恒安國際集團有限公司*

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1044)

Websites: http://www.hengan.com
http://www.irasia.com/listco/hk/hengan

"Growing with You for a Better Life"

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010
FINANCIAL SUMMARY

	Unaudited		
	2010	2009	% of
	HK$'000	*HK$'000*	change
Revenue	**6,426,325**	5,112,692	25.7%
Profit attributable to shareholders	**1,202,789**	966,744	24.4%
Gross profit margin	**45.5%**	45.0%	
Earnings per share			
– Basic	**98.6 HK cents**	82.4 HK cents	
– Diluted	**98.2 HK cents**	82.3 HK cents	
Finished goods turnover	**46 days**	50 days	
Trade receivables turnover	**27 days**	28 days	

INTERIM FINANCIAL INFORMATION

The Board of Directors of Hengan International Group Company Limited ("Hengan International" or the "Company") (the "Board") is pleased to present the unaudited condensed consolidated interim profit and loss account, the unaudited condensed consolidated interim statement of comprehensive income, the unaudited condensed consolidated interim statement of changes in equity and the unaudited condensed consolidated interim cash flow statement of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010, and the unaudited condensed consolidated interim balance sheet of the Group as at 30 June 2010, together with the comparative figures and selected explanatory notes. The interim financial information has been reviewed by the Company's audit committee and the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30 JUNE 2010

		Unaudited	
		Six months ended 30 June	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**6,426,325**	5,112,692
Cost of goods sold		**(3,500,301)**	(2,810,743)
Gross profit		**2,926,024**	2,301,949
Other gains – net		**92,899**	35,066
Distribution costs		**(1,219,819)**	(891,878)
Administrative expenses		**(308,761)**	(233,269)
Operating profit	*5*	**1,490,343**	1,211,868
Finance income		**30,404**	15,765
Finance costs		**(27,399)**	(43,356)
Profit before income tax		**1,493,348**	1,184,277
Income tax expense	*6*	**(265,432)**	(190,747)
Profit for the period		**1,227,916**	993,530
Profit attributable to:			
Shareholders of the Company		**1,202,789**	966,744
Non-controlling interests		**25,127**	26,786
		1,227,916	993,530
Earnings per share for profit attributable to shareholders of the Company	*7*		
– Basic		**98.6 HK cents**	82.4 HK cents
– Diluted		**98.2 HK cents**	82.3 HK cents
Dividends	*8*	**734,525**	609,657

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Unaudited Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Profit for the period	**1,227,916**	993,530
Other comprehensive income:		
Currency translation differences	**93,601**	(1,665)
Total comprehensive income for the period	**1,321,517**	991,865
Total comprehensive income attributable to:		
Shareholders of the Company	**1,294,450**	965,073
Non-controlling interests	**27,067**	26,792
	1,321,517	991,865

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2010

	Note	**Unaudited 30 June 2010 HK$'000**	Audited 31 December 2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*9*	**3,826,601**	3,535,811
Construction-in-progress	*9*	**961,064**	808,410
Leasehold land and land use rights	*9*	**551,982**	397,541
Intangible assets	*9*	**611,437**	616,384
Prepayment for non-current assets		**326,202**	428,913
Deferred income tax assets		**98,882**	89,395
Long-term bank deposits	*11*	**981,890**	468,597
		7,358,058	6,345,051
Current assets			
Inventories		**2,307,903**	2,174,505
Trade and bills receivables	*10*	**1,045,926**	882,841
Other receivables, prepayments and deposits		**302,151**	260,522
Finance lease receivables		**–**	10,044
Derivative financial instruments		**31,880**	13,938
Restricted bank deposits	*11*	**8,658**	11,364
Cash and cash equivalents	*11*	**4,271,140**	4,449,674
		7,967,658	7,802,888
Total assets		**15,325,716**	14,147,939
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	*14*	**121,931**	121,931
Other reserves		**3,223,240**	4,936,821
Retained earnings			
– Proposed dividend		**734,525**	731,588
– Unappropriated retained earnings		**5,517,697**	3,226,666
		9,597,393	9,017,006
Non-controlling interests		**307,044**	279,977
Total equity		**9,904,437**	9,296,983

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET *(Continued)*
AS AT 30 JUNE 2010

	Note	**Unaudited 30 June 2010** *HK$'000*	Audited 31 December 2009 *HK$'000*
LIABILITIES			
Non-current liabilities			
Bank borrowings	*13*	**1,507,023**	555,031
Deferred income tax liabilities		**144,118**	115,476
Deferred income on government grants		**4,343**	5,104
		1,655,484	675,611
Current liabilities			
Trade payables	*12*	**1,061,964**	875,608
Bills payable		**–**	397,501
Other payables and accrued charges		**599,713**	565,255
Deferred income on government grants		**1,613**	1,598
Current income tax liabilities		**202,933**	160,214
Bank borrowings	*13*	**1,899,572**	2,175,169
		3,765,795	4,175,345
Total liabilities		**5,421,279**	4,850,956
Total equity and liabilities		**15,325,716**	14,147,939
Net current assets		**4,201,863**	3,627,543
Total assets less current liabilities		**11,559,921**	9,972,594

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Unaudited					
	Attributable to shareholders of the Company					
	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2009	115,007	4,499,296	1,869,754	6,484,057	231,844	6,715,901
Profit for the period	–	–	966,744	966,744	26,786	993,530
Other comprehensive income:						
Currency translation differences	–	(1,671)	–	(1,671)	6	(1,665)
Total comprehensive income	–	(1,671)	966,744	965,073	26,792	991,865
2008 final dividends paid	–	–	(486,095)	(486,095)	–	(486,095)
Appropriation to statutory reserves	–	138,250	(138,250)	–	–	–
Conversion of convertible bonds	6,924	1,482,026	–	1,488,950	–	1,488,950
Share-based compensation	–	11,350	–	11,350	–	11,350
Liquidation of subsidiaries	–	(6,103)	–	(6,103)	–	(6,103)
Balance at 30 June 2009	121,931	6,123,148	2,212,153	8,457,232	258,636	8,715,868
Balance at 1 January 2010	**121,931**	**4,936,821**	**3,958,254**	**9,017,006**	**279,977**	**9,296,983**
Profit for the period	–	–	1,202,789	1,202,789	25,127	1,227,916
Other comprehensive income:						
Currency translation differences	–	91,661	–	91,661	1,940	93,601
Total comprehensive income	–	91,661	1,202,789	1,294,450	27,067	1,321,517
2009 final dividends paid	–	–	(731,588)	(731,588)	–	(731,588)
Appropriation to statutory reserves	–	177,233	(177,233)	–	–	–
Transfer to retained earnings	–	(2,000,000)	2,000,000	–	–	–
Share-based compensation	–	17,525	–	17,525	–	17,525
Balance at 30 June 2010	**121,931**	**3,223,240**	**6,252,222**	**9,597,393**	**307,044**	**9,904,437**

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Unaudited Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Net cash generated from operating activities	**1,377,276**	2,329,181
Net cash used in investing activities	**(1,099,798)**	(1,092,634)
Net cash (used in)/generated from financing activities	**(490,193)**	815,555
Net (decrease)/increase in cash and cash equivalents	**(212,715)**	2,052,102
Cash and cash equivalents at 1 January	**4,449,674**	1,610,552
Effect of foreign exchange rate changes	**34,181**	253
Cash and cash equivalents at 30 June	**4,271,140**	3,662,907

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2010

1. GENERAL INFORMATION

Hengan International Group Company Limited (the "Company") and its subsidiaries (together the "Group") are engaged in the manufacturing, distribution and sale of personal hygiene products, food and snack products and skin care products in the People's Republic of China (the "PRC"), Hong Kong and certain overseas markets.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Ugland House, South Church Street, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited since December 1998.

This condensed consolidated interim financial information is presented in units of thousands HK dollars (HK$'000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 30 August 2010.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual accounts of the Company for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") including HKAS.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual accounts of the Company for the year ended 31 December 2009, as described in those annual accounts.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning 1 January 2010:

Currently relevant to the Group's operations:

- Amendments to HKAS 17 regarding classification of leases of land and buildings. The amendment does not have a material impact on the Group's consolidated accounts.
- HKAS 27 (Revised), "Consolidated and separate financial statements". The amendment does not have a material impact on the Group's consolidated accounts.
- Amendments to HKAS 36 regarding cash-generating unit for goodwill impairment test. The amendment does not have a material impact on the Group's consolidated accounts.
- HKFRS 3 (Revised), "Business combinations". The amendment does not have a material impact on the Group's consolidated accounts.

3. **ACCOUNTING POLICIES** *(Continued)*

Not currently relevant to the Group's operations:

- HKAS 39 (Amendment), "Eligible hedged items".
- HKFRS 1 (Revised) and (Amendment), "First-time adoption of HKFRSs" and "Additional exemptions for first-time adopters".
- HKFRS 2 (Amendment), "Group cash-settled share-based payment transactions".
- HK(IFRIC) 17, "Distribution of non-cash assets to owners".
- First improvements to HKFRS (2008).
- Second improvements to HKFRS (2009). Other than those mentioned above that are relevant to the Group's operations, the amendments included in the improvements are not currently relevant to the Group's operations.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted by the Group:

- HKAS 24 (Revised), "Related party disclosures" (effective from 1 January 2011).
- HKAS 32 (Amendment), "Classification of rights issues" (effective from 1 February 2010).
- HKFRS 1 (Amendment), "Limited exemption from comparative HKFRS 7 disclosures for first-time adopters" (effective from 1 July 2010).
- HKFRS 9, "Financial instruments" (effective from 1 January 2013).
- HK(IFRIC) 14 (Amendment), "Prepayments of a minimum funding requirement" (effective from 1 January 2011).
- HK(IFRIC) 19, "Extinguishing financial liabilities with equity instruments" (effective from 1 July 2010).
- Third improvements to HKFRS (2010) issued in May 2010 by HKICPA. All improvements are effective in the financial year of 2011.

4. **SEGMENT INFORMATION**

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the Executive Directors.

The Executive Directors consider the performance of the Group from a product perspective. The Executive Directors assess the performance of the operating segments based on a measure of segment profit/(loss) without allocation of other gains/(losses) and finance income/(costs) which is consistent with that in the accounts.

The Group's operations are mainly organised under the segments of manufacturing, distribution and sale of:

- personal hygiene products including sanitary napkins products, disposable diapers products and tissue paper products;
- food and snacks products; and
- skin care products and others

4. SEGMENT INFORMATION *(Continued)*

Most of the Group's companies are domiciled in the PRC. The revenue from external customers in the PRC accounted for more than 90% of the Group's total revenue.

Capital expenditures comprise additions to property, plant and equipment, construction-in-progress, leasehold land and land use rights, intangible assets and prepayment for non-current assets.

Unallocated costs represent corporate expenses. Unallocated assets comprise corporate assets, including certain cash and bank balances and derivative financial instruments. Unallocated liabilities comprise corporate borrowings.

The segment information for the six months ended 30 June 2010 is as follows:

			Unaudited			
	Sanitary napkins products *HK$'000*	**Disposable diapers products** *HK$'000*	**Tissue paper products** *HK$'000*	**Food and snacks products** *HK$'000*	**Skin care products and others** *HK$'000*	**Group** *HK$'000*
Profit and loss account for the six months ended 30 June 2010						
Segment revenue	1,611,077	1,322,533	2,961,643	670,105	250,461	6,815,819
Inter-segment sales	(167,982)	(184,308)	(35,626)	–	(1,578)	(389,494)
Revenue of the Group	1,443,095	1,138,225	2,926,017	670,105	248,883	6,426,325
Segment profit	497,595	279,227	571,588	65,938	18,860	1,433,208
Unallocated costs						(35,764)
Other gains – net						92,899
Operating profit						1,490,343
Finance income						30,404
Finance costs						(27,399)
Profit before income tax						1,493,348
Income tax expense						(265,432)
Profit for the period						1,227,916
Non-controlling interests						(25,127)
Profit attributable to shareholders of the Company						1,202,789
Other items for the six months ended 30 June 2010						
Capital expenditures	33,749	174,916	684,991	62,367	8,315	964,338
Depreciation charge	29,389	20,848	108,397	11,234	4,285	174,153
Amortisation charge	1,712	1,207	3,733	5,557	92	12,301
Income tax expense	52,236	58,058	122,734	13,130	19,274	265,432

4. **SEGMENT INFORMATION** *(Continued)*

	Sanitary napkins products *HK$'000*	**Disposable diapers products** *HK$'000*	**Unaudited Tissue paper products** *HK$'000*	**Food and snacks products** *HK$'000*	**Skin care products and others** *HK$'000*	**Group** *HK$'000*
Balance sheet as at 30 June 2010						
Segment assets	**1,913,456**	**4,204,958**	**7,459,871**	**835,554**	**634,289**	**15,048,128**
Deferred income tax assets						**98,882**
Unallocated assets						**178,706**
Total assets						**15,325,716**
Segment liabilities	**366,971**	**418,652**	**1,804,582**	**172,619**	**46,976**	**2,809,800**
Deferred income tax liabilities						**144,118**
Current income tax liabilities						**202,933**
Unallocated liabilities						**2,264,428**
Total liabilities						**5,421,279**

The segment information for the six months ended 30 June 2009 is as follows:

	Sanitary napkins products *HK$'000*	Disposable diapers products *HK$'000*	Unaudited Tissue paper products *HK$'000*	Food and snacks products *HK$'000*	Skin care products and others *HK$'000*	Group *HK$'000*
Profit and loss account for the six months ended 30 June 2009						
Segment revenue	1,224,728	1,123,725	2,287,679	482,440	423,673	5,542,245
Inter-segment sales	(34,146)	(133,658)	(84,115)	–	(177,634)	(429,553)
Revenue of the Group	1,190,582	990,067	2,203,564	482,440	246,039	5,112,692
Segment profit	442,532	156,734	455,729	67,411	85,341	1,207,747
Unallocated costs						(30,945)
Other gains – net						35,066
Operating profit						1,211,868
Finance income						15,765
Finance costs						(43,356)
Profit before income tax						1,184,277
Income tax expense						(190,747)
Profit for the period						993,530
Non-controlling interests						(26,786)
Profit attributable to shareholders of the Company						966,744

4. **SEGMENT INFORMATION** *(Continued)*

	Sanitary napkins products *HK$'000*	Disposable diapers products *HK$'000*	Unaudited Tissue paper products *HK$'000*	Food and snacks products *HK$'000*	Skin care products and others *HK$'000*	Group *HK$'000*
Other items for the six months ended 30 June 2009						
Capital expenditures	5,505	69,939	410,576	6,051	11,899	503,970
Depreciation charge	26,187	20,416	95,831	11,337	6,092	159,863
Amortisation charge	1,712	664	2,382	5,553	415	10,726
Income tax expense	48,982	31,122	77,221	22,937	10,485	190,747
Balance sheet as at 31 December 2009						
Segment assets	2,412,106	4,115,277	5,725,451	754,538	750,782	13,758,154
Deferred income tax assets						89,395
Unallocated assets						300,390
Total assets						14,147,939
Segment liabilities	516,031	857,583	1,080,890	147,292	90,190	2,691,986
Deferred income tax liabilities						115,476
Current income tax liabilities						160,214
Unallocated liabilities						1,883,280
Total liabilities						4,850,956

5. **OPERATING PROFIT**

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Crediting		
Government grant income	**67,487**	31,711
Net exchange gain	**12,043**	–
Net gain on derivative financial instruments	**24,856**	–
Charging		
Depreciation of property, plant and equipment *(Note 9)*	**174,153**	159,863
Amortisation of leasehold land and land use rights *(Note 9)*	**7,339**	5,768
Amortisation of intangible assets *(Note 9)*	**4,962**	4,958
Net exchange loss	**–**	3,518
Staff costs	**460,327**	335,961
Loss on disposal of property, plant and equipment	**1,180**	627
Operating lease rental in respect of factory premises and sales liaison offices	**26,505**	22,235
Provision for impairment of trade receivables	**1,888**	1,083
Provision for impairment of inventories	**9,529**	6,288

The government grant income mainly represented subsidies from certain PRC municipal governments as encouragement of the Group's investments.

6. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Hong Kong profits tax – current period	**31,223**	628
Hong Kong profits tax – over-provision for previous period	**–**	(2,618)
PRC income tax – current period	**214,974**	174,791
Deferred income tax	**19,235**	17,946
Income tax expense	**265,432**	190,747

Hong Kong profits tax has been provided for at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits of the Group's companies in Hong Kong for the period.

Effective from 1 January 2008, the Company's subsidiaries incorporated in the PRC are subject to Corporate Income Tax ("CIT") at the rate of 25% in accordance with the Corporate Income Tax Law of the PRC (the "New CIT Law") as approved by the National People's Congress on 16 March 2007 and the Detailed Implementations Regulations of the New CIT Law as approved by the State Council on 6 December 2007. Enterprises which were established before the publication of the New CIT Law and were entitled to preferential treatments of reduced CIT rates granted by the relevant tax authorities, the new CIT rates will be gradually increased from the preferential rates to 25% within 5 years after 1 January 2008. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed terms may continue to enjoy such treatment until the fixed terms expire.

Deferred income tax is calculated in full on temporary differences under the liability method using the prevailing tax rates applicable to the PRC subsidiaries of the Group.

According to the New CIT Law, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors incorporated in Hong Kong, or at a rate of 10% for other foreign investors. Deferred income tax liabilities of approximately HK$29,600,000 (2009: nil) have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future.

7. EARNINGS PER SHARE

	Unaudited Six months ended 30 June **2010**	2009
Basic		
Profit attributable to shareholders of the Company *(HK$'000)*	**1,202,789**	966,744
Weighted average number of ordinary shares in issue *(thousands)*	**1,219,314**	1,173,002
Basic earnings per share	**98.6 HK cents**	82.4 HK cents
Diluted		
Profit attributable to shareholders of the Company *(HK$'000)*	**1,202,789**	966,744
Weighted average number of ordinary shares in issue *(thousands)*	**1,219,314**	1,173,002
Adjusted for:		
– Share options *(thousands)*	**5,902**	1,836
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,225,216**	1,174,838
Diluted earnings per share	**98.2 HK cents**	82.3 HK cents

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the Group's profit attributable to shareholders of HK$1,202,789,000 (2009: HK$966,744,000) by the weighted average number of 1,219,313,721 (2009: 1,173,002,140) ordinary shares in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's share options are regarded as dilutive potential ordinary shares as at 30 June 2010. Calculations are done to determine the number of shares that could have been acquired at fair value (determined by using average market share price of the Company's shares for the six months ended 30 June 2010) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

8. DIVIDENDS

	Unaudited Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Proposed interim dividend of HK$0.60 per share (2009: HK$0.50)	**734,525**	609,657

A dividend that related to the period to 31 December 2009 and that amounted to HK$731,588,000 (2009: HK$609,657,000) was paid in May 2010.

In addition, an interim dividend of HK$60 cents per share (2009: HK$50 cents) was proposed by the Board of Directors on 30 August 2010. This interim dividend, amounting to HK$734,525,000 (2009: HK$609,657,000), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2010.

9. CAPITAL EXPENDITURE – NET BOOK VALUE

				Intangible assets			
	Property, plant and equipment	**Construction-in-progress**	**Leasehold land and land use rights**	**Goodwill**	**Customer relationship**	**Patents and trademarks**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	3,080,750	813,329	239,408	495,300	57,802	73,194	626,296
Additions	30,055	208,582	142,404	–	–	–	–
Transfer from construction-in-progress	362,559	(362,559)	–	–	–	–	–
Disposals	(7,992)	–	–	–	–	–	–
Depreciation/amortisation	(159,863)	–	(5,768)	–	(2,844)	(2,114)	(4,958)
Exchange differences	1,331	377	63	–	–	1	1
At 30 June 2009	3,306,840	659,729	376,107	495,300	54,958	71,081	621,339
At 1 January 2010	**3,535,811**	**808,410**	**397,541**	**495,300**	**52,065**	**69,019**	**616,384**
Additions	**66,333**	**506,491**	**162,472**	**–**	**–**	**–**	**–**
Transfer from construction-in-progress	**362,036**	**(362,036)**	**–**	**–**	**–**	**–**	**–**
Disposals	**(1,795)**	**–**	**–**	**–**	**–**	**–**	**–**
Depreciation/amortisation	**(174,153)**	**–**	**(7,339)**	**–**	**(2,893)**	**(2,069)**	**(4,962)**
Reclassification	**4,730**	**–**	**(4,730)**	**–**	**–**	**–**	**–**
Exchange differences	**33,639**	**8,199**	**4,038**	**–**	**–**	**15**	**15**
At 30 June 2010	**3,826,601**	**961,064**	**551,982**	**495,300**	**49,172**	**66,965**	**611,437**

10. TRADE AND BILLS RECEIVABLES

The ageing analysis of trade and bills receivables is as follows:

	Unaudited 30 June 2010 *HK$'000*	Audited 31 December 2009 *HK$'000*
Within 30 days	**454,490**	485,286
31 to 180 days	**571,216**	385,762
181 to 365 days	**14,006**	5,435
Over 365 days	**6,214**	6,358
	1,045,926	882,841

There is no concentration of credit risk with respect to trade and bills receivables as the Group has a large number of customers. The majority of the Group's sales is on open account with credit terms ranging from 30 days to 90 days. As credit terms are short and most of the trade and bills receivables are due for settlement within one year, the carrying amounts of these balances approximate their fair values at the balance sheet date.

11. CASH AND BANK BALANCES

	Unaudited 30 June 2010 *HK$'000*	Audited 31 December 2009 *HK$'000*
Long-term bank deposits		
Term deposits with initial term over one year	**981,890**	468,597
Restricted bank deposits	**8,658**	11,364
Cash and cash equivalents	**4,271,140**	4,449,674
Total cash and bank balances	**5,261,688**	4,929,635

As at 30 June 2010, approximately HK$8,658,000 (31 December 2009: HK$11,364,000) of the bank balances are restricted to be drawn down until certain bills payable of the Group are settled.

The cash and cash equivalents represented cash deposit held at call with banks and in hand and deposits with short-term maturity.

12. TRADE PAYABLES

The ageing analysis of trade payables is as follows :

	Unaudited 30 June 2010 *HK$'000*	Audited 31 December 2009 *HK$'000*
Within 30 days	**626,838**	553,524
31 to 180 days	**414,936**	306,432
181 to 365 days	**13,027**	10,585
Over 365 days	**7,163**	5,067
	1,061,964	875,608

The carrying amounts of trade payables approximated their fair values as at the balance sheet dates due to short-term maturity.

13. BANK BORROWINGS

	Unaudited 30 June 2010 *HK$'000*	Audited 31 December 2009 *HK$'000*
Non-current		
Long-term bank loans – unsecured	**1,507,023**	555,031
Current		
Trust receipt bank loans	**209,682**	6,375
Current portion of long-term bank loans – unsecured	**281,295**	59,742
Short-term bank loans – unsecured	**1,408,595**	2,109,052
	1,899,572	2,175,169
Total bank borrowings	**3,406,595**	2,730,200

As at 30 June 2010, the effective interest rate of the Group's borrowings was approximately 1.11% (31 December 2009: 1.92%) per annum.

13. BANK BORROWINGS *(Continued)*

Movements in bank borrowings are analysed as follows:

	Unaudited
	HK$'000
At 1 January 2009	342,664
New borrowings	1,826,623
Repayments of borrowings	(504,401)
Exchange difference	(55)
At 30 June 2009	1,664,831
At 1 January 2010	**2,730,200**
New borrowings	**2,505,084**
Repayments of borrowings	**(1,838,398)**
Exchange difference	**9,709**
At 30 June 2010	**3,406,595**

14. SHARE CAPITAL

	Authorised share capital Ordinary shares of HK$0.10 each	
	Number of shares	*HK$'000*
At 1 January 2009 to 30 June 2010	**3,000,000,000**	**300,000**

	Issued and fully paid Ordinary shares of HK$0.10 each	
	Number of shares	*HK$'000*
At 1 January 2009	1,150,064,924	115,007
Conversion of convertible bonds into shares	69,248,797	6,924
At 30 June 2009	1,219,313,721	121,931
At 1 January 2010 to 30 June 2010	**1,219,313,721**	**121,931**

15. CAPITAL COMMITMENTS

	30 June 2010 *HK$'000*	31 December 2009 *HK$'000*
Contracted but not provided for in respect of:		
Plant, machinery and equipment	**234,180**	355,767
Land and buildings	**98,216**	68,042
	332,396	423,809
Authorised but not contracted in respect of:		
Land and buildings	**855,362**	851,771

16. CONTINGENT LIABILITIES

At 30 June 2010, the Group had no material contingent liabilities (31 December 2009: Nil).

17. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

(a) During the period, the Group had carried out the following significant related party transactions:

	Unaudited Six months ended 30 June	
	2010 *HK$'000*	2009 *HK$'000*
Purchases from Weifang Power		
– electricity energy	**45,224**	35,223
– heat energy	**32,694**	25,518
	77,918	60,741

Pursuant to agreements between a wholly-owned subsidiary of the Company and Weifang Hengan Thermal Power Co., Ltd. ("Weifang Power"), an electricity company, the Group purchased electricity energy and heat energy from Weifang Power at prices lower than the prevailing market prices. Weifang Power is beneficially owned by a son of Mr. Hui Lin Chit, an executive director and a substantial shareholder of the Company, and Mr. Sze Wong Kim, an executive director of the Company.

(b) For the six months ended 30 June 2010, the key management compensation amounted to approximately HK$3,209,000 (2009: HK$ 2,039,000).

BUSINESS OVERVIEW

In the first half of 2010, China's economy maintained a robust growth despite the grim external economic environment, thanks to the improved external trade and internal consumption. According to the National Bureau of Statistics, China's GDP amounted to approximately RMB17,284.0 billion for the first half of 2010, representing a year-on-year increase of approximately 11.1%. The urban and rural income continued to grow with steady increase in household consumption. Per capita disposable income of urban residents and rural residents increased by approximately 10.2% and 12.6% to approximately RMB9,757 and RMB3,078 respectively.

Continual urbanisation and improved living standard of people in the mainland China have led to an increase in public awareness of personal hygiene. Although consumer spending was affected by the uncertain economic outlook, the Group, as a leading player in the personal and family hygiene product market selling products under its reputable household brands in mainland China, was poised to benefit from this continual market expansion.

For the six months ended 30 June 2010, the Group recorded a revenue of approximately HK$6,426,325,000, representing an increase of approximately 25.7% from the same period last year. Profit attributable to shareholders was approximately HK$1,202,789,000, which increased by approximately 24.4% from the same period last year. The Board of Directors has declared an interim dividend of 60 HK cents (2009 first half: 50 HK cents) per share for the six months ended 30 June 2010.

During the period, overall gross profit margin was approximately 45.5% (2009 first half: 45.0%), which remained fairly stable when compared with that of the previous year. This was mainly due to the Group's continuous effort to improve product portfolio, expand production capacity gradually to enhance economies of scale, as well as adopting various measures to tighten cost controls and improve production efficiency, which effectively negated the impact of rising raw material costs.

As a percentage of revenue, distribution costs and administrative expenses increased to approximately 23.8% for the period (2009 first half: 22.0%). The increase was mainly attributable to the escalating advertising and promotion expenses for the activities relating to the 25th anniversary of the Group during the period.

BUSINESS REVIEW

Tissue Papers

The rising household income in mainland China caused growing demand for quality tissue paper products. Despite the rally in tissue paper usage in recent years, the tissue paper consumption per capita in China is still far below the standards of developed countries in Europe and the United States. As a result, sales of the Group's tissue paper under the brand "Hearttex" continued to report strong growth.

For the six months ended 30 June 2010, revenue from the Group's tissue paper business increased by approximately 32.8% to approximately HK$2,926,017,000, accounting for approximately 45.5% of the Group's total revenue (2009 first half: 43.1%). During the period, the Group continued to manufacture and sell tissue papers of relatively higher gross profit margins, which included box tissue papers, pocket handkerchiefs, wet tissue papers, etc. The sales of toilet roll products with relatively lower gross profit margin accounted for approximately 38.1% of tissue papers revenue (2009 first half: 34.1%).

During the period, market price of tissue wood pulp, major raw materials for producing tissue paper products, saw a significant increase. Nevertheless, the Group increased its inventory of tissue wood pulp at lower costs in 2009 mitigated the adverse effect brought by the recent price hike. In addition, the Group continued to implement various measures to reinforce cost controls and production efficiency. Therefore, in the first six months of this year, gross profit margin of the Group's tissue paper business still reached approximately 40.4% (2009 first half: 41.4%). As at 30 June 2010, the Group had approximately 140,000 tons of tissue wood pulp in hand and in transit which were purchased at below-current-market price, and will be sufficient for production until around the end of October 2010. Moreover, the Group also decided to increase the price for toilet rolls by 10% from 1 July 2010 to mitigate the rising cost pressure in tissue wood pulp.

Sanitary Napkins

The rising living standard and increasing awareness for personal hygiene underpinned the market expansion of quality sanitary napkins in mainland China.

During the period under review, the Group's sanitary napkin business saw satisfactory growth, with revenue increased by approximately 21.2% to about HK$1,443,095,000, accounting for approximately 22.5% of the Group's total revenue (2009 first half: 23.3%). Despite the fact that the prices of key raw materials, petrochemical products and fluff pulp, have increased in the first half of 2010, the impact was offset by the improved product mix with a rising proportion in the sales of mid-to-high end products. In addition, the Group continued to take various measures in enhancing cost controls and production efficiency such that the gross profit margin of the sanitary napkin business segment increased slightly to approximately 61.7% (2009 first half: 59.3%).

Disposable Diapers

Increasing household income and urbanisation continued to drive the long-term expansion for the disposable diapers market in mainland China, but the short-term demand was hindered by the uncertain economic outlook.

During the first half of 2010, revenue from the disposable diaper business increased by about 15.0% to approximately HK$1,138,225,000, accounting for approximately 17.7% of the total revenue (2009 first half: 19.4%). The launch of the "Super Absorbent (超能吸)" series by the Group across the nation in July last year, together with the launch of upgraded version of existing product series (excluding the Super Absorbent series) in the second quarter of 2010, have led to a successful enhancement of product mix. In addition, the Group's continual measures in strengthening cost controls and improving production efficiency have offset the effect from the increase in the prices of major raw materials, petrochemical products and fluff pulp, lifting the gross profit margin of the Group's disposable diapers business to approximately 45.7% during the period (2009 first half: 37.0%).

Food and Snacks Products

The Group is dedicated to developing food and snacks business into the Group's fourth largest business. In 2009, the Group actively integrated the logistics, transportation management and supply chain management of food and snacks business to enhance efficiency and control costs. In the first half of 2010, the Group further streamlined the operation of food and snacks business by enhancing the distribution network and applying the Group's management methods on the distribution network of personal hygiene products to the food and snacks business.

During the period, resulting from the optimisation of distribution network and launching of high-end products, revenue of food and snacks products rose by approximately 38.9% to approximately HK$670,105,000, accounting for about 10.4% of the Group total revenue (2009 first half: 9.4%). Increase in raw materials prices led to a slight decline in gross profit margin to approximately 37.6% for the first half of 2010 (2009 first half: 38.2%).

First Aid Products

Revenue from the Group's first aid product business under the brandnames of "Banitore" and "Bandi" had reached approximately HK$17,848,000 (2009 first half: HK$15,735,000). This business only accounted for approximately 0.3% of the Group's total revenue, hence it has insignificant impact to the Group's overall results.

Skincare and Cleansing Products

Revenue of the Group's skincare and cleansing product business amounted to approximately HK$14,290,000 (2009 first half: HK$12,172,000). This business only accounted for approximately 0.2% of the Group's total revenue, hence it has only negligible impact on the Group's overall results.

Distribution and Marketing Strategy

This year is the 25th anniversary of Hengan Group. Taking this opportunity, the Group stepped up efforts in investing in its brand equity by increasing TV advertisements and various promotion activities. For example, the Group launched a massive new TV advertising campaign in China Central Television, China's largest TV station, to raise awareness of the Company and its brands. As such, advertising and promotion expenses and supermarket expenses as a percentage of revenue for the first half of this year increased to approximately 10.8% (2009 first half: 8.9%). This expense ratio for the second half of 2010 is expected to be lower than that for the first half.

Owing to the increase in advertising and promotion expenses, the Group's distribution expenses increased as a percentage of revenue to approximately 19.0% during the period (2009 first half: 17.4%).

Research and Development of Products

The Group strives for excellence of its products. As the first and so far the only enterprise in the mainland's tissue paper industry to have been awarded the Enterprise Technological Centre with State Accreditation, the Group continued to put more resources on the research and development front during the period, in a bid to further enhance its product quality, offer new and high quality hygiene products to consumers, and consolidate the Group's leading position in the personal hygiene product industry.

National Recognition and Awards

During the period, a major subsidiary of the Company, Fujian Hengan Holding Co., Ltd., was one of the first batch of companies in mainland China and the only company in Fujian province awarded by "State Administration for Industry and Commerce of the People's Republic of China" as "Model Enterprise for National Implementation of Trademark Strategy". In addition, the Company was also awarded the "Outstanding China Enterprise Awards in Personal Hygiene" in Hong Kong. These are recognitions of the Group's outstanding performance and market leadership in China's personal hygiene product market.

Charitable Donations

In order to contribute to the community and take up social responsibility, the Group assumed an active role in participating in charitable activities and made charitable donations amounted to approximately HK$23,612,000 (2009 first half: nil, 2009 full year: HK$37,026,000) during the first half of 2010.

LIQUIDITY, FINANCIAL RESOURCES AND BANK LOANS

The Group maintained a solid financial position. As at 30 June 2010, the Group's cash and cash equivalents, long term bank deposits and restricted bank deposits totally amounted to approximately HK$5,261,688,000 (31 December 2009: HK$4,929,635,000); and the Group's total borrowings amounted to approximately HK$3,406,595,000 (31 December 2009: HK$2,730,200,000). The bank borrowings were subject to floating annual interest rates ranging from approximately 0.7% to 2.2% (2009 first half: from 0.7% to 3.0%). As at 30 June 2010, apart from the bank balances of HK$8,658,000 (31 December 2009: HK$11,364,000) deposited in banks as collaterals, there was no charge on the Group's assets for its bank loans. As at 30 June 2010, the Group's gross gearing ratio was approximately 35.5% (31 December 2009: 30.3%), which was calculated on the basis of the amount of total 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 cash equivalents, long term bank deposits and restricted bank deposits as a percentage of the shareholders' equity (not including non-controlling interests), was zero (31 December 2009: nil) as the Group was at a net cash position.

During the period, the Group's capital expenditure (excluding prepayment) for acquisition and construction of new production facilities amounted to approximately HK$735,296,000.

As at 30 June 2010, the Group had no material contingent liabilities.

APPOINTMENT OF NEW BOARD MEMBERS

On 1 June 2010, the Board of Directors of the Group announced that Mr. Xu Shui Shen, Mr. Sze Wong Kim and Mr. Hui Ching Chi have been appointed as executive directors of the Company. The appointment will contribute to the long-term growth and expansion of the Group.

MANAGEMENT CONSULTING COMPANY

In the first half of 2010, the Group appointed Shenzhen Holographic Management Consulting & Training Limited ("HMCT") as the Group's consultancy firm. HMCT will help to improve the operational flows of the Group's supply chain management and optimise human resources management.

HUMAN RESOURCES MANAGEMENT

As at 30 June 2010, the Group employed approximately 25,500 employees. The Group's remuneration package is determined with reference to the experience and qualifications of the individual employee and general market conditions. Bonuses are linked to the Group's financial results as well as individual's performance. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs.

FOREIGN CURRENCY RISKS

A large portion of the Group's income is denominated in Renminbi while a part of the raw materials are imported and settled in United States dollar. The Group has never had any difficulties in getting 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 30 June 2010, apart from certain non-deliverable forward foreign exchange contracts entered into with certain large commercial banks to sell Renminbi for United States dollars, the Group had not issued any material financial instruments or entered into any material contracts for foreign currency hedging purposes.

OUTLOOK

Looking ahead, China's economy is set for another robust economic growth this year as strong consumer demand propelled economic expansion in the territory. This sets the stage for the rapid development of China's fast-moving consumer product industry. The overall improvement of people's living standard, growing awareness of the importance of hygiene and the accelerating urbanisation and marketisation will continue to support the expansion of the personal care and hygiene product market. With the Group's solid business foundation and core competitive strength in this industry, we are confident that the Group will continue to lead the development of the mainland personal hygiene product market.

For the tissue paper segment, the current annualised production capacity of the Group is approximately 480,000 tons. In view of market demands, the Group will increase production capacity by 60,000 tons at the end of this year to approximately 540,000 tons. Furthermore, in order to align with the Group's development in Eastern China region and the Central government's policy in developing Western China, the Group plans to add new tissue production bases in Wuhu and Chongqing in mainland China respectively. It is estimated that 6 new tissue production lines, each with an annualised production capacity of 60,000 tons, will be installed in 2011 and 2012, and hence the annualised production capacity of tissue paper business will reach approximately 900,000 tons by the end of 2012. For more details, please refer to the Group's announcement dated 23 August 2010.

For the sanitary napkins segment, the Group will continue to optimise product mix and boost sales of mid-to-high end brands such as "Anerle" and "Space 7". Moreover, the Group also plans to launch a premium new sanitary napkins product in 2011. This new product will be more superior than the Group's current products.

As for disposable diapers, it is expected that the "Super Absorbant" series and the upgraded version products launched in the second quarter of this year will bring satisfactory contribution to the Group's revenue. Furthermore, the Group plans to launch in the fourth quarter of 2010 and in 2011 the higher quality new "Day and Night" and "Pull Up" product series respectively, which are higher in average selling price and gross margin as compared with current products and are expected to bring satisfactory contribution to the Group's revenue.

With regards to food and snacks business, the Group will continue to focus on integrating the distribution network as well as launching high end new products, so as to solidify its earnings base.

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.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board of Directors has declared an interim dividend of 60 HK cents (2009: 50 HK cents) per share for the six months ended 30 June 2010 to be paid to shareholders whose names appear on the Register of Members of the Company at the close of business on 29 September 2010. Dividend warrants will be despatched to shareholders on or about 7 October 2010.

The Register of Members of the Company will be closed from 24 September 2010 to 29 September 2010 (both days inclusive), during which no transfer of shares will be effected. In order to be qualified for the interim dividend, all transfers accompanied by the relevant share certificates shall be lodged with the Company's branch share registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong by 4:00 p.m. on 22 September 2010.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of the Company's shares during the six months ended 30 June 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

AUDIT COMMITTEE

The Audit Committee is chaired by an independent non-executive director and comprises three independent non-executive directors. It meets at least two times a year. The Audit Committee provides an important link between the Board and the Company's external and internal auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation, including the interim report for the six months ended 30 June 2010.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

For the six months ended 30 June 2010, the Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months ended 30 June 2010, and they all confirmed that they had fully complied with the required standard set out in the Model Code.

CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance. The Company has complied with the code provisions set out in the Code on Corporate Governance Practice contained in Appendix 14 to the Listing Rules of the Stock Exchange during the period.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I extend my gratitude to all our staff for their hard work and dedication.

By Order of the Board
Hengan International Group Company Limited
Sze Man Bok
Chairman

As at the date of this announcement, our Executive Directors are Mr. Sze Man Bok, Mr. Hui Lin Chit, Mr. Hung Ching Shan, Mr. Xu Da Zuo, Mr. Xu Shui Shen, Mr. Xu Chun Man, Mr. Sze Wong Kim, Mr. Hui Ching Chi and Mr. Loo Hong Shing Vincent; and our Independent Non-Executive Directors are Mr. Chan Henry, Mr. Wang Ming Fu and Ms. Ada Ying Kay Wong.

Hong Kong, 30 August 2010

* *for identification purpose only*