【For Immediate Release】

Hengan International Announces 2016 Interim Results

Achieved Steady Growth in Continuing Operations
Net Profit Increased to RMB1.64 billion
Interim Dividend at RMB0.85 Per Share

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Launch New and Upgraded Products Series
Continue Product Portfolio Adjustment and Optimization

Financial Highlights

	For the six months ended 30 June		
	2016 RMB'000	2016 RMB'000	**Change**
*** Revenue**	**9,577,341**	9,196,090	**+4.1%**
***Gross profit margin**	**48.1%**	46.7%	**+1.4 p.p.**
***Operating profit**	**2,301,451**	2,243,918	**+2.6%**
*** Profit attributable to shareholders**	**1,627,500**	1,538,882	**+5.8%**
Overall Profit attributable to shareholders	**1,635,040**	1,554,775	**+5.2%**
Overall Basic earnings per share (RMB)	**1.346**	1.270	**+6.0%**
Overall Diluted earnings per share (RMB)	**1.346**	1.267	**+6.2%**
Interim dividend per share (RMB)	**0.85**	0.78	**+9.0%**

*Remarks: *Continuing operations excluding Qinqin Group*

(25 August 2016 - 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 2016.

On 8 July 2016, Qinqin Foodstuffs Group (Cayman) Company Limited ("Qinqin Group", SEHK stock code: 1583) was spun off from the Group and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). After spinning off the food and snacks business, the Group will focus on the production, distribution and sales of its personal hygiene products in the future.

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For the six months ended 30 June 2016, excluding Qinqin Group, the Group recorded revenue of approximately RMB9,577,341,000 (2015 first half: RMB9,196,090,000), rose by about 4.1% compared with that of the previous period. Operating profit for continuing operations increased by about 2.6% to approximately RMB2,301,451,000 (2015 first half: RMB2,243,918,000). Overall profit attributable to shareholders increased by approximately 5.2% to RMB1,635,040,000. (2015 first half: RMB1,554,775,000). The Board of Directors declared an interim dividend of RMB0.85 per share for the six months ended 30 June 2016 (2015 first half: RMB0.78).

During the period, despite the fact that market competition remained intense, the Group was benefited from the positive impact of decline in raw material prices, optimized product portfolio and enhanced economies of scale, and hence the gross profit margin for continuing operations increased to approximately 48.1% (2015 first half: 46.7%). Distribution costs and administrative expenses for continuing operations increased to approximately 26.8% (2015 first half: 25.9%) of the Group's revenue for continuing operations, which was attributable to increase in marketing and advertising expenses for some emerging sales channels.

The effective tax rate was lowered to approximately 23.0% (2015 first half: 25.2%). The Group provided a large amount of dividend withholding tax in the second half of 2015 for the dividend which would likely be remitted out of mainland China in the foreseeable future. As such, the provision of dividend withholding tax required for the first half of 2016 became lower.

Mr. Sze Man Bok, Chairman of Hengan International, said, "In the first half of 2016, economic recovery in the US remained slow and Britain's vote to leave the European Union has increased uncertainties over the Eurozone economy. China's economic growth continued to decelerate. According to the National Bureau of Statistics of China, the country's gross domestic product for the first half of 2016 increased by 6.7% year-on-year, 0.3 percentage point lower than the previous year. Faced with unstable external environment, slowing economic growth in China and intensified competition in China's fast moving consumer goods market, business environment has become more challenging."

Sanitary Napkin

Accelerating urbanization and rising living standard continued to support the development of sanitary napkin market and drive the consumption. Although the overstocking issues encountered by distributors were substantially resolved, they still faced the problem of cash crunch, coupled with the impact of intensified market competition, hindering the Group's revenue growth in sanitary napkin sector. During the period, the revenue of the sanitary napkin business grew by approximately 9.1% to approximately RMB3,208,213,000, which accounted for around

33.5% of the revenue from continuing operations (2015 first half: 32.0%). The gross profit margin of sanitary napkin business rose to approximately 71.8% (2015 first half: 71.4%), thanks to the persistent decline in the prices of major raw materials, petrochemical products and optimized product portfolio.

The Group expects to see mild improvement in sales performance in the second half of 2016 as it will continue to invest in emerging sales channels, optimize its product mix and launch new and upgraded products, collaborate with distributors on the improvement in inventory management.

Tissue Paper

Mainland China's market for high-quality tissue paper has been expanding on the back of rising living quality and the Chinese people's increasing awareness of health. The market potential is enormous as China's tissue paper consumption per capita still lags behind that of developed countries. However, fierce competition and overall overcapacity in the industry continued to affect the growth rate of the Group's tissue paper business. The Group's tissue paper sales increased slightly by approximately 4.7% to approximately RMB4,567,635,000, accounting for approximately 47.7% (2015 first half: 47.4%) of the Group's total revenue from continuing operations.

Gross profit margin increased to approximately 37.7% (2015 first half: 36.2%) due to the persistent drop in price of tissue wood pulp, a major raw material, in the first half of 2016 .

The Group's annualized production capacity was approximately 1,020,000 tons, which is expected to increase to approximately 1,140,000 tons in the fourth quarter of 2016. The Group will expand its production capacity according to the market conditions and sales performance in the future. Besides, the Group expects the sales performance will improve mildly in the second half of the year as the Group will launch various new and upgraded products, and invest in the development of emerging online sales channel.

Disposable Diapers

Accelerating urbanization and the people's increasing awareness of personal hygiene continue to fuel the growing demand for diaper products. As many Chinese people still do not regard diapers as daily necessities, the market penetration rate of disposable diaper products is still low in the country, implying huge untapped market potential.

During the period, competition in the disposable diapers market became more intensified. The sales of mid-to-high end diaper products were affected by foreign competitors' expansion into the

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China's market through cross-border e-commerce platform. Meanwhile, China's economic slowdown and the intense price competition among small and medium enterprises led to a decline in sales of low and mid end disposable diapers. Therefore, for the six months ended 30 June 2016, revenue from the sales of disposable diapers dropped by about 10.5% to approximately RMB1,067,384,000, accounting for approximately 11.1% (2015 first half: 13.0%) of the Group's total revenue from continuing operations.

During the period, the persistent decline in prices of major raw materials, petrochemical products and the optimized product portfolio boosted the gross profit margin to around 49.8% (2015 first half: 47.3%). The Group will continue to expand emerging sales channels, step up its advertising and promotion efforts for mid-to-high end products, and strengthen brand competitiveness. Besides, China's government has imposed tax on cross-border e-commerce transactions, which will enhance the competitiveness of the Group's products.

Food and Snack Products

As Qinqin Group was spun off from the Group and listed on the Main Board of the Stock Exchange on 8 July 2016, Qinqin Group is regarded as discontinued operations, and hence its profit attributable to shareholders of around RMB7,540,000 (2015 first half: RMB15,893,000) was recorded separately as "income from discontinued operations" in the consolidated income statement. Apart from the impact of economic slowdown and intensified market competition, its net profit was also dragged by the one-off listing expense of approximately RMB21,500,000 incurred in the first half of 2016.

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 2016, apart from certain interest rate swap 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.

Liquidity, Financial Resources and Bank Loans

The Group maintained a solid financial position. As at 30 June 2016, the Group's cash and bank balances, long-term bank deposits and restricted bank deposits amounted to approximately

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RMB12,524,016,000 (31 December 2015: RMB15,737,217,000); the liability component of convertible bonds amounted to approximately RMB444,798,000 (31 December 2015: RMB4,656,907,000), and bank borrowings amounted to approximately RMB11,228,070,000 (31 December 2015: RMB9,696,293,000).

The principal amount of the convertible bonds issued in June 2013 was approximately RMB4,328 million out of which convertible bonds with principal amount of RMB3,929 million had been early redeemed on 27 June 2016, and the remaining amount will be repaid on 27 June 2018.

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 0.3% to 4.6% (2015 first half: from 0.4% to 5.2%).

As at 30 June 2016, the Group's gross gearing ratio decreased to approximately 81.9% (31 December 2015: 97.6%), 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 5.9% (31 December 2015: negative 9.3%) as the Group was in a net cash position.

During the first six months of 2016, the Group's capital expenditure for continuing operations amounted to approximately RMB550,396,000. As at 30 June 2016, the Group had no material contingent liabilities.

Outlook

Looking ahead to the second half of 2016, Mr. Sze said, "The world economy will remain challenging and China is likely to maintain moderate growth. Notwithstanding that market competition will remain intense in the near term, China's rising per capital income, accelerating urbanization and consumers' increasing awareness of health and hygiene will continue to boost the development of the market for personal hygiene product in long term."

"In response to changes in the market structure for product sales, the Group will continue to optimize its product portfolio in light of market changes, launch new and upgraded products to cater different needs of consumers. Meanwhile, the Group will also continue to closely monitor the trends of raw material prices, in order to further improve its gross profit margin. With its strong

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brand equity and high-level corporate governance, as well as a nationwide distribution network, the Group is confident of maintaining its leading position in mainland China's personal hygiene product market. It will strive to achieve steady business growth and create 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 in mainland 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.

For further information, please contact:
iPR Ogilvy & Mather
Natalie Tam / Lorraine Luk / Hazel Chan
Tel : (852) 2136 6182 / 2169 0467 / 3920 7651
Fax : (852) 3170 6606
E-mail: hengan@iprogilvy.com