【For Immediate Release】

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

Hengan International Announces Interim Results 2011
Profit Attributable to Shareholders Aggregated HK$1,182 million

Financial Highlights

For the six months ended 30 June	2011 HK$'000	2010 HK$'000	Change
Revenue	**8,188,704**	6,426,325	+27.4%
Gross profit	**3,159,893**	2,926,024	+8.0%
Gross profit margin	**38.6%**	45.5%	-6.9 p.p.
Profit attributable to shareholders	**1,181,997**	1,202,789	-1.7%
Basic earnings per share	**96.6 HK cents**	98.6 HK cents	-2.0%
Diluted earnings per share	**96.3 HK cents**	98.2 HK cents	-1.9%
Interim dividend per share	**60.0 HK cents**	60.0 HK cents	Unchanged

(30 August 2011 - 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 2011.

For the six months ended 30 June 2011, the Group's revenue amounted to approximately HK$8,188,704,000, representing approximately 27.4% increase from that of the last corresponding period. Profit attributable to shareholders amounted to approximately HK$1,181,997,000, which dropped by about 1.7% from the same period last year. Basic earnings per share were 96.6 HK cents (1H 2010: 98.6 HK cents). The Board of Directors has declared an interim dividend of 60 HK cents (1H 2010: 60 HK cents) per share for the six months ended 30 June 2011.

During the period, overall gross profit margin dropped to approximately 38.6% (1H 2010: 45.5%), mainly due to the increased production costs resulted from rising raw material prices. Meanwhile, the Group continued to optimize its product mix, gradually expand production capacity for better economies of scale and implement strict cost control initiatives, thus reducing the impact of raw material price increase on the Group's gross profit margin. Distribution costs and administrative expenses as a percentage of revenue dropped to around 23.1% (1H 2010: 23.8%).

Commenting on the Group's interim results, Mr. Sze Man Bok, Chairman of Hengan International, said, "In the first half of 2011, the global economy continues to be plagued by financial crisis in Europe and

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the United States, which added uncertainty to the road of recovery. Despite the complicated international situation and rising commodity and consumer prices in China, China economy has maintained a good momentum thanks to the proactive fiscal policy, prudent monetary policy as well as strengthened and optimized macroeconomic measures implemented by the Chinese Government. The continuing urbanization heightens people's health and hygiene awareness, while increase in income brought by economic growth promotes consumption upgrade. These encourage the development of the high-quality personal and household hygiene products market."

Mr. Sze continued that, "We are honoured to be included as a constituent of the Hong Kong's Hang Seng Index on 7 June 2011. This marks another important milestone of the Group, and is also the market's recognition to the Group's prudent and active business strategy throughout the years.

Tissue papers

In the first half of 2011, the Group's tissue paper business maintained a growing momentum with revenue increased by about 34.0% to approximately HK$3,919,676,000, accounting for approximately 47.9% of the total revenue (1H 2010: 45.5%). During the period, the production costs of tissue paper business increased sharply as the price of the major raw material, tissue wood pulp, surged significantly. As a result, gross profit margin of the Group's tissue paper business decreased to approximately 31.4% (1H 2010: 40.4%). The Group continued to actively enhance product mix to reduce the impact brought by rising production costs. As such, the revenue of toilet roll products with relatively lower gross profit margin only accounted for approximately 30.7% of tissue paper revenue (1H 2010: 38.1%).

The Group further expanded the production capacity for tissue paper in order to cater to the rising market demand for our "Hearttex" products. It is expected that the new tissue paper production base in Chongqing with an annualized production capacity of 60,000 tons will commence production by the end of 2011 so that the Group's annualized production capacity will reach 600,000 tons. Besides, the Group also focuses on the market development in Eastern China and the construction of a new tissue paper production base in Wuhu has commenced. In 2012, the Group will increase 60,000 tons production capacity in Chongqing and 120,000 tons production capacity in both Wuhu and Jinjiang so that the Group's total annualized production capacity is expected to reach 900,000 tons by the end of 2012.

Sanitary napkins

The Group continued to exert its brand advantage and its sanitary napkin business recorded satisfactory growth during the period under review. Revenue of sanitary napkin business increased by about 28.1% to approximately HK$1,848,497,000 and accounted for approximately 22.6% of total revenue (1H 2010: 22.5%).

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During the period, the drastic increase in the prices of major raw materials, petrochemical products and fluff pulp, caused pressure on the Group's production costs. Nevertheless, the Group mitigated the impact of increasing raw material prices by strengthening cost controls and increasing sales of mid-to-high-end products. As such, the gross profit margin still reached 59.6% (1H 2010: 61.7%).

In the second half of 2011, the Group will continue to optimize its product mix and introduce the high end "Princess" series to meet the market demand for high-end products. It is expected the selling price of the new series will be higher than the Group's existing sanitary products, and will improve the overall gross profit margin of sanitary napkin business.

Disposable diapers

In the first half of 2011, revenue from disposable diapers business grew by about 8.2% to approximately HK$1,231,719,000, accounting for about 15.0% of the total revenue (1H 2010: 17.7%). During the period, many small and medium enterprises entered into the mid and low diapers markets in view of the low entry barrier and launched low-priced products to the market. On the other hand, global brands continued to develop into second and third-tier areas. As such, the Group's diaper business only recorded a mild growth.

During the period, the prices of major raw materials, fluff pulp and petrochemical products, surged significantly. As such, the gross profit margin of disposable diapers dropped to approximately 35.3% (1H 2010: 45.7%).

To improve its competitiveness in the diapers market, the Group launched the upgraded version of mid and low end diapers from March 2011 onwards. In addition, Group will also launch high end products including “Day and Night” series and “Pull Up” series in the second half of 2011 to meet consumers' demand for high-end products. The average selling price and gross profit margin of these new series will be higher than those of the current products. It is expected that the sales performance will improve in the second half of 2011.

Food and snacks business

During the first half of 2011, revenue of the Group's food and snacks business increased by about 28.2% to approximately HK$859,152,000, accounting for about 10.5% of the Group total revenue (1H 2010: 10.4%). As raw materials such as sugar, flavorings and flour have increased significantly during the period, the gross profit margin of food and snacks business dropped to around 32.0% (1H2010: 37.6%).

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The Group maintained a solid financial position and was at a net cash position. As at 30 June 2011, the Group's cash and cash equivalents, long-term bank deposits and restricted bank deposits totally amounted to approximately HK$8,917,491,000 (31 December 2010: HK$6,834,535,000).

Looking ahead, Mr. Sze said, "The country's accelerating urbanization and steady and rapid economic growth will continue to drive the demand for various hygiene products. Furthermore, consumers' increasing awareness of personal hygiene will also promote growth in consumption of high quality hygiene products. Capitalizing on its brand reputation and scale advantage, the Group will continuously develop new products of high quality, improve management efficiency and expand sales network, in a bid to strengthen overall competitiveness, further enhance brand influence and expand market share.

Major raw material price started to come down from the highs around the end of the second quarter of 2011. Hence the Group believes that the raw material cost pressures of the Group will be alleviated. At the same time, the Group will continue to optimize the product mix to further enhance the Group's gross profit margins in various business segments. Leveraging its solid foundation and brand equity, together with its country-wide distribution network, the Group is confident in maintaining its leading position in the personal hygiene product market delivering steady growth of business and creating greater value for 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. The Group has become a Hang Seng Index constituent since June 2011.

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