【For Immediate Release】

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

Hengan International Announces 2012 Interim Results
Profit Attributable to Shareholders was HK$1,626 million
Declared Interim Dividend of HK$0.75 per Share

Financial Highlights

For the six months ended 30 June	2012 HK$'000	2011 HK$'000	Change
Revenue	9,041,725	8,188,704	+10.4%
Gross profit	3,998,707	3,159,893	+26.5%
Gross profit margin	44.2%	38.6%	+5.6pts
Profit attributable to shareholders	1,626,288	1,181,997	+37.6%
Basic earnings per share (HK dollars)	1.323	0.966	+37.0%
Diluted earnings per share (HK dollars)	1.322	0.963	+37.3%
Interim dividend per share (HK dollars)	0.75	0.60	+25.0%

(29 August 2012 - 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 2012.

For the six months ended 30 June 2012, the Group's revenue amounted to approximately HK$9,041,725,000, representing approximately 10.4% increase from that of the last corresponding period. Profit attributable to shareholders amounted to approximately HK$1,626,288,000, increasing by about 37.6% from the same period last year. Basic earnings per share were HK$1.323 (1H 2011: HK$0.966). The Board of Directors has declared an interim dividend of HK$0.75 (1H 2011: HK$0.60) per share for the six months ended 30 June 2012.

During the period, the Group's overall gross profit margin rose to approximately 44.2% (1H2011: 38.6%), thanks to the lower raw material prices, the enhanced product mix, economies of scale and tighter cost control. As a percentage of revenue, distribution costs and administrative expenses remained fairly stable at around 22.6% for the period (1H 2011: 23.1%).

Commenting on the Group's interim results, Mr. Sze Man Bok, Chairman of Hengan International, said, "The first half of 2012 remained challenging with the European debt crisis continuing to cloud global economies. In view of the complex economic conditions, the Chinese Government launched proactive fiscal and economic policies to adjust the economic structure and manage inflation risk. The continuing urbanization heightens people's health and hygiene awareness, while the increase in income brought by economic growth promotes consumption upgrade. These encourage the development of the high-quality personal and household hygiene products market."

Tissue papers

In the first half of 2012, sales growth of the Group's tissue paper business was unsatisfactory. Revenue of the segment increased by about 12.5% to approximately HK$4,410,804,000, and accounted for approximately 48.8% of total revenue (1H 2011: 47.9%). The slower growth was due to the insufficient production capacity of the Group, which was resulted from the delay of the commencement of the production lines in Chongqing and Wuhu. The Group adjusted its product mix hence reducing the revenue contribution of lower margin products: As such, revenue of toilet roll, only accounted for approximately 29.3% of tissue paper revenue during the first half of 2012 (1H 2011: 30.7%).The Chongqing production lines were completed by phases in the first and the second quarters of 2012, and the new production line in Jingjiang with annualized production capacity of 60,000 tons was also installed in mid-July respectively. As additional production capacity was available for use, the Group had launched more extensive promotion campaign in mid June to boost sales. As such, the sales growth rate of tissue segment has resumed to a satisfactory level from July onwards.

In addition, the Group's new production lines in Jinjiang and Wuhu with annualized production capacity of 60,000 and 180,000 tons respectively are under construction and are expected to commence operation in three months. By the end of this year, the Group's annualized production capacity of tissue paper will reach about 900,000 tons.

During the period, gross profit margin of the tissue papers business rose to approximately 36.1% (1H 2011: 31.4%), which reflected the significant drop in production costs as a result of lower price of tissue wood pulp, the major raw material for manufacturing tissue paper, in the first half of 2012.

Sanitary napkins

During the first half, revenue of the sanitary napkin business increased by about 22.5% to approximately HK$2,264,892,000, accounting for around 25.0% of total revenue (1H 2011: 22.6%). Cost pressure of the Group eased amid falling prices of major raw materials, petrochemical products and fluff pulp. In addition, the Group spared no efforts in adopting stringent cost controls and increasing sales of mid-to-high-end products. As such, the gross profit margin expanded to 64.1% (1H 2011: 59.6%).

By the end of June, the "Space Seven Princess series" was launched nationwide. Looking ahead into the second half of 2012, the Group will continue to introduce more mid-to-high-end products and enhance existing products aiming at satisfying customer needs.

Disposable diapers

In the first half of 2012, the overall revenue from the disposable diapers business grew only by about 7.3% to approximately HK$1,321,243,000, accounting for about 14.6% of total revenue (1H 2011: 15.0%). During the period, the Group continued to focus on developing mid-to-high-end products, the sales of which increased by approximately 16.5%. On the other hand, competition has intensified in the low-end market diaper ("simplified diaper") market as mid and small market players launched extensive promotional campaign to boost sales when raw material costs were low, causing the sales of simplified diapers to drop by about 13.5%.

During the period, the prices of major raw materials, namely fluff pulp and petrochemical products, decreased. Hence, the gross profit margin of disposable diapers rose to approximately 41.6% (1H 2011: 35.3%).

Food and snacks business

The poison capsule incident in Mainland China which came to light in April this year brought negative impact on the snack food industry, especially for fruit jelly industry. Although the Group has never used raw materials with problems in its products, the sales of the Group's fruit jelly product still dropped by around 12.1%. Despite the increase in sales of other snack food products, revenue of the Group's food and snacks business fell by about 5.8% in the first half of 2012 to approximately HK$809,055,000, accounting for about 8.9% of the Group's total revenue (1H 2011: 10.5%). The Group expects that sales of the food and snacks business will improve in the second half of the year.

In addition, the lower prices of major raw materials, such as sugar, flavorings and flour, have led to an increase in gross profit margin of the food and snacks business to around 37.9% (1H 2011: 32.0%).

The Group has maintained a solid financial position. As at 30 June 2012, the Group's cash and cash equivalents, long-term time deposits and restricted bank deposits totalled to approximately HK$9,322,913,000 (31 December 2011: HK$8,622,882,000). As at 30 June 2012, the Group's gross gearing ratio was approximately 69.8% (31 December 2011: 58.5%), 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), and the net gearing ratio was negative as the Group was in a net cash position.

Looking ahead, Mr. Sze said, "Consumers' rising awareness of personal hygiene and pursuit of quality will spur consumption of high-quality hygiene products. Capitalizing on its brand equity and business scale, the Group will continue to develop more quality products and expand its sales network, aiming at capturing the rising market demand. In view of the growing market demand, the Group will continue to invest in production capacity across its key business lines as planned. The Group also strives to improve product quality and enhance management efficiency to boost its overall competitiveness while enhancing brand influence and increasing market share.

"Going forward, the Group will continue to monitor raw materials prices closely so as to facilitate swift response to market changes whenever necessary. The Group will also continue to optimize its product mix to further enhance the Group's gross profit margins. 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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