【For Immediate Release】

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

Hengan International Announces 2015 Interim Results
Steady Growth Achieved with Net Profit Rises to HK$1.97 billion
Interim Dividend at HK$0.95 Per Share

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Launch New and Upgraded Products Series
Step Up Marketing and Brand Promotion on Certain Products Appropriately

Financial Highlights

	For the six months ended 30 June		
	2015 HK$'000	2014 HK$'000	**Change**
Revenue	**12,503,223**	12,098,064	**+3.3%**
Gross profit margin	**46.5%**	44.9%	
Operating profit	**2,884,543**	2,650,479	**+8.8%**
Profit attributable to shareholders	**1,967,832**	1,775,303	**+10.8%**
Basic earnings per share (HK dollars)	**1.607**	1.443	**+11.4%**
Diluted earnings per share (HK dollars)	**1.603**	1.441	**+11.2%**
Interim dividend per share (HK dollars)	**0.95**	0.85	**+11.8%**

(25 August 2015 - Hong Kong) – **Hengan International Group Company Limited** ("Hengan International" or the "Company", SEHK stock code: 1044, together with its subsidiaries, the "Group") announces today its interim results for the six months ended 30 June 2015.

The Group's revenue growth was slow during the first half of 2015 as sales was adversely affected by the China economic slowdown and intensified market competition, and the tight cashflow and overstocking issues encountered by some distributors. During the period under review, the Group's revenue increased by about 3.3% to approximately HK$12,503,223,000. (2014 first half: HK$12,098,064,000). Operating profit increased by about 8.8% to around HK$2,884,543,000 (2014 first half: HK$2,650,479,000). Profit attributable to shareholders increased 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.

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

Besides, the Group has increased its investment in e-commerce channel. Although its contribution to the total revenue remains small at this stage, the growth in sales from this channel was strong during the period. In the future, the Group will continue investing in this aspect and adopt an "all-channel-coverage" strategy.

Mr. Sze Man Bok, Chairman of Hengan International, said, "In the first half of 2015, the world sustained a moderate economic growth, 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. As a leading company in the market for personal care and family hygiene products in mainland China, the Group draws on its economies of scale and adopts effective cost control measures to tackle the challenges arising from the sluggish economic growth, and achieved steady growth in business."

Sanitary Napkins

During the period, the revenue of the sanitary napkin business grew by about 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 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. 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 decline in the prices of major raw materials, petrochemical products.

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, and stepped up marketing and brand promotion on certain products appropriately, while 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

Overall overcapacity in the industry and fierce competition continued to affect the sales performance of the Group's tissue paper business. The Group's tissue paper sales decreased slightly by about 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. Therefore, the sales performance is expected to improve in the second half of the year.

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

Revenue from the sales of disposable diapers for the six months ended 30 June 2015 dropped slightly by about 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. 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 Group's sales growth. 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. Sales of low-end diapers (i.e. simplified diapers) and mid-end diapers decreased by approximately 20.5% and 20.1% respectively, due to the China economic slowdown and persistent market competition.

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

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 gross profit margin remained fairly stable at about 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.

Outlook

Looking ahead to the second half of 2015, Chairman Sze said, "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 amid industry consolidation, and launch new and upgraded products in the second half of the year to cater to more diversified consumer needs. Meanwhile, the Group will change its sales strategy by stepping up marketing and brand promotion for certain products appropriately, which, together with the easing overstocking issue of some distributors, is expected to lead to improvement in sales performance in the second half of the year. The Group is also 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."

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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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