

**【 For Immediate Release 】**



**恒安國際集團有限公司**  
HENGAN INTERNATIONAL GROUP CO., LTD

## **Hengan International Announces 2023 Annual Results**

**Profit Attributable to Shareholders Increased by 45.5% to RMB2.80 Billion**  
**Three Core Business Segments Maintained Strong Growth**  
**Strong Net Cash Position**  
**Final Dividend at RMB 0.70 Per Share**

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*Upgraded and Premium Products Posted Satisfactory Sales Growth*  
*Further Expanded Market Share through Omni-channel Strategy and Brand Image Enhancement*

(21 March 2024— 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 annual results for the year ended 31 December 2023.

During the year, Hengan tapped into the consumption potential released by the transformation of consumption patterns. Hengan continued to greatly expand the e-commerce platforms and new retail channels through effective price stabilisation strategies and product line upgrades and premiumisation. It also promoted sales in traditional channels and created its new growth points. The effectiveness of the development of the Group’s omni-channel continued to improve. Benefitting from the ongoing omni-channel strategy and continuous enhancement of the brand image, revenues of the Group’s three core business segments (tissue paper, sanitary napkins and disposable diapers) has maintained strong growth over the past two years, with a year-on-year growth of approximately 8.0%. For the year ended 31 December 2023, the Group’s revenue increased by 5.1% to approximately RMB23,767,936,000 (2022: RMB22,615,878,000) as compared to last year. The Group’s revenue is expected to maintain stable in 2024.

In 2023, the Group continued to step up its efforts in developing its e-commerce business and new retail market. In addition to promoting brands on traditional large-scale e-commerce platforms, it also strengthened penetration into other emerging e-commerce channels (such as Douyin (“抖音”)). During the year, the Group further increased its proportion of e-commerce and new retail sales (including Retail Integrated (“零售通”) and New Channel (“新通路”)) to close to approximately 30.1% (2022: 26.9%), growing about 17.7% year-on-year including other new retail channels (including Retail Integrated, community group-buying, etc.) are progressing well with sales increasing by approximately 21.4% year-on-year and accounting for approximately 7.4% of the overall sales. The Group is also committed to developing premium products and optimising its product mix, actively enhancing its brand image to cater to domestic consumers’ pursuit of high-quality and diversified products. The upgraded tissue paper series “Cloudy Soft Skin” (雲感柔膚), the premium disposable diapers series “Q • MO” and sanitary napkins series “Sweet Dream Pants” (萌睡褲) continued to be well-received by consumers and maintained a strong sales momentum during the year. The sales of various key upgraded and premium products also achieved a year-on-year growth of more than 10.0% and continued to increase its proportion over the sales. Moreover, the Group effectively promoted sales in traditional channels and created its new growth points during the year, achieving a year-on-year increase of more than 8.0%.

During the year under review, raw material prices dropped in the second half of the year, leading to intensified market promotions and price competition. In the face of fierce market competition, Hengan actively responded to the market changes, adhered to stable pricing, and focused on enhancing profitability, effectively further expanding its market share and consolidating its leading position in the market. The decline in the price of wood pulp, the main raw material for tissue paper, in the second half of the year compared to the first half of the year, coupled with the robust growth in the Group's upgraded products and premium product series resulted in a significant improvement in the gross profit of the tissue paper business. In 2023, the Group's overall gross profit increased by approximately 4.2% to approximately RMB8,010,688,000 (2022: RMB7,689,499,000). Although the gross profit margin was under pressure in the first half of 2023, the overall gross profit margin for the full year still recorded at approximately 33.7% (2022: 34.0%), consistent with last year. Gross profit the second half of 2023 even significantly improved to 36.5% (2022 second half: 32.8%). It is expected that in 2024, the Group will prudently allocate promotional resources and premium high-margin products will continue to experience significant growth, leading to a continuous improvement in the gross profit margin.

During the year, operating profit increased significantly by approximately 38.6% to approximately RMB3,977,931,000 (2022: RMB2,869,154,000). Although the depreciation of the Renminbi against the US dollar and the HK dollar during the year resulted in an operating foreign exchange loss after tax of approximately RMB150 million, the loss was significantly reduced by about 83.6% compared with the operating foreign exchange loss before tax of approximately RMB901.2 million in 2022. Therefore, profit attributable to shareholders of the Company was approximately RMB2,800,533,000 (2022: RMB1,925,249,000), representing a significant year-on-year increase of approximately 45.5%. Excluding the operating foreign exchange loss after tax, profit attributable to shareholders of the Company increased by approximately 4.3% year-on-year, mainly reflecting the improvement in the Group's gross profit margin as a result of the decline in the cost of wood pulp and upgrades of products. Basic earnings per share was approximately RMB2.415 (2022: RMB1.657).

The Board of Directors declared a final dividend of RMB0.70 per share (2022: RMB0.70 per share) for the year ended 31 December 2023, together with the interim dividend of RMB0.70 per share (2022 first half: RMB0.70 per share) already paid, total dividend for the year amounted to RMB1.40 per share (2022: RMB1.40 per share) or RMB1,626,970,000 (2022: RMB1,626,970,000 ), maintaining a stable dividend amount.

Commenting on the Group's annual results, **Mr. Sze Man Bok, Chairman of Hengan International**, said, "During the year under review, the global economic recovery remained sluggish due to continued inflation, tightening monetary policies of major economies and geopolitical turmoil. China's economy showed steady improvement with the implementation of a series of policies to stabilise the economy. Despite a decline in the price of wood pulp in the second half of the year, frequent promotions further intensified market competition. Faced with a challenging and fluctuating business environment, the Group focused on enhancing profitability and adhered to a rational promotion strategy, while steadily advancing product premiumisation and developing more high-quality products. As a result, the Group's gross profit margin significantly improved in the second half of the year. Moreover, the Group actively developed and optimised its e-commerce and new retail channels to increase its market share. Despite the fierce competition in the domestic daily necessities market, Hengan has continued to strengthen its competitive advantages and seize the opportunity of industry consolidation, laying a solid foundation for high-quality development."

## **Sanitary Napkin**

China has the world's largest feminine care products market. With the growing awareness of feminine care and increasing spending power in China, female consumers are paying increasing attention to product quality, material safety and added value of products, driving consumption upgrade and continuous expansion of the feminine care products market. However, the market competition is very fierce, many domestic and foreign brands adopted aggressive sales strategies to tap into the mid-to-high-end market and young consumers. Hengan has full confidence in its product quality and longstanding reputation among customers, and adheres to a rational and stable pricing strategy. In order to enhance the brand image and consolidate its leading position in the mid-to-high-end market and traditional sales channels, Hengan continued to promote product upgrades and premiumisation to meet consumers' demand for high-quality feminine care products, so as to maintain its leadership in the fierce market competition. The Groups' upgraded sanitary napkin products, such as the "Sweet Dream Pants" (萌睡褲) series and the new premium "Heavenly Mountain Cotton" (天山絨棉) series launched this year, were favoured by consumers due to their excellent quality and brand image, driving the sales growth of the overall sanitary napkin business.

The continuous rapid increase in the penetration of new consumption patterns has exacerbated the fragmentation of channels. E-commerce platforms and other emerging retail channels (including community group-buying) are thriving. The Group actively seized the opportunities of emerging consumption trends, vigorously expanded emerging sales channels, and consolidated its leading edge in traditional channels, which effectively boosted sales of sanitary napkins and maintained a leading market share. During the year, the Group achieved satisfactory sales in new retail channels, and products of the 七度空間 series achieved the leading position in the sales in many new retail channels. At the same time, the Group's sanitary napkin business continued to maintain its leading position in traditional channels and achieved stable growth. Therefore, despite fierce market competition and aggressive pricing and promotional strategies of other brands, the Group's sanitary napkin business still saw growth in its revenue. In 2023, the revenue of the Group's sanitary napkin business increased by approximately 0.4% to approximately RMB6,178,438,000 (2022: RMB6,156,060,000), accounting for approximately 26.0% (2022: 27.2%) of the Group's overall revenue, outperforming the sales performance in the overall sanitary napkin industry. Driven by the increasing proportion of upgraded and premium products and the continuous growth of traditional sales channels, it is expected that the Group's sanitary napkin business in 2024 will maintain steady growth in its revenue.

The Group adheres to a stable pricing strategy and prudent allocation of promotional expenses. Benefiting from brand premiumisation and the steady increase in the proportion of upgraded products, as well as the decline in the price of petrochemical raw materials, the main raw material for sanitary napkins in the second half of the year compared with the first half of the year, the gross profit margin of the sanitary napkin business stood at approximately 66.0% in the second half of 2023, representing an improvement from 61.8% in the first half of the year, while the overall gross profit margin in 2023 was approximately 63.8% (2022: 66.8%). Driven by product upgrades and premiumisation, the gross profit margin is expected to continue to improve in 2024.

The Group's sanitary napkin brand 七度空間 continued to launch upgraded and premium products and strived to enhance its brand image. In recent years, the Group launched upgraded products such as "Ultra-thin" (特薄), "Extra-long — Night Use" (加長夜用) and "Pants-style" (褲型) series, which received an overwhelming response from the market. The newly launched "Heavenly Mountain Cotton Series" (天山絨棉系列), which uses rare and pure long staple cotton from snowy mountains, aim to meet the demand of

today's customers for high-quality products, and their sales are expected to gradually increase. The Group signed female artists with bright and positive image, including actresses Zhao Jinmai, as the brand ambassador of 七度空間, injecting youthful vitality into the brand. With the theme of "Freedom Without Limits", the Group launched a variety of promotional activities, such as brand ambassador live streaming, meetings and limited-edition gift sets, based on the preferences of young female customers and white-collar women to further enhance the brand image and attract young and white-collar customers. In addition, 七度空間 has upgraded the "Pink Wings" menstrual support program, in which pink symbolises the unity and support of women, and wings represent the protection from sanitary napkins and the freedom of women. The charitable program aims to voice women's rights and needs during menstruation and build a period-friendly society. On 8 March 2023, International Women's Day, 七度空間 held a special campaign called "Be Liberated, No More Black Pouches", encouraging women to be liberated and rejecting menstrual shame. The campaign actively promoted the attitude that "sanitary napkins, like any other daily necessities, do not need to be hidden" and encouraged women to abandon the habit of using a "black pouch" to carry sanitary napkins. During the campaign, the brand released a teaser video and promotional poster on its official Weibo account from 1 to 2 March 2023, and the topic "Is carrying sanitary napkins in a black pouch a bias or a concern" soared to the top of the real-time rankings. The positive response to the 七度空間 charitable campaign has helped promote the Group's products and enhanced the brand image. The widespread promotion of a liberated attitude for women also marked an important step for the Group to fulfill its corporate social responsibility.

In addition, the "Pants-style" series still has great growth potential with sales increasing over 73.4% year-on-year during the year. The Group will continue to vigorously promote the "Pants-style" series of products to consumers and launch an upgraded version of "Sweet Dream Pants" to attract more consumers and further increase market penetration. The Group believes that the upgraded products of the 七度空間 series will continue to be the main growth driver for the sanitary napkin business in the future, which will help the Group expand its market share and increase the revenue contribution of premium products. Meanwhile, the Group will continue to increase the sales proportion of new retail channels, strive to develop higher quality products, adhere to a stable pricing strategy, and maintain stable growth in traditional channels, thereby promoting the Group's long-term development and consolidating its leading position.

The Group will also continue to develop and launch other feminine care products beyond sanitary napkins, steadily develop the feminine care industry, and seize market opportunities brought about by domestic consumption upgrade.

### **Tissue Paper**

In 2023, the national economy and consumer market continued to recover, but the external environment was still full of challenges. The Group focused on improving profitability and responded to the cutthroat price competition with stable prices and an omni-channel sales strategy, driving the continuous double-digit growth of tissue paper sales. The Group gained more market share by virtue of its strong capital and nationwide sales network. Backed by a strong brand and a diversified product portfolio, the Group adhered to a stable pricing strategy and effectively controlled sales promotions. During the year under review, the revenue of the Group's tissue paper business increased remarkably by approximately 12.2% to approximately RMB13,748,172,000 (2022: RMB12,248,011,000), outperforming the industry's average growth rate and maintaining a leading market share. The sales of the tissue paper business accounted for approximately 57.8% of the Group's overall revenue (2022: 54.2%). The Group will continue to upgrade its

products and increase the penetration rate of premium products. It is expected that the revenue of the Group's tissue paper business will maintain rapid growth in 2024.

In the first quarter of 2023, the Group was still affected by the elevated price of wood pulp. However, in the second quarter of 2023, the price of wood pulp started to come down. After the Group consumed its high-cost wood pulp inventory, the positive impact of the decline in the cost of wood pulp was reflected in the results in the second half of 2023. Although the Group moderately increased promotions in the second half of the year, resulting in higher promotional expenses, it benefited from product upgrades and the increased proportion of high-margin products, as well as a drop in wood pulp costs. As a result, the gross profit margin for the second half of 2023 improved significantly from 17.7% in the first half of the year to 26.1% (2022 second half: 18.5%), while the gross profit margin for 2023 increased to approximately 21.7%, (2022: 20.7%). The Group expects that the gross profit margin of the tissue paper business will continue to improve in 2024.

Driven by the improvement of national health awareness and the growing demand for consumption upgrades, the Group's upgraded and premium tissue paper products achieved outstanding sales. Among them, the sales of the "Cloudy Soft Skin" series recorded sales of more than RMB1.30 billion, increased by around 26.6% and accounting for approximately 12.0% of the overall tissue paper sales. In terms of the Group's wet wipes business, the sales for the year were approximately RMB931,060,000 (2022: RMB842,354,000), recording a sales growth of nearly 10.5%, accounting for approximately 6.8% of the overall sales of the tissue paper business (2022: 6.9%). The wet wipes business has maintained strong growth in recent years, the Group will continue to increase its market share in the domestic wet wipes market and consolidate its market leadership. The Group actively responded to the fragmentation of channels and the efforts and resources invested in strategic deployment in the early years has entered the harvest period. The tissue paper business performed remarkably in e-commerce and new retail channels (including Retail Integrated, community group-buying, etc.), with a sales growth of approximately 26.1%, accounting for nearly 35.3% of the overall sales of tissue paper. In the future, the Group will continue its endeavours in expanding different sales channels, striving for the largest market share.

With the continuous enhancement of living standards and health awareness, the overall tissue paper market is full of opportunities. In the face of fierce market competition, the Group will develop more high-quality products to meet the diverse needs of customers, improve the cost-effectiveness of tissue paper production, and increase the production capacity of each production base, to fully grasp the business opportunities in the domestic tissue paper market and maintain its leading position in the tissue paper market. During the year, the Group's annual production capacity was approximately 1,470,000 tonnes. It is expected that in 2024, production capacity will be gradually increased in Hunan, Hubei, Guangdong and other regions to respond to market conditions and meet the demand for sales growth.

### **Disposable Diapers**

The continuous ageing population and improvement of national living standards continue to drive the expansion of China's disposable diaper market. The trend of consumption upgrade and evolving parenting concepts have also promoted the continuous increase in the penetration rate of baby disposable diapers. There is huge potential for growth in China's disposable diaper market.

The Group continues to develop high-quality baby and adult care products to meet customers' growing demand for product quality. During the year, sales of the flagship premium product "Q • MO" maintained good growth. It recorded a year-on-year growth of nearly 21.8%, and its proportion further increased to about 36.4%. In 2023, the Group strived to strengthen the development of new retail channels and

maternity sales channels, with new retail channels and maternity sales channels accounting for approximately 52.8% and 16.6% of sales, respectively. Despite fierce market competition, benefitting from the enhanced brand competitiveness, the sales growth of the Group's premium product "Q • MO" and the improvement in sales resulting from the rebranding of the "Anerle" (安兒樂) brand to "Sports-style" (運動型) series effectively offset the decline in sales from traditional channels and mid-to-low-end products. On the other hand, benefitting from the growing domestic adult incontinence products market and the continuous increase in the penetration rate of the Group's adult disposable diapers, the Group's adult disposable diaper business recorded a growth of approximately 11.5% during the year, accounting for approximately 25.4% of the overall diaper sales. As a result, the sales of the Group's disposable diaper business increased by approximately 4.3% to approximately RMB1,254,070,000 (2022: RMB1,202,347,000), accounting for approximately 5.3% (2022: 5.3%) of the Group's overall revenue. The Group believes that the adult disposable diaper market has considerable development potential. With the continuous increase in the proportion of premium baby and adult diaper products, the sales of the Group's disposable diaper business are expected to maintain sales growth in 2024. In terms of gross profit margin, the price decrease in petrochemical raw materials for disposable diapers in the second half of the year led to an decrease in costs of sales, coupled with the increase in the proportion of sales of the higher-margin "Q • MO" products and premium adult disposable diapers helped increase the gross profit margin to more than 40.0% in the second half of 2023, which is a significant improvement from 36.0% in the first half of the year. The gross profit margin of the diaper business in 2023 rose to approximately 38.1% (2022: 36.9%). The gross profit margin of the diaper business is expected to remain stable in 2024.

During the year, the Group continued to seize market opportunities, further developed the premium product market and improved product quality. Regarding the baby diaper business, the Group continued to rebrand the "Anerle" brand, established a new brand positioning, and developed sports pants-style diapers to meet the needs of today's consumers, effectively driving an increase in sales. On the other hand, "Q • MO" magic breathing diapers, which have 3.6 times more vents than traditional diapers, are very popular in the market. The Group will continue to optimise "Q • MO" products to instill growth momentum into the Group's future development. With the dual-brand strategy, the Group expects the sales of the baby diaper business will maintain a steady growth in 2024.

In addition, as China pays increasing attention to the development of the elderly care industry, there will be huge room for development in the field of domestic adult care products. As a dedicated brand in the Chinese adult diaper market, "ElderJoy" (安而康) actively educates the public on elderly care and advocates the brand proposition of "bringing peace and joy to the elderly". On 20 March 2023, "ElderJoy" collaborated with the renowned actor Hu Jun and his family to release a public welfare short film titled "This Time, Love Will Not Be Late", which called for societal attention and awareness of the "unspoken difficulties" of the disabled elderly, received widespread attention and created resonance. The short film received over 100,000 likes and was trending on Weibo. In May, leveraging the occasion of Mother's Day, the short film gained even greater popularity. "ElderJoy" joined hands with the China Social Welfare Foundation to donate adult diaper products worth nearly RMB200,000 to five hospitals, nursing homes, and 23 local villages in Jiangxi and Jiangsu provinces, aiming to demonstrate care for the elderly and educate the public about assisting and showing love to the elderly through concrete actions, actively fulfilling the Group's social responsibility. The Group will invest more resources in the development of adult care products, so that the "ElderJoy" brand and its products can fully penetrate the domestic market and at the same time expand market share in Southeast Asia. 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 vigorously develop new retail channels and also increase cooperation with maternity stores, nursing homes and hospitals. On the one hand, it will seize new business opportunities brought by new retail. On the other hand, through the cooperation with maternity stores, nursing homes and hospitals, it will expand the Group's potential 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 care business and continuing to tap the growth potential of the adult care market.

### **Other Incomes and Household Products**

Regarding other income and household products, the Group's revenue for the year, which mainly includes revenues from raw material trading business, household products business, and Wang-Zheng Group in Malaysia, decreased by approximately 14.0% year-on-year to approximately RMB2,587,256,000 (2022: RMB3,009,460,000). The decline was mainly due to the Group's preference to reserve raw materials for the manufacturing of products and ensure reasonable profits from its raw material trading business. As a result, revenue from raw material trading business dropped significantly by approximately 13.6% to approximately RMB1.4 billion (2022: approximately RMB1.6 billion).

During the year, revenue from the household products business was approximately RMB249,589,000 (2022: RMB325,962,000), representing a year-on-year decrease of approximately 23.4%, accounting for approximately 1.1% of the Group's revenue, which was mainly due to the decline in the export business of household products.

In 2023, the Group 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 overseas sales network (including the markets in Australia and Asia). The Group will continue to take advantage of these overseas sales network to bring Hengan's high-quality products to overseas markets.

### **International Business Development**

The Group has been actively expanding to overseas markets. Currently, the Group sells its products in 37 countries and regions, with 54 direct partnerships with major clients or distributors. In 2023, turnover of overseas channel (including Wang-Zheng Group business) was approximately RMB1,950,955,000 (2022: RMB2,086,791,000), accounting for approximately 8.2% of the Group's overall sales (2022: 9.2%).

During the year, the Group's Wang-Zheng Group business in Malaysia saw a steady recovery and its turnover increased by approximately 6.3% year-on-year to approximately RMB437,699,000 (2022: RMB411,704,000) accounting for approximately 1.8% of the Group's overall sales (2022:1.8%). 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, and tissue products, cotton products and processed papers. Its brands include "P Love" disposable adult diapers and "Carina" personal hygiene products. The Group leveraged on the Malaysian Wang-Zheng Group as its base to bring Hengan's tissue and adult disposable diapers products into the Southeast Asian market.

In the future, the Group will continue to upgrade its existing Wang-Zheng products, develop and launch more good quality products under the Wang-Zheng brand and further increase its market share in Malaysia and Southeast Asia.

### **E-commerce and New Retail Channel Strategies**

New consumption patterns and new forms of business that integrate online and offline channels are developing at an accelerated pace, and the online shopping market is expanding, thereby continuously unleashing consumption potential. According to statistics, the national online retail sales of physical goods reached RMB13.0 trillion in 2023, representing an increase of 8.4%, of which the online retail sales of daily necessities increased by 7.1%. In order to meet the ever-upgrading needs of consumers, the Group continues to innovate, develop and optimise e-commerce and other new retail channels, and adapt to the market trends to grasp business opportunities. During the year, the Group carried out higher quality product promotions for various brands in new channels, and its stable pricing strategy received positive responses from the market, thus further enhancing the Group's brand awareness and market share in online and other new retail channels.

In 2023, the Group's e-commerce and new retail channels (including Retail Integrated and New Channel) maintained a robust development momentum and sales for the year soared over 17.7% to approximately RMB7.16 billion (2022: RMB6.1 billion), bringing the proportion of e-commerce sales up to approximately 30.1% (2022: 26.9%) of the Group's overall sales. During the year, new retail channels contributed approximately 35.3%, 26.5% and 52.8% of contribution to the sales of tissue paper business, sanitary napkin business, and disposable diaper business respectively. It is expected that the proportion of sales in new retail channels will be further increased in the future.

In the future, the Group will continue to step up its efforts in developing its e-commerce brand flagship stores and emerging channels (such as Douyin) and improve data analysis capabilities for end customers.

To cater for the new consumer trends, the Group interacted with consumers through livestream sales and other community activities, and strengthen the connection with young consumers. The Group also appointed Xiao Zhan, a popular artist, as the global brand ambassador of "Hearttex" to further enhance the brand influence. The Group will continue to increase its market share in e-commerce and new retail channels to inject strong impetus for rapid growth in the future.

### **Selling and Administrative Expenses**

As the Group moderately increased its online marketing investment to capture market opportunities and promote the Group's key selling products, the Group's selling and administrative expenses for the year amounted to approximately RMB5,068,887,000, representing a year-on-year increase of approximately 3.7%. The proportion of the Group's selling and administrative expenses to the total revenue for the year slightly dropped to approximately 21.3% (2022: 21.6%). The Group believes that the total revenue is expected to continue to increase in the coming year, together with the effective sales and promotion strategies to precisely allocate expenses, the proportion of such expenses to revenue is expected to improve.

### **Foreign Currency Risks**

Most of the Group's income is denominated in Renminbi. During the year, due to the depreciation of Renminbi against the H.K. dollar and the U.S. dollar, the Group recorded an operating exchange loss of approximately RMB180.0 million, representing a substantial narrowing of exchange loss by approximately 79.9%. This was mainly due to significant decline in Renminbi dividends receivable from domestic subsidiaries in the Group's Hong Kong company, which mainly caused the recognition of operating exchange loss last year (2022: RMB912,865,000).



As at 31 December 2023, apart from certain foreign currency swap contracts and foreign exchange options 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 31 December 2023, the Group's cash and bank balances, long-term bank time deposits and restricted bank deposits amounted to approximately RMB19,628,406,000 (31 December 2022: RMB21,563,284,000); and bank borrowings and other borrowings amounted to approximately RMB14,237,625,000 (31 December 2022: RMB17,029,952,000).

In December 2022, the Group successfully registered super short-term commercial papers in an aggregate amount of not more than RMB5.0 billion. From February to May 2023, the Group issued super short-term commercial papers in four batches of RMB5.0 billion in total with the coupon rates ranging from 2.39% to 2.4% per annum and tenors ranging from 178 days to 180 days. The four batches of commercial papers have been fully repaid by 31 December 2023.

The bank borrowings and other borrowings were subject to floating annual interest rates ranging from approximately 0.05% to 6.45% (2022: from 0.4% to 5.2%)

As at 31 December 2023, the Group's gearing ratio, 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) significantly improved to approximately 69.8% (31 December 2022: 87.2%). This improvement was primarily attributed to the Group's commitment to maintaining a sound financial position and reducing high-cost debts. While 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 26.4% (31 December 2022: negative 23.2%) as the Group was in a net cash position. The Group will stay committed to optimising the gearing ratio and maintaining a solid net cash position to ensure a sound financial position.

During the year, the Group's capital expenditure was approximately RMB1,843,888,000 (2022: RMB1,327,206,000), primarily allocated to increasing the production capacity of various manufacturing facilities. As at 31 December 2023, the Group had no material contingent liabilities.

### **Outlook**

Looking ahead to 2024, **Mr. Sze Man Bok, Chairman of Hengan International**, said, "The escalating geopolitical tensions and cloudy prospects of the tightening monetary policies of the world's major central banks will continue to pose challenges to global economic growth and add to the uncertainties of domestic economic development. However, the long-term sound fundamentals of the Chinese economy remain unchanged. It is expected that China will continue to implement proactive fiscal policies and prudent monetary policies to further promote the high-quality economic development and expand domestic demand, thereby bolstering consumer confidence. The trend of upgrading daily necessities is expected to continue. The Group will continue to pay close attention to the domestic and international political and economic developments, as well as changes in market trends, respond flexibly and make prudent decisions."

"With normal supply from wood pulp mills, the price of wood pulp is expected to remain stable, which will be beneficial to the Group's business operations. The Group will closely monitor the impact of external factors on the prices of imported wood pulp, petrochemical raw materials, and other materials."

“As a leader in the industry, Hengan centres around long-term development to formulate business strategies and allocate resources. The Group will actively implement the three core strategies, including "focus on main businesses", "brand leadership" and "long-termism", so as to lay a solid foundation for the sustainable development of the Group. The Group will focus on the development of the three core businesses of tissue paper, sanitary napkin and disposable diapers, actively develop higher quality new products and expand into new markets, accelerate penetration into rural markets and other markets in the mainland China, and seize the huge development opportunities in the domestic daily necessities market.”

“In the future, the Group will further optimise the brand image of its products through strategies such as product premiumisation, new packaging, and precise allocation of marketing resources. Additionally, the marketing department will comprehensively enhance the brand image to encourage consumers to purchase Hengan products. The Group will continue to enhance its product mix and accelerate product premiumisation, such as the hot-selling series “Q • MO”, “Cloudy Soft Skin” and “Heavenly Mountain Cotton”, so as to improve the Group’s profitability, further develop online and offline sales channels and promote the joint development of multi-channels to expand its customer base.”

“In order to continue to consolidate the Group’s market leadership in tissue paper and hygiene products and meet domestic consumers’ demand for high-quality products, the Group plans to carry out production capacity expansion and technological upgrades in the future, including the establishment of a new upgraded sanitary napkin, disposable diapers, wet wipes plant in Neikeng, Fujian, and the expansion of tissue paper production capacity in Xiaogan, Hunan, and Yunfu, Guangdong. It is expected that the new production capacity will be put into operation successively in 2024.”

“As a leading enterprise in the personal and household hygiene products industry in China, Hengan will continue to adhere to the mission of “Growing with You for a Better Life”, and strive to become a supplier of high-quality, reliable and sustainable personal and household hygiene products, while also actively promote ESG development and contribute to building a green and sustainable world. The Group will focus on the three main businesses (tissue paper, sanitary napkin and disposable diapers), enhance its brand image, seize the opportunities in the “new retail” era, take long-termism as the general direction for future development to further scale its business. At the same time, the Group will continue to take industry extension as the long-term development goal, actively expand and extend to feminine care, infant and child care, and elderly care business to continue to maintain its overall competitiveness, and gradually promote international development of Hengan’s brand, striving to become a “global top-tier supplier of daily products”.

– End –

Hengan International Announces 2023 Annual Results  
Profit Attributable to Shareholders Increased by 45.5% to RMB2.80 Billion  
Three Core Business Segments Maintained Strong Growth  
Strong Net Cash Position  
Final Dividend at RMB 0.70 Per Share  
Page 11 of 11

### ***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.

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