

【Immediate Release】



恒安國際集團有限公司

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

**Hengan International Announces 2009 Interim Results
Profit Attributable to Shareholders Grew 54.0% to HK\$967 million**

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**Maintained Satisfactory Growth in Major Businesses
Improved Operating Efficiency and Better Gross Profit Margin**

Financial Highlights

For the six months ended 30 June	2009 HK\$'000	2008 HK\$'000	Change (%)
Turnover	5,112,692	3,755,917	36.1
Gross profit	2,301,949	1,471,802	56.4
Gross profit margin (%)	45.0%	39.2%	5.8 ppts
Profit attributable to shareholders	966,744	627,572	54.0
Basic earnings per share (HK cents)	82.4	54.9	50.1
Interim dividend per share (HK cents)	50.0	32.0	56.3

(2 September 2009 - 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 2009 interim results. For the six months ended 30 June 2009, the Group’s turnover amounted to approximately HK\$5,112,692,000, representing an increase of approximately 36.1% as compared to the same period last year. Profit attributable to shareholders was approximately HK\$966,744,000 which increased by approximately 54.0% as compared to the same period of last year. Basic earnings per share amounted to approximately HK82.4 cents (1H2008: HK54.9 cents).

The Board of Directors recommended an interim dividend of HK50.0 cents per share (1H2008: HK32 cents).

During the period, the economic slowdown has not taken a heavy toll on the sales of hygiene products given that they are basic necessities. The growth momentum of the Group’s major businesses continued. During the period, the overall gross profit margin rose by approximately 5.8 percentage points year-on-year to approximately 45.0% (1H2008: 39.2%). The increase was mainly due to the reduction in production costs as a result of the decline in prices of raw materials since the third quarter of last year. Meanwhile, the Group continued to improve its product portfolio, expand production capacity gradually to enhance economies of scale, shorten work flow and improve efficiency in order to enhance operating results.

As a percentage of revenue, distribution costs and administrative expenses increased to approximately 22.0% for the period (1H2008: 20.8%). The increase was mainly attributable to the escalating staff costs and the fact that there was exchange gain recognised in last corresponding period while there was an exchange loss recognised during the period.

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Commenting on the Group's interim results, Mr. Sze Man Bok, Chairman of Hengan International, said, "Thanks to the improvement in overall living standard and increase in public awareness of personal hygiene, consumer demand for personal hygiene products in mainland China is growing persistently, resulting in prudent growth in the production volume and consumption volume. However, tissue paper consumption per capita in China is still low when compared with developed countries in Europe and the United States, which implies huge growth potential in the market and growth opportunities for the Group. "

Tissue Papers

The continuous rising per capita income of in the people in mainland China has led to an increasing demand for quality tissue papers. For the six months ended 30 June 2009, revenue from the Group's tissue paper business jumped by around 21.3% to approximately HK\$2,203,564,000, accounting for about 43.1% of the total revenue of the Group.

During the period, the Group continued to manufacture and sell tissue papers of relatively higher gross profit margins, including box tissue papers, pocket handkerchiefs and wet tissue papers. These products totally accounted for approximately 65.9% of total tissue papers revenue (2008 first half: 70.4%). The production cost for tissue paper business dropped, thanks to the falling cost of wood pulp, the major raw material for producing tissue paper products. Gross profit margin of the Group's tissue paper business rose to about 41.4% (1H2008: 29.6%). Meanwhile, the Group increased its inventory of wood pulp during the fourth quarter of last year and the first half of 2009 at a relatively low cost, in an attempt to immune from the impact of price fluctuations in the second half of the year. As at 30 June 2009, the Group had approximately 190,000 tons of wood pulp, which is sufficient for production until around January 2009.

The second phase of the Fujian plant and the second phase of the Hunan plant commenced operation in last year. As a result, the Group's annual production capacity increased to approximately 360,000 tons at the end of last year to cater to market demand.

Sanitary Napkins

During the review period, the Group's sanitary napkin business saw satisfactory growth, with revenue increased by 26.3% to about HK\$1,190,582,000, accounting for approximately 23.3% of the Group's total revenue. Sales of "Space 7" sanitary napkins continued to grow and contributed approximately 57.0% of the revenue from the Group's sanitary napkin business (1H2008: 46.0%). As a result of the decline in prices of key raw materials such as petrochemical products and fluff pulp, and the higher proportion of sales of mid-to-high end products, gross profit margin of the Group's sanitary napkin business has risen to about 59.3% (1H2008: 58.7%).

Disposable Diapers

Affected by the sluggish global economy, consumers became more cautious in spending. The per capita income of residents in second and third tier cities of the mainland is relatively low leading to a slowdown in the growth rate of the demand for mid-to-high end disposable diapers. In addition, the Group has not launched new products in the last 12 months. Therefore, the growth rate of revenue of disposable diapers was below expectation during the review period. Revenue from disposable diaper business increased by about 10.0% to approximately HK\$990,067,000, accounting for about 19.4% of the total revenue.

The Group launched the "Super Absorbent (超能吸)" series in selected regions in April of this year and received positive market response. As such, this series of products was officially launched nationwide in July and is expected to generate satisfactory revenue in the second half of the year.

Benefited from the decline in prices of major raw materials, petrochemical products and fluff pulp, tightened internal cost controls and product mix enhancement, the gross profit margin of the Group's disposable diapers business has risen to about 37.0% (1H2008: 35.7%).

Food and Snacks Products

The Group acquired mainland confectionary manufacturer QinQin Foodstuffs Group Company Limited ("QinQin Foodstuffs") in November of last year. This move marked the Group's first step to establish a presence in the food and snacks industry. In the first half of 2009, the Group focused on integrating the logistics and transportation management of QinQin Foodstuffs to enjoy the synergy effect.

During the period, QinQin Foodstuffs' performance was in line with our expectation despite the financial tsunami. Revenue amounted to HK\$482,440,000, accounting for about 9.4% of the Group total revenue. Thanks to the fall in raw material costs and the synergy effect as mentioned above, the gross profit margin reached approximately 38.2% in the first half of 2009.

At present, QinQin Foodstuffs has about 30,000 sales outlets in 28 provinces across the country.

Future Prospects

The gradual recovery of the global economy and the continuous economic growth in China set the stage for the rapid development of China's fast-moving consumer product industry. Given the overall improvement of people's living standard and growing awareness of the importance of hygiene, and the accelerating urbanization and marketisation, the Group remains cautiously optimistic about the prospects of the personal care and hygiene product market.

Regarding the tissue paper business, the Group will continue to develop high quality tissue paper products to cater for demand of different market segments. The Group will continue to expand its production capacity. It is estimated that the annualised production capacity will grow to about 420,000 tons and 540,000 tons by the end of 2009 and 2010 respectively.

For sanitary napkin business, the Group will continue to optimize product mix and boost sales of mid-to-high end brands such as "Anerle" and "Space 7" in order to meet market demand. The Group will also strengthen promotion efforts to boost its market share and expand the production capacity to fulfill market demand.

For the disposable diaper business, apart from promoting the "Super Absorbent" series as mentioned above, the Group will drive business growth by product mix optimization and production technology advancement. To cater to market demand, the Group will boost the production capacity of disposable diapers and increase investments in research and development for new products.

With regard to snacks and food business, the Group will focus on integrating the logistics, supply chain and distribution network as well as brand management of QinQin Foodstuffs with the Group's existing personal hygiene product business, so as to solidify its earnings base. The Group aims to develop the snacks and food business into its fourth major business.

Mr. Sze concluded, "In the future, the Group will continue to uphold its belief that quality takes precedence and will enhance technology, improve product quality and refine product portfolio to capture market opportunities. The Group will also expand sales network, step up advertising and promotion efforts, reinforce the Group's brand equity and boost market share, with a view to consolidating the Group's leading position in the personal hygiene product market, maintaining steady growth, and creating greater value for our shareholders."

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Company Background

Hengan International is principally engaged in the provision of personal hygiene products since 1985, starting as a manufacturer to become today's customer-oriented fast moving consumer goods provider responsible for production, sales and marketing. Today, Hengan International is mainly 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.

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