holidays, delaying post-holiday return to work in some regions, control of people’s movement and traffic, quarantine of specific groups, raising the sanitary and anti-epidemic requirements for the factories and offices, as well as a series of measures to increase social distance. The Group will closely monitor the progress of the health crisis and evaluate the impacts of epidemic on the Group’s financial position and operational performance. As of the publication date of the financial report, the Group has not identified any significant adverse impact.”

“Facing the challenges of coronavirus, Hengan, as a personal and household hygiene product enterprise rooted in China, is committed to its mission of ‘Growing with You for a Better Life’, caring for the people and the society while fully supporting the disease control and prevention works across the nation. As of the reporting date, the Group has donated over RMB20 million worth of supplies and cash. The Group swiftly arranged the delivery of supplies of personal hygiene products including Hearttex high-quality tissue paper, disinfectant wet wipes, hand sanitizers, adult disposable diapers and female sanitary panties to disease control centers and hospitals at various locations.”

“Meanwhile, the Group has vigorously responded to the government’s call for support by procuring surgical mask production equipment at home and aboard, starting production of surgical masks and other preventive supplies in February.”

“The Group expects the wood pulp prices to stay at the low levels in the first half of 2020, which will ease the cost pressure on the company and help further improve the gross profit margin. At the same time, the Group will continue to deepen implementation of “small team operation” strategy, strive to achieve benefit maximisation and efficiency optimisation, and improve the flexibility and market responsiveness of the sales team in order to swiftly respond to the ever-evolving market demands. On the other hand, the Group will step up its efforts to develop the omni-channel retail strategy, with a view to meeting the needs of integrated customer experience through increasing e-commerce penetration and precision marketing, thereby enhancing customer stickiness and loyalty. As the leading company of personal and household hygiene products in China, Hengan will extend its long-standing success and continue to forge ahead with industrial expansion as the long-term development target, expanding into high growth potential industries namely feminine care industry, infant child care industry and elderly care industry, while gradually exporting Hengan’s brand to the overseas market. The Group will also continue to enhance its overall profitability in order to maximise values for shareholders."

– End –

Company Background

Hengan Group was established in 1985. It is principally engaged in production, distribution and sales of personal hygiene 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 and the first ten red chips and private enterprises listed on China Enterprises Index since 2018.

For further information, please contact:
iPR Ogilvy Limited
Callis Lau / Tina Law/ Lorraine Luk/ Charmaine Siu
Tel: (852) 2136 6952/ 2136 6181/ 2169 0467/ 3920 7646
E-mail：hengan@iprogilvy.com