

【For immediate release】



恒安國際集團有限公司

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

Hengan International Announces 2021 Interim Results

**Profit Attributable to Shareholders amounted to RMB1.86 Billion
Interim Dividend at RMB1.0 Per Share**

*** **

*Actively Developed E-commerce Business and Expanded into New Retail Markets
Continued to Upgrade and Premiumise Products*

Financial Highlights

	For the six months ended 30 June		Change
	2021 RMB'000	2020 RMB'000	
Revenue	9,973,914	10,927,862	-8.7%
Gross profit margin	39.4%	44.1%	-4.7 p.p
Operating profit	2,540,583	3,185,111	-20.2%
Profit attributable to shareholders	1,860,292	2,259,528	-17.7%
Basic earnings per share (RMB)	1.574	1.899	-17.1%
Interim dividend per share (RMB)	1.00	1.20	-16.7%

(18 August 2021 — 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 2021.

Since the outbreak of the pandemic, the development of domestic online shopping market has become more mature. With the rapid development of information technology, the pandemic gave rise to new consumption patterns and bolstered the new retail trend. Fragmentation of sales channels has dealt an enormous blow to the sales of traditional channels. Coupled with the intensified competition in the industry during the period, international brands have begun to penetrate the mid-to-high-end market to capture some of the market share in addition to their main efforts to develop the first-tier market. Therefore, the Group’s revenue for the six months ended 30 June 2021 decreased by approximately 8.7% from the same period of last year to approximately RMB9,973,914,000 (2020 first half: RMB10,927,862,000).

In the first half of 2021, the Group actively developed its e-commerce business and expanded into new retail markets to capture the business opportunities brought by the new domestic consumption environment after the pandemic. During the period, the Group further increased its proportion in e-commerce sales (including Retail Integrated (“零售通”) and New Channel (“新通路”)) to approximately 20.1% (2020 first half: 17.6%), and made good progress in the development of other new sales channels (including online and offline (O2O) platform, Community Group-buying etc.) with a gradual increase in their proportion of sales to overall sales. At the same time, in response to consumers' demands for higher product quality, the Group has been committed to developing premium products and optimizing its product portfolio to provide the public with diversified, safe and reliable products. Among them, the

premium sanitary napkin series “Space 7”, which was officially launched in 2020, continued to receive enthusiastic response during the period. The premium tissue paper series “Cloudy Soft Skin” (雲感柔膚), which was officially launched in the second half of 2020, was well-received by the market, resulting in a significant increase in sales; the sales of upgraded premium disposable diapers “Q•MO” realized a double-digit year-on-year growth.

During the period under review, as tissue paper enterprises increased their promotional offers, which intensified industry competition and attempted to seize post-pandemic opportunities, the Group also had to increase promotional efforts to maintain its market competitiveness, which inevitably affected the gross profit of its tissue paper business. In the first half of 2021, the Group's overall gross profit decreased by approximately 18.4% to approximately RMB3,930,671,000 (2020 first half: RMB4,815,619,000), and the overall gross profit margin fell to approximately 39.4% (2020 first half: 44.1%). Looking ahead to the second half of the year, as the price trend of wood pulp is still uncertain at the moment, and the higher cost of wood pulp purchased by the Group this year is expected to be reflected in the cost of tissue paper in the second half of the year, the negative impact of the upward trend in wood pulp price is expected to manifest in the second half of the year, the overall gross profit will continue to be under pressure in the second half of the year.

During the period, operating profit fell approximately 20.2% to RMB2,540,583,000 (2020 first half: RMB3,185,111,000). Profit attributable to shareholders of the Company amounted to approximately RMB1,860,292,000 (2020 first half: RMB2,259,528,000), decreased by about 17.7% year-on-year. Basic earnings per share was approximately RMB1.574 (2020 first half: RMB1.899).

The Board of Directors declared an interim dividend of RMB1.00 per share for the six months ended 30 June 2021 (2020 first half: RMB1.20), amounted to RMB 1,175,121,000 calculated based on 1,175,121,000 issued shares as at 18 August 2021. Together with the Group repurchased a total of 8,800,000 shares with an aggregate consideration of approximately RMB 380,194,000 for enhancing its per share net asset value and earnings during the period. The Group has returned a total of RMB 1,555,315,000 to its shareholders during the period, which accounted for approximately 83.6% of Profit attributable to shareholders of the Company.

Commenting on the Group’s interim results, Mr. Sze Man Bok, Chairman of Hengan International, said, “In the first half of 2021, the coronavirus pandemic that raged across the globe last year continued to linger and harm in many countries, adding uncertainty and putting more pressure on the global economic recovery. In the first half of 2021, China’s gross domestic product increased by 12.7% year-on-year, while the two-period average growth in the first half of 2021 and 2020 reached 5.3%, indicating that China’s overall economy continued to recover steadily. Regarding consumer market, total retail sales of consumer goods in the first half of the year grew 23.0% year-on-year and rose 9.0% compared with the same period in 2019, with a two-year average growth of 4.4%. Although the domestic economy is steadily improving, the pace of recovery of different industries varies, and together with the complicated and volatile external environment, the domestic economic recovery still faces many challenges. During the period, Hengan continuously enhanced its comprehensive competitiveness and grasped the opportunities in the new retail environment, further consolidating its leading market position.”

Sanitary Napkin

China's feminine care products market is highly saturated, and many international brands that used to focus on premium first-tier markets also actively promoted their products to mid-to-high-end markets in the second-tier or lower tier cities to capture the consumption opportunities after the pandemic during the period, resulting in a fiercer competition. During the period, international brands did not hesitate to adopt very aggressive pricing strategy to substantially reduce prices and increase concessionary measures to seize the market share of mid-to-high-end cities and young consumers. For the avoidance of a profound impact on the market and its brand, Hengan, as a leading brand in mid-to-high-end cities, stayed committed to a rational and stable pricing strategy and developed its sanitary napkin business with product upgrades and high-end products to consolidate its market leadership. Last year, the Group launched the new image of premium product "Space 7". Leveraging on its high-quality products and brand image, the product was well-received by the market, thereby supporting the sales of the sanitary napkin segment.

The pandemic has accelerated the further fragmentation of sales channels. Apart from e-commerce channel, sales from other emerging channels (e.g. online to offline (O2O) platform and Community Group-buying) gained huge momentum. In order to develop these emerging channels, many competitors have adopted more aggressive pricing and concessionary measures to enter these markets. In a bid to cope with the development of new retail channels, the Group has also adopted concessionary measures to enter these emerging channels, which inevitably had a negative impact on the sales of sanitary napkins in traditional channel in the short term.

During the period under review, due to competitors' aggressive pricing strategies to capture mid-to-high-end market share and the further fragmented sales channels, sales of the sanitary napkin business recorded a decline of approximately 6.0% to approximately RMB3,029,970,000 (2020 first half: RMB3,222,684,000) during the period, accounting for nearly 30.4% (2020 first half: 29.5%).

As the cost of petrochemical raw materials used in sanitary napkins has stabilised, coupled with the Group's adherence to a rational and stable pricing strategy, the gross profit margin of the sanitary napkin business has maintained a relative stable level at approximately 70.0% (2020 first half: 70.4%).

The Group's sanitary napkin brand, 七度空間 has always been a hot-selling product in Mainland China and has long been a market leader in the domestic market. Launched last year, the premium product "Space 7" which aimed at the mature white-collar market received positive response. Leverage on the sales of the new premium product "Space 7", the Group will continue to steadily move ahead with the strategy of developing the premium market and gradually increase the proportion of the premium products. Although international brands have further intensified competition in the domestic sanitary napkin market, the Group believes that "Space 7" will become a key growth point in the future, expanding the Group's share in the sanitary napkin market. At the same time, in the face of increasingly fragmented sales channels, the Group on one hand, will step up its efforts to expand new retail channels and increase the sales proportion of new retail channels; on the other hand, will strengthen the development of exclusive products on new retail channels and adopt a stable pricing strategy, so as to maintain the sound development of various channels, support the long-term development of the Group and consolidate the Group's leading position in the mid-to-high-end market.

Regarding other feminine care products, the Group's feminine care brand "Origin and Prime" (若顏初) launched last year has received positive response and support from the market. The Group will continue to actively research and develop other feminine care products beyond sanitary napkins, steadily developing the feminine care industry, capture growth opportunities brought by consumption upgrade and actively exploring opportunities to introduce the Group's sanitary napkin products to overseas markets.

Tissue Paper

In the first half of 2021, the national health awareness remained at a high level, and the market demand for tissue paper products returned to a rational level, consequently there was no significant increase compared with last year. As consumers no longer worry about the shortage of tissue paper supply affected by the pandemic this year, consumer attitudes are more cautious compared with last year and they are more sensitive to prices. Although the cost of wood pulp grew significantly during the period, many tissue companies had to increase promotional expenses and reduce prices to strive for market share. With further intensified market competition, the decline in average selling price has caused the overall tissue paper market sales to record a double-digit year-on-year decline, and Hengan is no exception. During the period under review, the sales of the Group's tissue paper business fell approximately 12.2% to approximately RMB4,696,522,000 (2020 first half: RMB 5,349,011,000), accounting for approximately 47.1% of the Group's overall revenue (2020 first half: 48.9%).

As the Group still had low-cost wood pulp inventory in the majority time of the first half of 2021, the upward trend in wood pulp prices did not put a significant pressure on the Group's gross profit in the first half of the year. Nevertheless, the Group increased its promotional expenses during the period to maintain its market competitiveness, resulted in the gross profit margin falling to approximately 29.2% (2020 first half: 35.0%). The Group expects the upward trend in wood pulp price in the first half to be reflected in the cost of goods sold in the second half of the year. Due to the uncertain price trend of wood pulp, gross profit margin in the second half of year is still expected to be under pressure to a certain extent.

Against the backdrop of the lingering pandemic, national health awareness remains at a high level, the Group achieved a low single-digit growth in the sales of its majority of the tissue paper products during the period. However, the Group recorded a high single-digit decline in sales due to the increased promotional expenses. In terms of wet wipes products, thanks to the additional support from the pandemic last year and the launch of the Group's upgraded "Super Mini" (超迷你) products, the Group recorded an extraordinary high double-digit year-on-year growth in its revenue last year. In view of the high base last year, sales of wet wipes during the period decreased by approximately 21.9% year-on-year to approximately RMB346,282,000 (2020 first half: RMB443,150,000), accounting for approximately 7.4% of the sales of the tissue paper business (2020 first half: 8.3%). Excluding the extraordinary growth recorded last year, the Group posted a double-digit growth in the sales of its wet wipes business this year, compared with the same period in 2019, reflecting the sustained sound development of the Group's wet wipes business. The Group will continue to leverage on its advantage as a leader in the "Super Mini" series, increase its market share and consolidate its leading position in the wet tissue market. In terms of jumbo roll paper products, the Group has always exported jumbo roll paper to other tissue paper manufacturers and overseas markets. This segment accounts for approximately 15.0% of the Group's overall tissue paper sales. In the light of the austere pandemic situation in overseas countries, shipping cost has risen sharply and the jumbo roll paper price, increased

during the period, which affected the purchase of the jumbo roll papers manufactured by the Group and led to a approximately 30.0% decline in the Group's jumbo roll paper sales. In consequence of the industry competition and pandemic related factors, the Group's overall tissue paper business did not perform as well as the same period in earlier years.

In terms of new tissue products, the Group continued to provide unique and high-quality products to the market with industry-leading product specifications and innovative technologies. The new premium series "Cloudy Soft Skin", which was launched last year, was well-received by the market during the period. It is made with the Group's original cloud-like three-dimensional embossing technology to form air cushions, providing enjoyable user experience to its customers with cotton soft skin-like tissue paper. The Group has also obtained a national design patent on its unique embossing technology. The product is safe and does not contain any chemical adhesives. It was selected as the recommended tissue product at the World Environmental Conference.

As the living standards of people continues to improve and hygiene awareness remains at a high level, there is still room for growth in the overall tissue paper market. Against the backdrop of intensifying competition, the Group will continue to develop more high-quality products in accordance with the different needs of the market, seize the business opportunities of domestic tissue paper market to expand its market share, and strive to maintain its leading position in the tissue paper market. The Group's annualised production capacity was approximately 1,420,000 tons during the period. The Group will actively consider expanding its production capacity according to the market conditions and sales performance in the future.

Disposable Diapers

With the exacerbating domestic population ageing and the continuous improvement of citizens' living standards, there are ample room for development and potential in the domestic diaper market. As the penetration rate of domestic adult care products is still lower than that of developed countries, the domestic adult diaper market is still at the nascent stage of development. According to the statistics of the China National Household Paper Industry Association, the market size of adult incontinence products in China soared from RMB4.88 billion in 2016 to RMB10.47 billion in 2020, with a compound annual growth rate of 21.0% from 2016 to 2020, indicating that the market penetration rate is increasing continuously. On the other hand, underpinned by the upgrading of domestic consumption, consumers' demand for product quality and safety have continued to rise. Therefore, product upgrades and premium products will continue to be the growth drivers of the Group.

The Group has always stayed committed to developing a series of quality baby and adult care products. During the period under review, the upgraded premium "Q•MO" products performed well, with sales increased by approximately 31.5% year-on-year, and its proportion further increased to approximately 27.3%. In addition, as the market of adult incontinence products in China is growing day by day, the Group's adult disposable diaper business recorded mid- single digit growth during the period, and the market penetration rate of "ElderJoy" (安而康) has gradually increased as well.

In the first half of 2021, the Group's proportion of sales through e-commerce and maternal channels has increased to approximately 47.0% and approximately 18.2%, respectively. However, as the sales channels of the Group's disposable diaper market have become more diverse, the sales in traditional channel have accelerated decline and offset the sales growth of the Group's disposable diaper premium.

Moreover, other brands have adopted more aggressive promotional strategies to seize the market share, market competition has become more intense, which resulted in a decrease of approximately 14.2% to approximately RMB619,668,000 (2020 first half: RMB722,181,000) in the sales of the Group's disposable diaper business and its sales accounted for approximately 6.2% of the Group's overall revenue (2020 first half: 6.6%).

In terms of gross profit margin, despite the increase in the sales and proportion of premium products, the tight supply of superabsorbent polymer, a raw material used in the manufacturing of disposable diapers has led to cost escalation and the additional cost incurred relating to the clearance of the mid-end outdated diaper products, thus, the gross profit margin of the disposable diaper segment dropped to approximately 36.2% (2020 first half: 38.6%).

During the period, the Group continued to seize the opportunity brought by consumption upgrade to further develop the premium product market and improve product quality. The "Q•MO" magic breathing diapers have 3.6 times more vents than traditional diapers and are very well-loved by the market. During the period, the sales of "Q•MO" recorded double digit growth. The Group will continue to optimise "Q•MO" products to instil growth momentum into the Group's future development. In addition, as the nation puts more emphasis on the development of the elderly care industry, there will be ample room for development in the field of domestic adult care. The Group will step up its efforts to invest more in the development of adult care products, thereby increasing the domestic market penetration rate of products of the "ElderJoy" and "Banitore" (便利妥) brands and increasing its market share in Southeast Asia at the same time.

In the future, the Group will continue to develop the baby care market and the adult care market in parallel with a premium products strategy. In addition to e-commerce sales channels, the Group will strive to develop new retail channels and also increase cooperation with maternal stores, nursing homes and hospitals. On the one hand, it will seize new business opportunities brought by the new retail. On the other hand, through the cooperation with maternal stores, nursing homes and hospitals, it will expand the Group's customer base and provide a one-stop product sales chain, bringing sustainable growth momentum to the disposable diaper business, supporting the long-term development of the adult health care business and continue to tap the growth potential of the adult health care market.

Other Income and Household Products

Regarding other income and household products, the Group's revenue in the first half of the year decreased by approximately 0.4% year-on-year to approximately RMB1,627,754,000 (2020 first half: RMB1,633,986,000), which was mainly attributed to the decline in demand for surgical masks in view of the stabilisation of the pandemic and the decline in sales of overseas business affected by the cities' lockdown due to the pandemic.

During the period under review, revenue from the Group's household products segment was approximately RMB152,502,000 (2020 first half: RMB192,509,000), representing a year-on-year decrease of approximately 20.8%, accounting for 1.5% of the Group's operating revenue (2020 first half: 1.8%), which was mainly attributed to the decline in exports of household products due to the pandemic.

In addition to the revenue from the household products segment, the Group's other income also includes revenue from Wang-Zheng Group in Malaysia, the revenue from Sunway Kordis Holding Limited ("Sunway Kordis"), revenue from raw material trading business and surgical masks and other medical-related products that were launched last year. Affected by the pandemic, the revenue from Wang-Zheng Group during the period decreased by approximately 5.8% year-on-year to approximately RMB172,582,000 (2020 first half: RMB183,287,000), while the revenue from Sunway Kordis was approximately RMB102,088,000 (2020 first half: RMB131,220,000).

On the other hand, the raw material trading business conducted by the Group performed well during the period, with revenue increasing by approximately 22.8% over the same period last year, offsetting some of the decline in other income. During the period, the sales of surgical masks fell on lower demand amid stabilising pandemic and pharmacare products recorded a revenue contribution of over RMB50.0 million (2020 first half: over RMB220 million).

In the first half of 2021, the Group has greatly expanded the product range of its brand, Hearttex (心相印) with the successive launch of plastic bags (including garbage bags and disposable gloves), food wrap film, dish detergent and paper cups etc. Sunway Kordis and its subsidiaries have sales channels to export products to markets in Europe, Australia, North America and Asia. The Group will seek to leverage on Sunway Kordis' overseas sales network to bring Hengan's products to overseas market.

Looking ahead, the Group believes that the growth potential in the business of household products is immense. The Group will continue to devote itself to the research and development of various types of products that cater to market demand and provide consumers with a wide range of high-quality household products to enhance its market competitiveness.

International Business Development

The Group has been actively expanding to overseas markets. Currently, the Group sells its products in 32 countries and regions, with 37 direct partnerships with major clients or distributors. During the period under review, turnover of overseas channel (including Wang-Zhang Group business) was approximately RMB883,319,000 (2020 first half: RMB1,061,957,000), accounting for approximately 8.9% of the Group's overall sales (2020 first half: 9.7%).

During the period, the Group's Wang-Zhang Group business in Malaysia was affected by the pandemic and recorded a turnover of approximately RMB172,582,000 (2020 first half: RMB183,287,000), accounting for approximately 1.7% of the Group's overall sales (2020 first half: 1.7%). Wang-Zheng Group is principally engaged in investment holding and the manufacturing and processing of fiber-based products, which include adult and baby disposable diapers, sanitary napkins and tissue products, cotton products and processed papers. Its brands include Dry Pro diapers and Carina personal hygiene products. In addition, the Group also leveraged on the Malaysian Wang-Zheng Group as its base to bring Hengan's own brand "Hearttex" wet wipes and "Banitore" adult diapers into the Southeast Asian market. In the future, the Group will continue to upgrade its existing Wang-Zheng products, research and develop and launch more high-end products under the Hengan brand and strengthen its market share in Malaysia and Southeast Asia.

E-commerce and New Retail Channel Strategies

The pandemic has made online shopping the new normal, accelerated the mature development of the domestic online shopping market, and promoted the vibrant development of new shopping channels (including O2O platforms and Community Group-buying) along with mainstream e-commerce platforms. The outstanding growth of e-commerce did not only provide profit to e-commerce companies, but also accelerated retailers' and brand companies' investment in e-commerce operations. As the digital economy continues to mature, new retail channels are also growing rapidly. Faced with these new trends, the Group worked hard to promote the development of e-commerce channels and new retail channels during the period.

In the first half of 2021, sales revenue of the Group's e-commerce channels (including Retail Integrated ("零售通") and New Channel ("新通路") returned to a growth to approximately over RMB2.0 billion (1H2020: over RMB1.9 billion). Thanks to the Group's efforts in the first half of the year, other new channels (including O2O platforms, community Group-buying, etc.) have also made good progress. The Group will review and optimise the sales strategy of its e-commerce and new channels from time to time, strengthen the sales and promotional efforts of online stores, and actively integrate online and offline channels to provide consumers with a better shopping experience.

In the future, the Group will actively analyse the data of end customers and use such data to precisely allocate cost in devising relevant sales strategies, so that the Group will achieve its strategic goal of becoming the "World's Top Daily Necessities Corporation". In response to the rapid development of the online market and the fragmentation of sales channels, the Group will carefully analyse the needs of customers in different channels, provide consumers with different products on each channel, and strive to develop new retail channels and consolidate sales through traditional channels.

The Group also hopes to bring speciality products and stable pricing into the new retail market, in order to minimise impact on sales and profits, reduce the impact on other channels and at the same time maintain competitiveness. In view of catering the new consumer trends, the Group will continue to focus on the needs of consumers. Capitalising on the rapid development of new technologies, the Group will increase resources in developing e-commerce and new retail channels. By leveraging on the shopping festivals launched on the online platforms, the Group would woo the consumers with the new consumption models such as limited-edition merchandise, community Group-buying, and online social media platforms, thus increasing the Group's market share in the e-commerce and new retail channels sector while grasping the opportunities brought by the digital economy to achieve rapid growth for future development.

Selling and Administrative Expenses

Selling and administrative expenses control has always been the key to achieve stable profit growth for the Group. The Group will seize the opportunities arising from the post-pandemic economic recovery, put forward effective sales strategies and conduct data analysis with its data centralisation platform, continue precise positioning and optimise the product portfolio to bring satisfactory return for shareholders. During the period, the selling and administrative expenses of the Group recorded a reduction of around RMB200.0million, the proportion of sales and administrative expenses to overall revenue was further improved to approximately 19.3% (1H2020: 19.4%). The cost reduction was mainly due to the year-on-year decrease in advertising costs during the period. With the precise cost allocation

through data analysis, the Group believes that the expenses-to-revenue ratio will be improved gradually.

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. During the period, the Group recorded an operating exchange gain of approximately RMB14,184,000 (1H2020: exchange loss of RMB87,978,000), as a result of a slight increase in the Renminbi to US dollar exchange rate in the first half of 2021.

As at 30 June 2021, apart from certain foreign currency swap contracts and 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 has always maintained a solid financial position. As at 30 June 2021, the Group's cash and bank balances, long-term bank time deposits and restricted bank deposits totally amounted to approximately RMB27,284,746,000 (31 December 2020: RMB23,970,698,000); domestic corporate bonds amounted to approximately RMB999,804,000 (31 December 2020: RMB998,938,000); super short-term commercial papers and short-term commercial papers of approximately 4.0 billion (31 December 2020: Nil) and bank borrowings and other borrowings amounted to approximately RMB18,713,581,000 (31 December 2020: RMB19,837,362,000).

In December 2019, the Group successfully registered for the proposed issue of RMB3.0 billion super short-term commercial papers. From March to April 2021, the Group issued super short-term commercial papers in three batches of RMB3.0 billion in total, the coupon rates are between 2.90% to 3.08% per annum. The three batches of super short-term commercial papers will mature in 180 to 181 days from the respective issue date.

In addition, the Group successfully registered for the proposed issue of short-term commercial papers of RMB3.0 billion in June 2020. In May 2021, the Group has finished the issue of RMB1.0 billion first-term commercial papers, the coupon rate is 2.90% and the commercial papers will mature in 182 days from the issue date.

The bank borrowings and other borrowings were subject to floating annual interest rates ranging from approximately 0.5% to 3.7% (1H2020: from 0.5% to 4.40%).

As at 30 June 2021, the Group's gross gearing ratio, which was calculated on the basis of the total amount of borrowings as a percentage of the total shareholders' equity (not including noncontrolling interests) increased to approximately 122.6% (31 December 2020: 107.3%). 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 noncontrolling interests), was negative 18.5% (31 December 2020: negative 16.1%) as the Group was in a net cash position.

During the period, the Group's capital expenditure amounted to approximately RMB285,766,000. As at 30 June 2021, the Group had no material contingent liabilities.

Outlook

Looking ahead to the second half of 2021, Mr. Sze Man Bok, Chairman of Hengan International, said, “divergent pace of pandemic prevention and control, uneven economic recovery, political and economic instability, and rising inflation all add to the external uncertainties. Whilst China’s economy continues its steady recovery, the external uncertainties will pose challenges for the country’s economic recovery. Therefore, the Group will continue to closely monitor the development of pandemic at home and abroad as well as the changes in the markets in order to respond agilely and take appropriate actions.”

“Although the price of wood pulp is gradually stabilizing in the second half of 2021, the Group expects that the upward trend of wood pulp prices in the first half of 2021 will exert pressure on the profitability of the Group in the second half of 2021. The Group will monitor the impact of external factors on the prices of imported wood pulp, petrochemical raw materials, polymers, and other raw materials closely.”

“Due to the volatile pandemic situation and the ongoing trend of domestic consumption upgrades, national health awareness will stay at high level in the future. Consumers' expectations on product quality will continue to increase, which facilitates the refinement and high-quality development of the personal hygiene products market. The Group will take the premium products strategy as the core of future development by allocating more resources to increase the contribution of premium products to the Group's revenue and promote the growth of the Group's overall gross profit and gross profit margin.”

“Regarding sales channels, the pandemic has accelerated the digitalisation of the global retail industry and the development of new sales channels. Given the advent of the new retail era, the Group will increase investment in the new retail market to increase the Group’s coverage in new sales channels. The Group also strives to find more potential customers to increase the sales proportion of tissues, sanitary napkins, and diapers in e-commerce and new retail channels. At the same time, the Group will consolidate traditional channels and integrate online and offline retail models to promote omnichannel sales and provide a more complete consumer experience to support the long-term development of the Group. Moreover, the Group will leverage its data centralisation platform to analyse consumer preferences and market changes and further optimise resource allocation in terms of product design, market distribution, and sales channels.”

“With the longstanding experience and leading position in China's personal and household hygiene products industry, Hengan will continue to adhere to the mission of 'Growing with You for a Better Life' and is committed to providing high-quality personal and household hygiene products to its consumers. To embrace the new retail era, the Group will strive to develop new retail channels and strive to improve omnichannel sales to provide consumers with a seamless shopping experience. At the same time, the Group will continue to forge ahead with premium products strategy and industrial expansion as the long-term development target and actively expand industries with high growth potential, namely feminine care, infant childcare, elderly care, and household products. The Group will continue to improve its overall competitiveness to gradually promote the international development of Hengan’s brand and further increase the market share.”

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.

For further information, please contact:

iPR Ogilvy Limited

Callis Lau / Tina Law/ Lorraine Luk/ Charmaine Siu

Tel : (852) 2136 6952/ 2136 6181/ 2169 0467/ 3920 7646

E-mail : hengan@iprogilvy.com