

**【For Immediate Release】**



**恒安國際集團有限公司**

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

**Hengan International Announces 2008 Annual Results  
Profit Attributable to Shareholders Surged by 33.0% to HK\$1,341 million**

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**Personal Hygiene Product Business Grows Steadily;  
Entering Snack Food Business to Become a Leading Fast Moving Consumer  
Goods Company**

**Financial Highlights**

For the year ended 31 December	2008 HK\$'000	2007 HK\$'000	Change (%)
Revenue	8,001,545	5,686,972	40.7%
Gross profit	3,202,546	2,276,244	40.7%
Gross profit margin (%)	40.0%	40.0%	
Profit attributable to shareholders	1,340,914	1,008,157	33.0%
Basic earnings per share (HK\$)	1.172	0.924	26.8%
Diluted earnings per share (HK\$)	1.152	0.924	24.7%
Final dividend per share (HK cents)	40.0	32.0	18.8%

(18 March 2009 - Hong Kong) – **Hengan International Group Company Limited** (“Hengan International” or the “Company”, SEHK stock code: 1044, together with its subsidiaries, the “Group”) announced today its 2008 annual results. For the year ended 31 December 2008, the Group’s revenue amounted to approximately HK\$8,001,545,000, representing an increase of approximately 40.7% as compared to that of the previous year. Profit attributable to shareholders increased by approximately 33.0% to approximately HK\$1,340,914,000. Basic and diluted earnings per share amounted to approximately HK\$1.172 (2007: HK\$0.924) and HK\$1.152 (2007: HK\$0.924) respectively.

The Board of Directors recommended a final dividend of HK40 cents per share (2007: HK32 cents). Taking into account the interim dividend of HK32 cents per share, the annual dividend amounted to HK72 cents per share (2007: HK60 cents).

Commenting on the Group’s annual results, Mr. Sze Man Bok, Chairman of Hengan International, said, “During the year, the financial tsunami resulting from the U.S. sub-prime mortgage crisis has dampened global economy and consumer market. Nevertheless, thanks to the relatively stable economic situation in mainland China, the demand for hygiene products as daily necessities remained steady during the year. The strong business foundation of the Group together with its high brand recognition also enabled us to maintain our leading position in the personal and household hygiene product industry in mainland China and contributed to the strong growth in both revenue and profit. The Group also adopted various measures, including raising the selling price of tissue products, optimizing its product portfolio, implementing effective purchasing strategy, shortening workflow and reducing raw material wastage rate, to enhance production efficiency to further alleviate the rising pressure of raw material costs for the first three quarters of the year.”

### **Tissue papers**

Per capita income of the mainland population continued to show steady increase, driving up demand for quality tissue products. Compared with developed countries in Europe and the United States, the consumption of tissue paper in China is still relatively low which implies huge growth potential of the market. Meanwhile, the strict enforcement of the environment laws and regulations by the Chinese government has accelerated market consolidation, bringing new opportunities to the Group. For the year 2008, revenue from the Group's tissue paper business rose by about 49.9% to approximately HK\$3,874,924,000, accounting for about 48.4% of the total revenue.

During the year, the Group continued to focus on manufacturing products with higher gross profit margins, including box tissue papers, pocket handkerchiefs and wet tissues. Sales from these products accounted for approximately 68.7% of total tissue papers sales of the Group (2007: 71.4%).

The Group continued to increase its production capacity in order to satisfy growing demand. Fujian production base phase II and the Hunan production base phase II commenced production in April and December 2008 respectively. By the end of 2008, the Group's annual production capacity had reached 360,000 tons.

The gross profit margin for tissue products of about 31.6% (2007: 31.5%) was comparable with last year. This was mainly because the Group had benefited from the increase in selling prices of tissue paper products by 5% to 10% since March 2008 and the price decline of raw materials since the fourth quarter of last year, which offset the impact of raw materials price surge during the first to third quarters of the year.

### **Sanitary napkins**

Rising living standard and growing awareness in health and hygiene among mainland consumers translated into continuous growth in the demand for sanitary napkins. As a leading manufacturer of personal hygiene products in the mainland, the Group delivered encouraging results for its sanitary napkin business in 2008. Revenue reached approximately HK\$2,015,580,000, representing a 31.0% increase year-on-year and accounting for 25.2% of the Group's total revenue approximately. The Group continued to focus on producing mid-to-high end products. The "Space 7" series remained widely popular, accounted for approximately 50.0% of the Group's total revenue in sanitary napkin business (2007: 40.9%).

During the first to third quarters of 2008, the price of petrochemical products and wood pulp, the key raw materials for producing sanitary napkins, remained at a high level. However, the Group has successfully pushed up the annual gross profit margin to approximately 57.9% (2007: 56.9%) by tightening cost controls, increasing the proportion of products with a high gross profit margin, and also taking advantage of the fall in price of raw materials in the fourth quarter of the year.

### **Disposable diapers**

Rapid economic growth of mainland China and the general improvement in the living standard of the Chinese population have led to growing popularity of baby disposable diapers. There is huge growth potential for the disposable diaper market in mainland China given the penetration rate was still relatively low when compared with that of other developed countries. During the year, the diapers business raked in revenue of about HK\$1,873,526,000, up about 37.7% and accounting for about 23.4% of the total revenue.

Benefiting from the fall in price of petrochemical products and wood pulp in the fourth quarter, the key materials for producing diapers products, and as a result of the Group's continuous efforts on strengthening internal controls and improving its product mix, gross profit margin of disposable diapers rose to about 35.3% in 2008 (2007: 33.3%).

### **Snack food business**

China's buoyant economy offers great development potential for the snack food industry. As such, the Group acquired 51% equity interest in QinQin Foodstuffs Group Company Limited ("QinQin"), one of the leading confectionery manufacturers in mainland China on 28 November 2008, at a total consideration of approximately HK\$260 million. The move marked the Group's first step to establish a presence in the snack food industry.

During the year, Qin Qin recorded revenue and profit attributable to shareholders of approximately HK\$843,635,000 and HK\$53,307,000 respectively. However, as only about one month of Qin Qin's results was consolidated into the accounts of the Group since the acquisition date, therefore, contribution from Qin Qin to the Group's results for the year was not significant.

### **Future prospects**

The slowdown of the global economy has brought forth many uncertainties over the operating environment of different industries. Nevertheless, in light of the rising living standard, stronger awareness of health and hygiene of Chinese people together with the increasing progress of urbanisation and marketization, the Group maintains a prudent yet optimistic attitude about the prospect of personal care and hygiene product market.

With regard to the tissue paper business, the Group continued to develop and introduce more quality tissue paper products in order to cope with the market demand. We will also further enrich our product portfolio to cater to different market needs. In order to fulfill market demand, the Group plans to further expand annual production capacity by 60,000 tons to 420,000 tons before the end of 2009.

As for the sanitary napkin business, our mid-to-high end products such as "Anerle" and "Space 7" products continued to be well received by the market. The Group will proactively produce more mid-to-high end products with higher gross profit margins and strengthen brand promotion activities in order to increase our market share.

Regarding the disposable diapers business, the Group will seize the opportunities arising from the fast-growing diapers market, improve its product portfolio and launch more competitive products. In order to strengthen our productivity, we will upgrade our existing production technology and add new production lines.

For the snack food business, the Group will focus on consolidating Qin Qin business so as to create synergy effect resulting from the integration of supply chain, distribution channel and brand management with the Group's existing business. In view of the outstanding track record and promising outlook of Qin Qin, the Group believes that the acquisition will push forward the overall performance of the Group and consolidate its earning base. The Group aims at developing the snack food business into one of its four major business segments in the future.

Mr. Sze concluded, "In 2009, the global market and operating environment will become more volatile and full of both challenges and opportunities. In order to strengthen our leading market position, the Group will continue to bring in new technology and improve our product quality. Meanwhile, the Group will actively expand its sales network, step up marketing and promotion efforts, strengthen our brand equity and enlarge our market share. The Group is committed to elevating our management standard, increasing operational efficiency and strengthening our competitiveness through appointment of an independent management consultant. The Group is poised to capture market opportunities in the future and expand the development scale with a view to ensuring a steady growth in business and creating greater value for shareholders."

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***Company Background***

Hengan International is principally engaged in the provision of personal hygiene products since 1985, starting as a manufacturer to become today's customer-oriented fast moving consumer goods provider responsible for production, sales and marketing. Hengan International is now one of the most established manufacturers of tissue paper products, sanitary napkin products, disposable baby diapers, adult diapers and skin care products in the PRC. In addition, the Group also distributes plasters, enemas and first-aid items in Hong Kong. In addition, the Group is also one of the leading confectionery manufacturers in the PRC.

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