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 2015
FINANCIAL SUMMARY

	Unaudited		
	2015	2014	% of
	HK$'000	*HK$'000*	change
Revenue	**12,503,223**	12,098,064	3.3%
Operating profit	**2,884,543**	2,650,479	8.8%
Profit attributable to shareholders	**1,967,832**	1,775,303	10.8%
Gross profit margin	**46.5%**	44.9%	
Earnings per share			
— Basic	**HK$1.607**	HK$1.443	
— Diluted	**HK$1.603**	HK$1.441	
Finished goods turnover	**42 days**	49 days	
Trade receivables turnover	**37 days**	34 days	
Rate of return (annualised)	**21.6%**	21.4%	

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 interim condensed consolidated statement of income, the unaudited interim condensed consolidated statement of comprehensive income, the unaudited interim condensed consolidated statement of changes in equity and the unaudited interim condensed consolidated statement of cash flow of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015, and the unaudited interim condensed consolidated balance sheet of the Group as at 30 June 2015, 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.

* *For identification purposes only*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2015

		Unaudited	
		Six months ended 30 June	
		2015	2014
	Note	***HK$'000***	*HK$'000*
Revenue	*6*	**12,503,223**	12,098,064
Cost of goods sold		**(6,685,821)**	(6,664,224)
Gross profit		**5,817,402**	5,433,840
Other income and other gains – net		**429,349**	477,291
Distribution costs		**(2,464,109)**	(2,567,835)
Administrative expenses		**(898,099)**	(692,817)
Operating profit		**2,884,543**	2,650,479
Finance income		**117,907**	60,587
Finance costs		**(346,241)**	(361,331)
Finance costs – net		**(228,334)**	(300,744)
Profit before income tax	*7*	**2,656,209**	2,349,735
Income tax expense	*8*	**(667,547)**	(549,079)
Profit for the period		**1,988,662**	1,800,656
Profit attributable to:			
Shareholders of the Company		**1,967,832**	1,775,303
Non-controlling interests		**20,830**	25,353
		1,988,662	1,800,656
Earnings per share for profit attributable to shareholders of the Company			
— Basic	*9*	**HK$1.607**	HK$1.443
— Diluted	*9*	**HK$1.603**	HK$1.441
Dividends	*10*	**1,163,193**	1,042,779

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Unaudited Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Profit for the period	**1,988,662**	1,800,656
Other comprehensive income:		
Items that may be reclassified to profit or loss		
— Currency translation differences	**12,873**	(202,777)
Total comprehensive income for the period	**2,001,535**	1,597,879
Attributable to:		
Shareholders of the Company	**1,980,511**	1,576,197
Non-controlling interests	**21,024**	21,682
Total comprehensive income for the period	**2,001,535**	1,597,879

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2015

	Note	Unaudited 30 June 2015 HK$'000	Audited 31 December 2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**8,916,707**	8,861,823
Construction-in-progress	11	**1,599,424**	1,383,631
Investment properties	11	**236,367**	238,994
Land use rights	11	**1,099,694**	1,112,353
Intangible assets	11	**597,369**	603,522
Prepayments for non-current assets		**302,071**	356,534
Deferred income tax assets		**165,625**	217,229
Long-term bank deposits	13	**951,052**	1,096,463
		13,868,309	13,870,549
Current assets			
Inventories		**3,774,438**	3,694,833
Trade and bills receivables	12	**2,678,364**	2,455,109
Other receivables, prepayments and deposits		**973,335**	1,219,729
Tax recoverable		**71,053**	–
Derivative financial instruments		**35,457**	–
Restricted bank deposits	13	**32,135**	39,700
Cash and bank balances	13	**21,909,677**	21,296,676
		29,474,459	28,706,047
Total assets		**43,342,768**	42,576,596
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the company			
Share capital	17	**122,441**	122,438
Other reserves		**4,993,746**	4,815,132
Retained earnings			
— Proposed dividend		**1,163,193**	1,408,042
— Unappropriated retained earnings		**11,968,154**	11,292,028
		18,247,534	17,637,640
Non-controlling interests		**446,443**	425,419
Total equity		**18,693,977**	18,063,059

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*
As at 30 June 2015

	Note	**Unaudited 30 June 2015** *HK$'000*	Audited 31 December 2014 *HK$'000*
LIABILITIES			
Non-current liabilities			
Convertible bonds	*16*	**5,473,735**	5,390,267
Deferred income tax liabilities		**193,737**	136,855
		5,667,472	5,527,122
Current liabilities			
Trade payables	*14*	**2,428,093**	2,299,705
Other payables and accrued charges		**1,617,244**	1,431,641
Current income tax liabilities		**–**	90,682
Bank borrowings	*15*	**14,935,982**	15,164,387
		18,981,319	18,986,415
Total liabilities		**24,648,791**	24,513,537
Total equity and liabilities		**43,342,768**	42,576,596

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Unaudited					
	Attributable to shareholders of the Company					
	Share capital *HK$'000*	Other reserves *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2014	123,138	4,521,293	11,889,165	16,533,596	385,070	16,918,666
Profit for the period	–	–	1,775,303	1,775,303	25,353	1,800,656
Currency translation differences	–	(199,106)	–	(199,106)	(3,671)	(202,777)
Total comprehensive income	–	(199,106)	1,775,303	1,576,197	21,682	1,597,879
Transactions with owners						
2013 final dividends paid	–	–	(1,228,234)	(1,228,234)	–	(1,228,234)
Buy-back of shares	(458)	(133,356)	(227,749)	(361,563)	–	(361,563)
Share-based compensation						
— Value of employee services	–	40,385	–	40,385	–	40,385
Total of transactions with owners	(458)	(92,971)	(1,455,983)	(1,549,412)	–	(1,549,412)
Appropriation to statutory reserves	–	408,804	(408,804)	–	–	–
Balance at 30 June 2014	122,680	4,638,020	11,799,681	16,560,381	406,752	16,967,133
Balance at 1 January 2015	**122,438**	**4,815,132**	**12,700,070**	**17,637,640**	**425,419**	**18,063,059**
Profit for the period	**–**	**–**	**1,967,832**	**1,967,832**	**20,830**	**1,988,662**
Currency translation differences	**–**	**12,679**	**–**	**12,679**	**194**	**12,873**
Total comprehensive income	**–**	**12,679**	**1,967,832**	**1,980,511**	**21,024**	**2,001,535**
Transactions with owners						
2014 final dividends paid	**–**	**–**	**(1,408,075)**	**(1,408,075)**	**–**	**(1,408,075)**
Share-based compensation						
— Value of employee services	**–**	**35,511**	**–**	**35,511**	**–**	**35,511**
— Proceeds from shares issued	**3**	**1,944**	**–**	**1,947**	**–**	**1,947**
Total of transactions with owners	**3**	**37,455**	**(1,408,075)**	**(1,370,617)**	**–**	**(1,370,617)**
Appropriation to statutory reserves	**–**	**128,480**	**(128,480)**	**–**	**–**	**–**
Balance at 30 June 2015	**122,441**	**4,993,746**	**13,131,347**	**18,247,534**	**446,443**	**18,693,977**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2015

	Unaudited Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Cash flows from operating activities		
Cash generated from operations	**3,206,487**	3,251,940
Income tax paid	**(720,638)**	(687,948)
Net cash generated from operating activities	**2,485,849**	2,563,992
Cash flows from investing activities		
Purchase of property, plant and equipment, including additions of construction-in-progress	**(576,717)**	(433,024)
Additions of land use rights	**(1,946)**	(49,615)
Additions of intangible assets	**(534)**	(35,032)
Proceeds on disposal of property, plant and equipment and land use rights	**3,957**	13,207
Decrease/(increase) in prepayments for non-current assets	**54,468**	(43,260)
Decrease in restricted bank deposits	**7,561**	8,843
(Increase)/decrease in long-term and short-term bank deposits	**(289,940)**	1,053,235
Interest received	**355,318**	380,645
Net cash (used in)/generated from investing activities	**(447,833)**	894,999
Cash flows from financing activities		
Proceeds from bank borrowings	**9,353,382**	8,449,123
Repayment of bank borrowings	**(9,588,604)**	(5,509,623)
Interest paid	**(183,592)**	(145,401)
Dividends paid	**(1,408,075)**	(1,228,234)
Dividends paid to non-controlling interests	**(49,269)**	(66,296)
Proceeds from shares issued under the employee share option scheme	**1,947**	–
Buy-back of shares	**–**	(361,563)
Net cash (used in)/generated from financing activities	**(1,874,211)**	1,138,006
Net increase in cash and cash equivalents	**163,805**	4,596,997
Cash and cash equivalents at 1 January	**11,062,484**	10,711,251
Effect of foreign exchange rate changes	**8,835**	(22,434)
Cash and cash equivalents at 30 June	**11,235,124**	15,285,814

Notes to the interim condensed consolidated financial information
For the six months ended 30 June 2015

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 and food and snack 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 P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, British West Indies, Cayman Islands.

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

This interim condensed consolidated financial information is presented in units of thousands HK dollars (HK$'000), unless otherwise stated.

2. Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting". The interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. Accounting policies

The accounting policies adopted are consistent with those of the annual consolidated financial statements of the Group for the year ended 31 December 2014, as described in the annual consolidated financial statements.

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

3. **Accounting policies** *(Continued)*

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2015.

- Annual improvements 2012 include changes from the 2010-2012 cycle of the annual improvements project, that affect 7 standards, only the below are effective for relevant transactions on or after 1 July 2014:

  Amendment to HKFRS 2 'Share-based payment' clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

  Amendments to HKFRS 3 'Business combinations', and consequential amendments to HKFRS 9 'Financial instruments', HKAS 37 'Provisions, contingent liabilities and contingent assets', and HKAS 39 'Financial instruments – Recognition and measurement' clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in HKAS 32 'Financial instruments: Presentation'. All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

  Amendments to HKFRS 8 'Operating segments' requires disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

  Amendments to HKAS 16 'Property, plant and equipment' and HKAS 38 'Intangible assets' clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

  Amendment to HKAS 24 'Related Party Disclosures' does not require the reporting entity to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but requires to disclose the amounts charged to the reporting entity by the management entity for services provided.

  The Group assessed the adoption of this standard and concluded that it did not have a significant impact on the Group's results and financial position.

3. **Accounting policies** *(Continued)*

(a) ***New and amended standards adopted by the Group*** *(Continued)*

- Annual improvements 2013 include the following changes from the 2011-2013 cycle of the annual improvements project, are effective for annual periods beginning on or after 1 July 2014:

  Amendment to HKFRS 3 'Business combinations' clarifies that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

  Amendment to HKFRS 13 'Fair value measurement' clarifies that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.

  Amendment to HKAS 40 'Investment property' requires preparers also need to refer to the guidance in HKFRS 3 to determine whether the acquisition of an investment property is a business combination.

  The Group assessed the adoption of this standard and concluded that it did not have a significant impact on the Group's results and financial position.

(b) ***Standards, amendments and interpretations to existing standards effective in 2015 but not relevant to the Group***

- Amendment to HKAS 19 regarding defined benefit plans.

(c) ***The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted***

- HKFRS 14 'Regulatory Deferral Accounts', effective for annual periods beginning on or after 1 January 2016.

- Amendments to HKAS 16 and HKAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation', effective for annual periods beginning on or after 1 January 2016.

- Amendments to HKFRS 10, HKFRS 12 and HKAS 28 'Investment Entities: Applying the Consolidation Exception', effective for annual periods beginning on or after 1 January 2016.

- Amendments to HKAS 1 'Disclosure Initiative', effective for annual periods beginning on or after 1 January 2016.

3. **Accounting policies** *(Continued)*

(c) ***The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted*** *(Continued)*

- Annual improvements 2014 that affect following standards: HKFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', HKFRS 7 'Financial instruments: Disclosures', HKAS 19 'Employee Benefits' and HKAS 34 'Interim Financial Reporting', effective for annual periods beginning on or after 1 January 2016.

- HKFRS 15 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2018.

- HKFRS 9 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. **Estimates**

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2014.

5. **Financial risk management**

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2014.

There have been no changes in the risk management policies since year end.

5. Financial risk management *(Continued)*

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *HK$'000*	Between 2 and 3 years *HK$'000*	Between 3 and 5 years *HK$'000*	Total *HK$'000*
At 30 June 2015 (unaudited)				
Bank borrowings	**14,935,982**	**–**	**–**	**14,935,982**
Convertible bonds	**–**	**6,002,396**	**–**	**6,002,396**
Interest payables of bank borrowings	**214,719**	**–**	**–**	**214,719**
Trade and other payables	**3,577,330**	**–**	**–**	**3,577,330**
	18,728,031	**6,002,396**	**–**	**24,730,427**
At 31 December 2014 (audited)				
Bank borrowings	15,164,387	–	–	15,164,387
Convertible bonds	–	–	6,002,396	6,002,396
Interest payables of bank borrowings	185,163	–	–	185,163
Trade and other payables	3,423,364	–	–	3,423,364
	18,772,914	–	6,002,396	24,775,310

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5. **Financial risk management** *(Continued)*

5.3 Fair value estimation *(Continued)*

The following table presents the Group's financial instruments that are measured at fair value at 30 June 2015.

	Unaudited 30 June 2015 Level 2 *HK$'000*	Audited 31 December 2014 Level 2 *HK$'000*
Financial assets at fair value through profit or loss		
— Derivative financial instruments	**35,457**	–

During the six months ended 30 June 2015, there are no significant transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments, and also no significant changes in the reclassification of financial assets.

Level 2 trading derivatives comprise forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. The effects of discounting are generally insignificant for Level 2.

5.4 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount as at the balance sheet date:

- Trade and bill receivables
- Other receivables and deposits
- Long-term bank deposits
- Restricted bank deposits
- Cash and bank balances
- Trade payables
- Other payables and accrued charges
- Bank borrowings
- Convertible bonds

6. 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 annual consolidated financial statements.

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; and

- food and snacks products

Sales between segments are carried out on terms mutually agreed amongst these business segments. Revenue from external parties reported to the Executive Directors are measured in a manner consistent with that in the income statement.

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.

The amounts provided to the Executive Directors with respect to total assets and liabilities are measured in a manner consistent with those of the financial statements. These assets and liabilities are allocated based on the operations of the segment.

Additions to non-current assets comprise additions to property, plant and equipment, construction-in-progress, land use rights, intangible assets and prepayments 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.

6. Segment information *(Continued)*

The segment information for the six months ended 30 June 2015 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*	**Others** *HK$'000*	**Group** *HK$'000*
Consolidated income statement for the six months ended 30 June 2015						
Segment revenue	**3,751,426**	**1,512,617**	**5,703,748**	**869,967**	**1,145,447**	**12,983,205**
Inter-segment sales	**(30,924)**	**(3,205)**	**(187,454)**	**–**	**(258,399)**	**(479,982)**
Revenue of the Group	**3,720,502**	**1,509,412**	**5,516,294**	**869,967**	**887,048**	**12,503,223**
Segment profit	**1,605,376**	**300,114**	**553,985**	**35,091**	**4,044**	**2,498,610**
Unallocated costs						**(43,416)**
Other income and other gains – net						**429,349**
Operating profit						**2,884,543**
Finance income						**117,907**
Finance costs						**(346,241)**
Profit before income tax						**2,656,209**
Income tax expense						**(667,547)**
Profit for the period						**1,988,662**
Non-controlling interests						**(20,830)**
Profit attributable to shareholders of the Company						**1,967,832**
Other items for the six months ended 30 June 2015						
Addition to non-current assets	**229,556**	**13,991**	**327,656**	**6,842**	**83,683**	**661,728**
Depreciation charge	**77,818**	**21,152**	**251,291**	**25,611**	**12,737**	**388,609**
Amortisation charge	**5,583**	**854**	**8,476**	**6,323**	**440**	**21,676**
Consolidated balance sheet as at 30 June 2015						
Segment assets	**9,852,104**	**6,226,488**	**20,145,286**	**1,335,263**	**5,223,966**	**42,783,107**
Deferred income tax assets						**165,625**
Tax recoverable						**71,053**
Unallocated assets						**322,983**
Total assets						**43,342,768**
Segment liabilities	**2,686,356**	**973,308**	**6,539,877**	**219,907**	**2,041,388**	**12,460,836**
Deferred income tax liabilities						**193,737**
Unallocated liabilities						**11,994,218**
Total liabilities						**24,648,791**

6. Segment information *(Continued)*

The segment information for the six months ended 30 June 2014 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*	Others *HK$'000*	Group *HK$'000*
Consolidated income statement for the six months ended 30 June 2014						
Segment revenue	3,632,572	1,556,486	5,799,257	946,735	683,052	12,618,102
Inter-segment sales	(46,480)	(10,429)	(161,549)	–	(301,580)	(520,038)
Revenue of the Group	3,586,092	1,546,057	5,637,708	946,735	381,472	12,098,064
Segment profit	1,435,969	263,618	463,140	46,153	12,537	2,221,417
Unallocated costs						(48,229)
Other income and other gains – net						477,291
Operating profit						2,650,479
Finance income						60,587
Finance costs						(361,331)
Profit before income tax						2,349,735
Income tax expense						(549,079)
Profit for the period						1,800,656
Non-controlling interests						(25,353)
Profit attributable to shareholders of the Company						1,775,303
Other items for the six months ended 30 June 2014						
Addition to non-current assets	75,766	126,298	417,641	16,604	92,634	728,943
Depreciation charge	54,725	19,009	240,513	25,657	11,145	351,049
Amortisation charge	3,800	896	8,657	5,989	630	19,972
Consolidated balance sheet as at 30 June 2014						
Segment assets	8,606,829	6,719,508	20,901,537	1,278,923	4,897,320	42,404,117
Deferred income tax assets						279,062
Unallocated assets						651,472
Total assets						43,334,651
Segment liabilities	1,384,262	578,984	7,425,487	301,317	325,880	10,015,930
Deferred income tax liabilities						184,153
Current income tax liabilities						239,730
Unallocated liabilities						15,927,705
Total liabilities						26,367,518

7. Profit before income tax

Profit before income tax is stated after crediting and charging the following:

	Unaudited Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Crediting		
Government grant income	**246,815**	249,417
Interest income from long-term and short-term bank deposits	**198,561**	272,604
Interest income from cash and cash equivalents	**117,907**	60,587
Net gain on derivative financial instruments	**35,371**	18,432
Charging		
Depreciation of property, plant and equipment *(Note 11)*	**385,898**	351,049
Depreciation of investment properties *(Note 11)*	**2,711**	–
Amortisation of land use rights *(Note 11)*	**14,979**	13,818
Amortisation of intangible assets *(Note 11)*	**6,697**	6,154
Employee benefit expense, including directors' emoluments	**994,829**	951,357
Loss on disposal of property, plant and equipment	**3,184**	14,946
Operating lease rentals	**55,771**	52,415
Provision for impairment of trade receivables	**32,528**	426
Provision for decline in value of inventories	**7,393**	7,816
Exchange loss from operating activities – net	**54,001**	53,806
Exchange loss from financing activities – net	**85,470**	123,650
Interest expenses on bank borrowings, before deducting interest expenses of HK$12,377,000 (2014: HK$10,852,000) capitalized in construction-in-progress	**177,027**	157,348
Interest expenses on convertible bonds	**83,468**	80,942
Miscellaneous taxes and levies	**84,979**	87,704

8. Income tax expense

	Unaudited Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**4,490**	63,917
— PRC income tax	**554,769**	592,203
Deferred income tax, net	**108,288**	(107,041)
Income tax expense	**667,547**	549,079

8. Income tax expense *(Continued)*

Hong Kong profits tax has been provided for at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits of the Group's companies in Hong Kong for the period.

Taxation on PRC income has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the PRC in which the Group operates. The Company's subsidiaries incorporated in the PRC are subject to Corporate Income Tax ("CIT") at the rate of 25%. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

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.

The profits of the PRC subsidiaries of the Group derived since 1 January 2008 are subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors. Deferred income tax liabilities of approximately HK$49,657,000 (2014: HK$81,006,000) for the six months ended 30 June 2015 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.

9. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the Group's profit attributable to shareholders of the Company of HK$1,967,832,000 (2014: HK$1,775,303,000) by the weighted average number of 1,224,407,144 (2014: 1,230,449,472) ordinary shares in issue during the period.

	Unaudited Six months ended 30 June 2015	2014
Basic		
Profit attributable to shareholders of the Company (HK$'000)	**1,967,832**	1,775,303
Weighted average number of ordinary shares in issue (thousands)	**1,224,407**	1,230,449
Basic earnings per share (HK$)	**HK$1.607**	HK$1.443

9. Earnings per share *(Continued)*

(b) Diluted

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 has two categories of dilutive potential ordinary shares: convertible bonds and share options. The Company's share options are regarded as dilutive potential ordinary shares while convertible bonds have no dilutive effect on the earnings per share as at 30 June 2015. 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 2015) 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.

	Unaudited	
	Six months ended 30 June	
	2015	2014
Diluted		
Profit attributable to shareholders of the Company (HK$'000)	**1,967,832**	1,775,303
Weighted average number of ordinary shares in issue (thousands)	**1,224,407**	1,230,449
Adjusted for:		
— Share options (thousands)	**3,073**	1,762
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,227,480**	1,232,211
Diluted earnings per share (HK$)	**HK$1.603**	HK$1.441

10. Dividends

	Unaudited Six months ended 30 June 2015 *HK$'000*	2014 *HK$'000*
Proposed interim dividend of HK$0.95 (2014: HK$0.85) per share	**1,163,193**	1,042,779

A final dividend of HK$1,408,075,000 (2014: HK$1,228,234,000) related to the year ended 31 December 2014 was paid in May 2015.

An interim dividend of HK$0.95 (2014: HK$0.85) per share was proposed by the Board of Directors on 25 August 2015. This interim dividend, amounting to HK$1,163,193,000 (2014: HK$1,042,779,000) has not been recognised as a liability in this interim financial information.

11. Capital expenditure – net book value

	Unaudited				
	Property, plant and equipment *HK$'000*	Investment properties *HK$'000*	Construction-in-progress *HK$'000*	Land use rights *HK$'000*	Intangible assets *HK$'000*
At 1 January 2014	8,627,200	–	1,204,372	1,105,298	581,150
Additions	80,200	–	598,825	49,615	303
Transfer from construction-in-progress	237,205	–	(271,934)	–	34,729
Disposals	(28,153)	–	–	–	–
Depreciation/amortisation	(351,049)	–	–	(13,818)	(6,154)
Currency translation differences	(81,807)	–	(11,658)	(10,209)	(115)
At 30 June 2014	8,483,596	–	1,519,605	1,130,886	609,913
At 1 January 2015	**8,861,823**	**238,994**	**1,383,631**	**1,112,353**	**603,522**
Additions	**76,870**	**–**	**582,378**	**1,946**	**534**
Transfer from construction-in-progress	**367,587**	**–**	**(367,587)**	**–**	**–**
Disposals	**(7,141)**	**–**	**–**	**–**	**–**
Depreciation/amortisation	**(385,898)**	**(2,711)**	**–**	**(14,979)**	**(6,697)**
Currency translation differences	**3,466**	**84**	**1,002**	**374**	**10**
At 30 June 2015	**8,916,707**	**236,367**	**1,599,424**	**1,099,694**	**597,369**

The Group's investment properties are stated at historical cost at the end of each reporting period.

12. Trade and bills receivables

	Unaudited 30 June 2015 *HK$'000*	Audited 31 December 2014 *HK$'000*
Trade receivables	**2,624,244**	2,426,291
Bills receivables	**91,586**	35,169
	2,715,830	2,461,460
Less: provision for impairment	**(37,466)**	(6,351)
Trade and bills receivables, net	**2,678,364**	2,455,109

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

	Unaudited 30 June 2015 *HK$'000*	Audited 31 December 2014 *HK$'000*
Within 30 days	**1,063,736**	1,163,679
31 to 180 days	**1,535,250**	1,212,946
181 to 365 days	**80,900**	54,309
Over 365 days	**35,944**	30,526
	2,715,830	2,461,460

There is no concentration of credit risk with respect to trade and bills receivables as the Group has a large number of customers. 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 approximated their fair values as at the balance sheet date.

13. Long-term bank deposits, restricted bank deposits, and cash and bank balances

	Unaudited 30 June 2015 *HK$'000*	Audited 31 December 2014 *HK$'000*
Long-term bank deposits		
Term deposits with initial term over one year	**951,052**	1,096,463
Restricted bank deposits	**32,135**	39,700
Cash and bank balances		
— Term deposits with initial term over three months and within one year	**10,674,553**	10,234,192
— Cash and cash equivalents	**11,235,124**	11,062,484
	21,909,677	21,296,676
Total cash and bank balances	**22,892,864**	22,432,839

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

14. Trade payables

The ageing analysis of trade payables is as follows:

	Unaudited 30 June 2015 *HK$'000*	Audited 31 December 2014 *HK$'000*
Within 30 days	**1,461,960**	1,577,367
31 to 180 days	**931,722**	694,510
181 to 365 days	**17,330**	9,388
Over 365 days	**17,081**	18,440
	2,428,093	2,299,705

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

15. Bank borrowings

	Unaudited 30 June 2015 *HK$'000*	Audited 31 December 2014 *HK$'000*
Current		
Trust receipt bank loans	**1,756,542**	1,290,496
Current portion of long-term bank loans – unsecured	**110,085**	1,069,784
Short-term bank loans – unsecured	**13,069,355**	12,804,107
Total bank borrowings	**14,935,982**	15,164,387

As at 30 June 2015, the effective interest rate of the Group's bank borrowings was approximately 2.37% (31 December 2014: 1.82%) per annum.

Movements in bank borrowings are analysed as follows:

	Unaudited ***HK$'000***
At 1 January 2014	14,192,557
New bank borrowings	8,449,123
Repayments of bank borrowings	(5,509,623)
Currency translation differences	(56,637)
At 30 June 2014	17,075,420
At 1 January 2015	**15,164,387**
New bank borrowings	**9,353,382**
Repayments of bank borrowings	**(9,588,604)**
Currency translation differences	**6,817**
At 30 June 2015	**14,935,982**

16. Convertible bonds

	Unaudited 30 June 2015 *HK$'000*	Audited 31 December 2014 *HK$'000*
Fair value of convertible bonds issued on 27 June 2013	**5,434,000**	5,434,000
Issuing expenses	**(110,013)**	(110,013)
Equity component	**(176,565)**	(176,565)
Liability component on initial recognition on 27 June 2013	**5,147,422**	5,147,422
Accumulated finance costs	**326,313**	242,845
Liability component	**5,473,735**	5,390,267

On 27 June 2013, the Company issued zero-coupon convertible bonds which will be due on 27 June 2018 (the "maturity date"), in the aggregate principal amount of HK$5,434 million with an initial conversion price of HK$120.0825 per ordinary share of the Company (subject to adjustment). Unless previously redeemed, converted, purchased or cancelled (subject to redemption conditions), these bonds will be redeemed at 110.46 per cent of their principal amount on the maturity date.

The fair values of the liability component and the equity conversion component were determined upon the issuance of the convertible bonds.

The fair value of the liability component was calculated using a market interest rate of 2.7% for an equivalent non-convertible bond. The residual amount, representing the value of equity conversion component, is included in shareholders' equity in other reserves.

The fair value of the convertible bonds approximated its carrying amount as at 30 June 2015.

From 27 June 2013 to 30 June 2015, no bond holders have converted their bonds into ordinary shares of the Company.

17. Share capital

	Authorised share capital Ordinary shares of HK$0.10 each	
	Number of shares	*HK$'000*
At 1 January 2014 to 30 June 2015	**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 2014	1,231,384,721	123,138
Buy-back of shares	(4,585,500)	(458)
At 30 June 2014	1,226,799,221	122,680
At 1 January 2015	**1,224,384,721**	**122,438**
Share-based compensation — Proceeds from shares issued	**28,500**	**3**
At 30 June 2015	**1,224,413,221**	**122,441**

18. Capital commitments

	Unaudited 30 June 2015 *HK$'000*	Audited 31 December 2014 *HK$'000*
Contracted but not provided for in respect of:		
Machinery and equipment	**628,590**	786,841
Leasehold land and buildings	**324,940**	297,085
	953,530	1,083,926
Authorised but not contracted in respect of:		
Leasehold land and buildings	**–**	27,887
Total capital commitment	**953,530**	1,111,813

19. Contingent liabilities

At 30 June 2015, the Group had no material contingent liabilities (31 December 2014: Nil).

20. Significant related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to 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 the following significant related party transactions:

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Purchases from Weifang Hengan Thermal Power Co., Ltd. ("Weifang Power")		
— electricity energy	**63,418**	68,583
— heat energy	**42,435**	43,961
	105,853	112,544

Pursuant to agreements between a wholly-owned subsidiary of the Company and Weifang Power, an electricity company, the Group purchased electricity energy and heat energy from Weifang Power in the ordinary course of business and in accordance with the terms of the underlying agreements. Weifang Power is beneficially owned by Mr. Sze Wong Kim, an executive director, and a son of Mr. Hui Lin Chit, an executive director and a substantial shareholder of the Company. The latter is also an elder brother of Mr. Hui Ching Chi, an executive director of the Company.

(b) For the six months ended 30 June 2015, the key management compensation amounted to approximately HK$9,152,000 (2014: HK$8,740,000).

21. Events occurring after the balance sheet date

Details of the interim dividend proposal are described in Note 10.

BUSINESS REVIEW

The world sustained a moderate economic growth in the first half of 2015, with advanced economies gradually picking up but emerging markets and developing economies slowing down. In China, the economy expanded steadily but at its slowest pace since the global financial crisis in 2009. According to data from the National Bureau of Statistics of China, the country's gross domestic product increased by approximately 7.0% to approximately RMB29,686.8 billion.

For the six months ended 30 June 2015, as adversely affected by the China economic slowdown, intensified market competition, and the tight cashflow and overstocking issues encountered by some distributors, the Group's revenue increased only by about 3.3% to approximately HK$12,503,223,000 (2014 first half: HK$12,098,064,000). In the second half of the year, with the launch of new and upgraded products nationwide and change of sales strategy by stepping up marketing and brand promotion on certain products appropriately, together with the mitigation of overstocking issue of some distributors, the Group expected to see improvement in sales performance. Besides, the Group increased its investment in e-commerce channel during the period. Although its contribution to the total revenue remains small at this stage, the growth of sales in this channel during the period was strong. In the future, the Group will continue investing in this aspect and adopt an "all-channel-coverage" strategy.

During the period, operating profit rose by about 8.8% to around HK$2,884,543,000 (2014 first half: HK$2,650,479,000). Profit attributable to shareholders grew by about 10.8% to approximately HK$1,967,832,000 (2014 first half: HK$1,775,303,000). The Board of Directors declared an interim dividend of HK$0.95 (2014 first half: HK$0.85) per share.

Benefited from the positive impact of optimized product portfolio, enhanced economies of scale and decline in raw material prices, which offset the negative impact of intensified market competition, the gross profit margin of the Group increased to approximately 46.5% (2014 first half: 44.9%). Distribution costs and administrative expenses as a percentage of Group's total revenue was approximately 26.9% (2014 first half: 27.0%) which remained fairly stable when compared with that of previous period.

Sanitary Napkin

Accelerating urbanization and rising living standard continue to boost demand for high-grade sanitary napkins. Nevertheless, during the period, the slower economic growth hurt the demand for pantiliners, which are not regarded as daily necessities in the China market. In addition, the tight cashflow and overstocking issues encountered by some distributors also limited the Group's revenue growth during the first half of the year.

During the period, the revenue of the sanitary napkin business grew only by approximately 3.7% to approximately HK$3,720,502,000, which accounted for around 29.8% of the total revenue (2014 first half: 29.6%). The gross profit margin of sanitary napkin business rose to approximately 71.4% (2014 first half: 66.9%), supported by the optimized product portfolio and a decline in the prices of major raw materials, petrochemical products, since last year.

Moving on to the second half of 2015, the Group expects to see improvement in sales performance as it launched a number of new and upgraded products nationwide, stepped up marketing and brand promotion on certain products appropriately, with the distributors' inventory level gradually returns to a reasonable level. The Group will continue to focus on innovating its products, optimizing the product mix and increasing the sales of mid-to-high-end and high-end products in order to satisfy the market's changing demands.

Tissue Paper

Mainland China's market for high-quality tissue paper was expanding on the back of rising living standard and the Chinese people's increasing awareness of health and hygiene. China's tissue paper consumption per capita still lags behind that of developed countries, implying enormous market potential. However, overall overcapacity in the industry and fierce competition continued to affect the growth rate of the Group's tissue paper business. The Group's tissue paper sales were sluggish and decreased slightly by approximately 2.2% to approximately HK$5,516,294,000, accounting for approximately 44.1% (2014 first half: 46.6%) of the Group's total revenue.

In the second half of the year, the Group changed sales strategy by stepping up marketing and brand promotion on certain products appropriately and launched various new packaging quality products nationwide such that sales performance is expected to improve in the second half of 2015.

Gross profit margin increased to approximately 36.2% (2014 first half: 33.2%) as the decrease in price of tissue wood pulp, a major raw material, offset the impact of such unfavourable factors as intense market competition and overcapacity.

The Group's current annualized production capacity is 1,020,000 tons. The Group will increase its production capacity according to market conditions and sales performance in the future.

Disposable Diapers

China's urbanization and the people's increasing awareness of personal hygiene continue to boost the demand for diaper products. The market penetration rate of disposable diaper products is still low in the country as many Chinese people do not regard diapers as daily necessities, implying potential for further growth in the market for such products. However, during the period, China's economic slowdown and the intense competition caused by the entry of a large number of manufacturers into the market affected the sales growth of the Group.

During the period, the Group continued to proactively expand its business presence by gaining footholds in e-commerce and maternity store sales channels and focus on mid-to-high-end diaper products. Sales of mid-to-high-end disposable diapers increased by approximately 31.1%, reflecting an increase in market demand for these products. However, due to the China economic slowdown and persistent market competition, sales of low-end diapers (i.e. simplified diapers) and mid-end diapers decreased by approximately 20.5% and 20.1% respectively. Overall, revenue from the sales of diapers for the period dropped slightly by approximately 2.4% to approximately HK$1,509,412,000, accounting for approximately 12.1% (2014 first half: 12.8%) of the Group's total revenue.

The optimized product portfolio proved to be effective. This coupled with the drop in prices of major raw materials, petrochemical products, since 2014 boosted the gross profit margin to 47.3% (2014 first half: 44.2%).

The Group will enhance marketing and brand promotion on certain products appropriately and continue to expand its business presence in e-commerce and maternity store sales channels with the aim of improving sales performance in the second half of 2015.

Food and Snacks Products

As the snack products of the Group are not daily necessities, their sales are affected by the economic slowdown. During the period, sales of food and snacks products decreased by about 8.1% to approximately HK$869,967,000, accounting for approximately 7.0% (2014 first half: 7.8%) of the Group's total revenue. The decline in the costs of major raw materials such as palm oil and packaging materials offset the negative impact of intense market competition. As such, the gross profit margin of this business remained fairly stable at approximately 44.1% (2014 first half: 43.6%).

As quality of living in China improves, the Group believes that the snack business will keep booming in the long term. In the second half of 2015, the Group will continue to commit resources to enriching its product portfolio in order to cater to the different tastes of consumers.

First Aid Products

Sales of first-aid products under the brands of "Banitore"and"Bandi"amounted to approximately HK$19,125,000 (2014 first half: HK$20,429,000). The business only accounted for approximately 0.2% (2014 first half: 0.2%) of the Group's total revenue, and did not have any significant impact on the Group's overall results.

Appointment of Professional Consultants

As mentioned in 2014 annual report, in order to further optimize the operation process of the Group's supply chain, logistics networks, inventory management and information technology planning, the Group appointed IBM (China) Co., Ltd. to give professional advice on the above aspects. In addition, the Group signed a contract with SAP (Beijing) Software Systems Co., Ltd. to use the latter's software to support the evolving business in the future. The Group is currently conducting a trial run of the system in some provinces and the whole enhancement programme is expected to be completed by the second half of 2016.

Product Research and Development

As the first enterprise in the mainland's tissue paper industry to have been awarded the title of the Enterprise Technology Centre with State Accreditation, the Group continued to allocate more resources to product research and development during the period with the aim of enhancing efficiency and of developing more value-added products to meet consumers' higher requirements. The move will strengthen the Group's leading position in the personal hygiene product industry.

Liquidity, Financial Resources and Bank Loans

The Group maintained a solid financial position. As at 30 June 2015, the Group's cash and bank balances, long-term bank deposits and restricted bank deposits amounted to approximately HK$22,892,864,000 in total (31 December 2014: HK$22,432,839,000); the liability component of convertible bonds amounted to approximately HK$5,473,735,000 (31 December 2014: HK$5,390,267,000), and bank borrowings amounted to approximately HK$14,935,982,000 (31 December 2014: HK$15,164,387,000).

The net proceeds from the issuance of convertible bonds in June 2013 were approximately HK$5,324 million, of which approximately HK$3,510 million was used for repayment of bank borrowings, approximately HK$442 million was invested in subsidiaries, approximately HK$302 million was used for share repurchases, approximately HK$551 million was used to pay dividends, approximately HK$358 million was placed as fixed deposits and approximately HK$161 million was used for general working capital purposes.

The convertible bonds were subject to a fixed interest rate of 2.7% while the bank borrowings were subject to floating annual interest rates ranging from approximately 0.4% to 5.2% (2014 first half: from 1.1% to 5.2%).

As at 30 June 2015, the Group's gross gearing ratio was approximately 111.8% (31 December 2014: 116.5%), 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). 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 approximately negative 13.4% (31 December 2014: negative 10.4%) as the Group was in a net cash position.

During the first six months of 2015, the Group's capital expenditure amounted to approximately HK$661,728,000. As at 30 June 2015, the Group had no material contingent liabilities.

Human Resources and Management

As at 30 June 2015, the Group employed approximately 31,000 staff members. The Group's remuneration package is determined with reference to the experience and qualifications of the individual employees and general market conditions. Bonus is linked to the Group's financial results as well as individual performance. The Group also ensures that all employees are provided with adequate training and career opportunities according to their needs.

Foreign Currency Risks

Most of the Group's income is denominated in Renminbi while part of the raw materials is imported and settled in US dollars. The Group has never had any difficulties in obtaining 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 2015, apart from certain forward foreign exchange contracts entered into with certain large commercial banks, the Group had not issued any significant financial instruments or entered into any significant contracts for foreign currency hedging purposes.

Outlook

In the second half of the year, the world is expected to see its economic growth to continue and, in particular, China is likely to maintain its economic momentum at a steady and moderate pace. Although the competition in the personal hygiene market has intensified in the short term, China's rising per capita income, accelerating urbanization and consumers' increasing awareness of health and hygiene will continue to provide support for the development of the market for personal hygiene products.

The Group is looking to enhance its product portfolio and launch new and upgraded products amid the consolidation of the industry so to cater to more diversified consumer needs. Meanwhile, the Group is committed to improving product quality in order to strengthen its brand value, overall competitiveness and profit margins. The Group will continue to monitor closely the price trends of raw materials and optimize its product mix to match the changes in the market with a view to improving its gross profit margin.

With its solid business 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 in its business and create greater shareholder value.

ENVIRONMENT PROTECTION AND SOCIAL RESPONSIBILITIES

Hengan dedicates to clean production and its several major tissue production bases use clean energy natural gas.

Through recycling and treatment of production wastage water generated during production process with advanced equipment and technologies, the Group has realized the recycling of water resource and reduced the use of fresh water. The water consumption per ton of raw paper is estimated to be about one-third lower than the domestic average standard in the same industry in mainland China. The tissue production bases are open for visit by primary and secondary schools as environment protection bases.

On gas emission, overseas advanced equipment has been employed in various production procedures to recover part of the wastage particulates generated during production process and minimize the emission to the fullest extent. The emission of wastage gas per ton of product is estimated to be lower than the domestic average standard in the same industry.

With regards to power consumption, the Group dedicates to improving equipment efficiency and quality management. The use of electricity power per ton of product is estimated to be lower than the domestic average standard in the same industry.

The Group actively participates in social public commonweal work. Hengan has established many companies in Central and Western China since 1990s, which provided employment opportunities to over ten thousand people. Moreover, during the past two decades, the Group and its major shareholders had donated a total of over RMB600 million to all kinds of commonweal works and charities. The Company set up a youth volunteer service team in 2011, which has 180 volunteers so far, and develops voluntary activities for long term.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board of Directors has declared an interim dividend of HK$0.95 (2014: HK$0.85) per share for the six months ended 30 June 2015 to be paid to shareholders whose names appear on the Register of Members of the Company at the close of business on 25 September 2015. Dividend warrants will be despatched to shareholders on or about 8 October 2015.

The Register of Members of the Company will be closed from 22 September 2015 to 25 September 2015 (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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:00 p.m. on 21 September 2015.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of the Company's shares during the six months ended 30 June 2015. Neither the Company nor any of its subsidiaries had purchased or sold any of the listed securities of the Company during the period.

AUDIT COMMITTEE

The Audit Committee is chaired by an independent non-executive director and comprises five 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 2015.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

For the six months ended 30 June 2015, the Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months ended 30 June 2015, 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 all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules of the Stock Exchange during the period, except the following:

Under Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Wang Ming Fu and Mr. Zhou Fang Sheng, independent non-executive directors of the Company, were unable to attend the annual general meeting of the Company held on 19 May 2015 due to other engagements at that time.

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 report, the Board comprises Mr. Sze Man Bok, Mr. Hui Lin Chit, Mr. Hung Ching Shan, Mr. Xu Shui Shen, Mr. Xu Da Zuo, Mr. Xu Chun Man, Mr. Sze Wong Kim, Mr. Hui Ching Chi and Mr. Loo Hong Shing Vincent as executive directors, and Mr. Chan Henry, Mr. Wang Ming Fu, Ms. Ada Ying Kay Wong, Mr. Ho Kwai Ching, Mark and Mr. Zhou Fang Sheng as independent non-executive directors.

Hong Kong, 25 August 2015