【For Immediate Release】

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

Hengan International Announces 2013 Interim Results
Profit Attributable to Shareholders Increased by 14.3% to HK$1,860 million
Declared Interim Dividend of HK$0.85 Per Share

Financial Highlights

For the six months ended 30 June	**2013** **HK$'000**	2012 HK$'000	**Change**
Revenue	**10,414,826**	9,041,725	**+15.2%**
Gross profit	**4,711,016**	3,998,707	**+17.8%**
Gross profit margin	**45.2%**	44.2%	**+1.0%pt**
Profit attributable to shareholders	**1,858,854**	1,626,288	**+14.3%**
Basic earnings per share (HK dollars)	**1.511**	1.323	**+14.2%**
Diluted earnings per share (HK dollars)	**1.510**	1.322	**+14.2%**
Interim dividend per share (HK dollars)	**0.85**	0.75	**+13.3%**

(27 August 2013 - 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 2013.

For the six months ended 30 June 2013, the Group's revenue rose by about 15.2% year on year to approximately HK$10,414,826,000 (2012 first half: HK$9,041,725,000). Profit attributable to shareholders increased by about 14.3% year on year to approximately HK$1,858,854,000 (2012 first half: HK$1,626,288,000). The Board of Directors has declared an interim dividend of HK$0.85 per share for the six months ended 30 June 2013 (2012 first half: HK$0.75).

During the period, thanks to the fairly stable raw material prices, enhanced product mix, economies of scale and consistently tight cost control policy, the Group's overall gross profit margin rose to approximately 45.2% (2012 first half: 44.2%). As a percentage of revenue, distribution costs and administrative expenses increased slightly to around 24.1% for the period (2012 first half: 22.6%).

Commenting on the Group’s interim results, Mr. Sze Man Bok, Chairman of Hengan International, said, “China’s economic growth continued to slow down in the first half of 2013. Nevertheless, the country’s employment rate remained stable, and its ongoing urbanization drove the income growth of both the urban and rural residents. The people’s consistently improving living standards and increasing awareness of health and hygiene have fostered the development of the market for high-quality personal care and family hygiene products.”

Tissue papers

In the first half of 2013, the tissue paper business continued to take advantage of the Group’s brand and network. The revenue from tissue sales in the mainland China market thus increased by about 17.8% year on year. Nevertheless, the raw paper export sales, a relatively low margin business, saw a double-digit decline in revenue due to keen price competition. As a result, the revenue of the tissue paper business grew at only about 14.8% to approximately HK$5,065,278,000, accounting for approximately 48.6% of total revenue (2012 first half: 48.8%). The management plans to step up marketing and promotion campaigns in the second half of the year with an aim to improve the sales growth of the tissue business segment.

The gross profit margin dropped slightly to approximately 34.9% (2012 first half: 36.1%) in the first half of 2013, reflecting the increase in production costs as a result of higher price of tissue wood pulp, the major raw material for manufacturing tissue paper.

During the period, the Group did not add any new production line. The annualized production capacity is expected to be approximately 900,000 tons. It is the Group’s plan to increase the annualized production capacity by around 360,000 tons in 2014 and 120,000 tons in 2015. The new production capacity includes 8 production lines to be added to the Group’s factories in Chongqing, Hunan, Shandong and Wuhu City, bringing the Group’s total annualized production capacity to about 1,380,000 tons by the end of 2015.

Sanitary napkins

During the first half of the year, the sanitary napkin business remained stable, the revenue of sanitary napkin business increased by about 26.3% year on year to approximately HK$2,859,902,000, accounting for around 27.5% of total revenue (2012 first half: 25.0%). The costs of major raw materials such as petrochemical products remained fairly stable during the period. In addition, the Group spared no efforts in adopting stringent cost controls and increasing sales of mid-to-high-end products. As a result, the gross profit margin expanded to 65.1% (2012 first half: 64.1%).

In the second half of the year, the Group will continue to focus on product innovation, optimize existing products and increase the sales of mid-to- high-end products in order to satisfy the consumer demand.

Disposable diapers

In 2012, the sales of upgraded version diapers, as affected by the overstocking of the old version products in various distribution channels, were below expectation. Nonetheless, as the inventories of the old version products in the distribution channels were substantially cleared in the first quarter of the year, and the upgraded version products were well accepted by the market, the Group's diaper sales improved with a double-digit growth in the second quarter. During the first half of the year, the overall revenue of the disposable diaper business increased by about 8.4% to HK$1,431,773,000, accounting for approximately 13.7% of total revenue (2012 first half: 14.6%).

The Group's efforts in strengthening marketing and brand promotion of mid-to-high-end diaper products resulted in improvement of sales revenue of such products by approximately 18.9% year on year. On the other hand, low-end diaper sales revenue decreased by approximately 9.3% year on year as market competition remained fierce. As a result of the above change in sales mix and the fairly stable prices of major raw materials such as petrochemical products during the period, the gross profit margin of the Group's disposable diapers business increased to approximately 43.5% (2012 first half: 41.6%).

Apart from strengthening its distribution network management, the Group also actively expanded its presence in new distribution channels (such as maternity stores, hospitals and online sales channels) in order to increase market coverage. With the implementation of the above measures, the management remains optimistic about the long-term prospects of its disposable diaper business.

Food and snacks business

The impact of industrial gelatin issue unfolded in 2012 on the snack industry subsided gradually. The Group's food and snacks business has recovered. In the first half of 2013, revenue of the Group's business of food and snacks products grew by about 15.1% year on year to HK$931,548,000, accounting for approximately 8.9% of the Group's total revenue (2012 first half: 8.9%). Due to the decline in costs of major raw materials such as sugar and palm oil during the period, the gross profit margin of the Group's snacks business increased to approximately 42.6% (2012 first half: 37.9%). In the second half of 2013, the Group will continue to commit resources to enriching its product portfolio so that it will be able to cater to the different tastes of consumers, and boost the revenue growth of its snack business.

Liquidity, Financial Resources and Bank Loans

The Group maintained a solid financial position. On 27 June 2013, the Company completed the issue of HK$5,434,000,000 zero-coupon convertible bonds due 2018. The Directors intended to use the net proceeds to finance the capital expenditure of the Group, refinance a portion of the Group's bank borrowings and for working capital and general corporate purposes. As such proceed was yet to be used to refinance bank borrowings, the Group's cash and borrowings increased significantly as of 30 June 2013.

As of 30 June 2013, the Group's cash and bank balances, long-term bank deposits and restricted bank deposits amounted to approximately HK$21,213,429,000 in total (31 December 2012: HK11,452,149,000); convertible bonds liability portion amounted to approximately HK$5,147,422,000 (31 December 2012: nil), and bank borrowings amounted to approximately HK$14,649,809,000 (31 December 2012: HK$11,227,796,000). As at 30 June 2013, the Group's gross gearing ratio was approximately 128.5% (2012: 79.8%), 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). The net gearing ratio, which was calculated on the basis of the amount of borrowings less cash and bank balances and long-term time deposits as a percentage of the shareholders' equity (not including non-controlling interests), was negative 8.8% (2012: negative 1.1%) as the Group was in a net cash position.

Looking ahead, Mr. Sze said, "As people's awareness of personal hygiene continues to increase, demand for high-quality hygiene products is set to rise. Looking ahead to the second half of 2013, the Group will continue to strengthen product promotion and tap markets with potential for growth, so as to meet the market's growing demand. Meanwhile, the Group will continue to improve its product quality and at the same time improve management efficiency in order to increase its overall competitiveness, brand influence and market share. In addition, the Group will continue to monitor closely the price trends of raw materials and promptly optimize its product mix according to the changes in the market with a view to improving its gross profit margin. With its solid business foundation, brand equity and nationwide distribution network, the Group is confident of maintaining its leading position in mainland China's personal hygiene product market. It will strive for consistent growth of its business and greater shareholder value."

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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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