

【For Immediate Release】



恒安國際集團有限公司

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

**Hengan International Announces 2010 Interim Results
Profit Attributable to Shareholders Surged 24.4% to HK\$1.2 billion**

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**Gross Margin Stood at a High Level of 45.5%
On the Back of Optimized Product Portfolio and Economies of Scale**

Financial Highlights

For the six months ended 30 June	2010 HK\$'000	2009 HK\$'000	Change
Revenue	6,426,325	5,112,692	25.7%
Gross profit	2,926,024	2,301,949	27.1%
Gross profit margin (%)	45.5%	45.0%	0.5 p.p.
Profit attributable to shareholders	1,202,789	966,744	24.4%
Basic earnings per share (HK cents)	98.6	82.4	19.7%
Diluted earnings per share (HK cents)	98.2	82.3	19.3%
Interim dividend per share (HK cents)	60.0	50.0	20.0%

(30 August 2010 - 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 interim results for the six months ended 30 June 2010.

For the six months ended 30 June 2010, the Group’s revenue amounted to 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. Basic earnings per share and diluted earnings per share were 98.6 HK cents (1H 2009: 82.4 HK cents) and 98.2 HK cents (1H 2009: 82.3 HK cents) respectively. 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, the overall gross profit margin was approximately 45.5%, which remained fairly stable when compared with that of the previous year (2009 first half: 45.0%). 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.

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Commenting on the Group's interim results, Mr. Sze Man Bok, Chairman of Hengan International, said, "In the first half of 2010, China's economy maintained a robust growth despite the grim external environment, thanks to the improved external trade and internal consumption. Continual urbanization 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 hygiene product market selling products under its reputable household brands in mainland China, was poised to benefit from this continual market expansion and maintain strong growth in its revenue and profits."

Tissue papers

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 and 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 purchased at below-current-market price, which are 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 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

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 business

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 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 optimization 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%).

Future prospects

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 urbanization and marketization 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 annualized 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. It is estimated that, upon installation of 6 new production lines with annualized production capacity of 60,000 tons each in 2011 and 2012, the total annualized production capacity of tissue paper business will reach approximately 900,000 tons by the end of 2012.

For the sanitary napkins segment, the Group will continue to optimize 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” series of product 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.

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 Group was established in 1985. It is principally engaged in production, distribution and sales of personal hygiene products and food and snacks products in China. The shares of Hengan International have been listed on the Hong Kong Stock Exchange since 1998.

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