

【For immediate release】



恒安國際集團有限公司

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

Hengan International Announces 2020 Interim Results

Revenue Increased 1.4% to RMB10.9 Billion
Profit Attributable to Shareholders increased 20.3% to RMB2.26 Billion
Interim Dividend at RMB1.2 Per Share

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*Continuously Optimised Product Portfolio To Enhance Gross Profit Margin
Effectively Capitalised on Robust Demand for High-Quality Daily Necessities*

Financial Highlights

	For the six months ended 30 June		Change
	2020 RMB'000	2019 RMB'000	
Revenue	10,927,862	10,776,606	+1.4%
Gross profit margin	44.1%	37.3%	+6.8% p.p
Operating profit	3,185,111	2,658,154	+19.8%
Profit attributable to shareholders	2,259,528	1,877,782	+20.3%
Basic earnings per share (RMB)	1.899	1.578	+20.3%
Interim dividend per share (RMB)	1.20	1.00	+20.0%

(19 August 2020 — 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 2020.

During the period under review, national health awareness has increased significantly and demand for personal and household hygiene products was strong. Although the Group’s sales in the first quarter was put under pressure due to the inevitable impacts on logistics and resumption of work, thanks to Hengan’s brand quality assurance, agile “small sales team” and its effort to maintain production and supply levels to the greatest possible extent the Group effectively capitalised on the rapid recovery in the second quarter, and coupled with the robust domestic consumer demand for high-quality daily necessities, sales rebounded swiftly in the second quarter, which mitigated the negative effects of the first quarter. For the six months ended 30 June 2020, the Group’s revenue increased slightly by approximately 1.4% year-on-year to approximately RMB10,927,862,000 (2019 first half: RMB10,776,606,000).

In the first half of 2020, the overall prices of wood pulp were at a historically low level, which continued to support the gross profit margin of tissue paper business. Revenue of the high-margin sanitary napkin business improved significantly thanks to the effective reformed sales channel, its sales increased to closed to 30.0% of total sales (2019 first half: 28.5%). Gross profit margin of other business with lower gross profit margin in the past also increased notably, benefitting from the Group’s higher-margin new medical products (such as surgical mask) and the optimisation of the self-branded household products. Coupled with the satisfactory sales of variety of premium products, the Group’s overall gross profit and gross profit margin increased significantly. In the first half of 2020, gross profit grew about 19.8% to approximately RMB4,815,619,000 (2019 first half: RMB4,018,867,000), while gross profit margin greatly increased to approximately 44.1% (2019 first half: 37.3%). It is expected that the gross profit margin will continue to improve in the second half of 2020 as the overall prices of wood pulp are expected to remain steady at a low level and the Group will continue to optimise its product

portfolio and focus on high-margin products to mitigate the negative effects of intensified market competition and the softening Renmibi.

During the period, the gross profit of tissue paper and sanitary napkin segments performed well, operating profit increased by approximately 19.8% to approximately RMB3,185,111,000 (2019 first half: RMB2,658,154,000). Profit attributable to shareholders of the Company amounted to approximately RMB2,259,528,000 (2019 first half: RMB1,877,782,000), increased by about 20.3% year-on-year. The Board of Directors declared an interim dividend of RMB1.2 per share for the six months ended 30 June 2020 (2019 first half: RMB1.00).

Commenting on the Group's interim results, Mr. Sze Man Bok, Chairman of Hengan International, said, "In the first half of 2020, the worldwide outbreak of coronavirus (COVID-19) epidemic has made a great impact on daily life and the global economy, which inevitably affected consumer confidence. In the first quarter, China's gross domestic product decreased by 6.8% year-on-year, the first negative growth in record. However, as the epidemic was gradually brought under control in Mainland China, the recovery trend in the second quarter was remarkable, which partially offset the impact of the first quarter. In the first half of 2020, total retail sales of consumer goods fell 11.4% year-on-year, while retail sales from the daily necessities category grew 5.2% year-on-year, reflecting the notable recovery in the daily necessities category. During the period, thanks to Hengan's adaptability and its leading brand strength, the Group capitalised on the rapid demand recovery in the second quarter, driving a rapid rebound in sales and enabling the Group's sales to continue to grow in a challenging market environment."

Sanitary Napkin

The development of China's sanitary napkin market is very mature and the overall market is close to saturation. As a result, the direction of future market growth driver must be towards product upgrades and the launch of premium products to meet the refined needs of consumers. In the past three years, the Group has carried out sales channels reforms to enhance the capabilities of precision marketing, increase direct sales of high-end and high-quality products to customers and speed up response to consumer needs in various channels. Benefits of reforms were effectively reflected in the business performance during the period. In addition, the Group launched the new image of premium 'Space 7' series at the end of last year. Leveraging on the precise direct sales strategy and high-quality product image, market penetration increased rapidly during the period and the series was well-received by the market, thereby driving sales growth of sanitary napkin segment. The remarkable sales growth of sanitary napkin in the traditional channel and satisfactory sales of premium and upgraded products effectively offset the short-term impact caused by clogged logistics in the first quarter. During the period under review, the sales growth of the Group's sanitary napkin business slightly outperformed the industry average with sales increased approximately by 5% to approximately RMB3,222,684,000 (2019 first half: RMB3,075,156,000), which accounted for approximately 29.5% of the Group's revenue (2019 first half: 28.5%).

During the period, benefiting from the precision marketing of the 'Space 7' series and high-margin Ultra-Thin Adorable Sleeping Panty (超薄萌睡褲), the proportion of high-end products in its product portfolio gradually increased, which effectively increased the average selling price to maintain the profitability of sanitary napkin in spite of the fierce market competition. During the period under review, the gross profit margin of the sanitary napkins business was approximately 70.4% (2019 first half: 70.3%).

In addition to continuing to develop and upgrade the ‘Space 7’ series for mature white-collar workers, the Group also invested in brand rejuvenation and strives to maintain the popularity and influence of its flagship brand Space 7(七度空間) among young female consumers. Keeping in step with the trend of national culture, the Group signed Space 7(七度空間) brand ambassador contract with Ju Jingyi, a core member of “SNH48” in June 2020, leveraging on her influence on young consumers to further strengthen the brand positioning of Space 7(七度空間) among younger women.

While upgrading the products, the Group will continue to strengthen the collaborations with New Retail platforms (i.e. Retail Integrated (“零售通”), New Channel (“新通路”) etc.) sales models so as to expand the coverage of retail stores. The Group continued to bring the best quality and upgraded products to the market and improve sales efficiency, thereby maintaining its leading position in the market for feminine hygiene products. In terms of product development, Group stepped up efforts to research and upgrade the functions, materials and packaging of high-margin products in order to gain higher market share in a near-saturated market and further strengthen the brand’s leading position.

Regarding the development of other feminine care products, products from the female care brand, “Origin and Prime” (若顏初), such as makeup removers and moisturising facial masks received positive feedbacks 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” to further capture growth opportunities brought by consumption upgrade.

Tissue Paper

China’s per capita consumption of tissue paper continues to grow steadily. The epidemic has greatly raised national health awareness and also immensely increased consumer demand for tissue products. The Group believes that this demand will continue for a longer period of time. Coupled with the continuous domestic consumption upgrade trend, it is believed that the overall tissue market will maintain its growth momentum in the short-, medium- and long-term.

In the first half of 2020, benefiting from the increasing demand, the sales of Group’s wet wipe products posted robust growth, which drove sales of the overall tissue paper segment and partially offset the logistics disruption in the first quarter and negative impact on B2B sales due to the reduction in business activities caused by the epidemic. During the period under review, the sales of tissue products was approximately RMB5,349,011,000 (2019 first half: RMB5,460,742,000), accounting for approximately 48.9% of the Group’s total revenue (2019 first half: 50.7%). In the face of the sudden epidemic, the Group responded swiftly and combined the existing disinfectant wipes and the popular high-margin “Super Mini” series to launch new upgraded “Super Mini” disinfectant wipes to meet consumer needs for portability and disinfection. “Super Mini” disinfectant wipes accurately captured the needs of consumers, and as a result, the sales of wet wipes increased by more than 40% year-on-year, and its contribution to the overall sales of the tissue business increased from approximately 5.7% in the same period last year to approximately 8.3%.

In recent years, the Group has vigorously developed and launched premium high-margin new products or upgraded products, strived to increase the proportion of premium products in the product mix. During the period, high-end wet wipes recorded satisfactory sales performance,

becoming the driving force for the sales and profit of tissue paper segment. In addition, wood pulp prices were at historically low level, resulting in a significant improvement in gross profit. During the period, the gross profit margin of tissue product remarkably improved from about 25.0% in the first half of 2019 to about 35.0% in the first half of 2020, representing an increase of approximately 10 percentage points. The Group expects the prices of wood pulp will remain stable in the second half of 2020 and has taken this opportunity to reserve low-cost raw materials. It is expected that the gross profit margin of tissue paper will continue to benefit from the low wood pulp prices in the second half of 2020.

This year, the Group officially launched the new high-end series of "Cloudy Soft Skin" (雲感柔膚) with an aim to provide high-quality consumer experience by using new double-sided stereoscopic embossed high-quality tissue paper with cotton soft skin like. The Group expects to gradually increase the market penetration rate of the "Cloudy Soft Skin" series. On the other hand, the "Bamboo π" series was developed with the concept of environment protection uses bamboo, which has a much shorter growth cycle than wood as raw materials, thus reducing the burden on the forest. The bamboo quinone contained in the raw materials of bamboo pulp has anti-bacterial, anti-mite, anti-pest and anti-odor properties to cater to consumers who pursue healthy life, green life and quality of life. In addition, grasping the current trend of national culture sought after by young consumers, the Group collaborated with Yongle Palace (永樂宮) and launched national culture-themed pure cotton facial towels, soft cotton towels and cleansing towels, packaged with classic Chinese murals to create the style of cultural and creative products, add a taste of national culture and further enhance the grade of the products and brand.

In terms of wet tissue business, the Group continued to leverage on its advantage as a leader in the "Super Mini" series. On one hand, it repackaged the existing wet tissue products by adding "Super Mini" features to launch upgraded products. On the other hand, through the understanding of the market and consumer with "small sales team", it developed more products that can accurately meet consumers' needs to continuously expand its market share in domestic wet tissue market and maintain its leading market position.

The Group's annualised production capacity was approximately 1,420,000 tons during the period. The Group will consider expanding its production capacity according to the market conditions and sales performance in the future.

Disposable Diapers

As the ageing trend of China's population continues, the Chinese government puts more emphasis on the development of the elderly care industry. In addition, national consumption of adult diapers is still lower than that of other countries. Therefore, the adult diaper market still has huge untapped potential. On the other hand, with the rising national economic power, in terms of maternal and child products, consumers are more concerned about quality and safety rather than price factors. Therefore, consumption upgrades and product upgrades will continue to be the growth drivers of the diaper market.

After several years of targeted promotion that emphasizes quality, "Q • MO" has become the Group's benchmark high-end diaper series. The market penetration rate of high-margin products of "Q • MO" and adult diapers "ElderJoy" (安而康) has gradually increased during the period, sales reached double-digit growth and accounted for an increase in the proportion of diaper sales, resulting in a significant improvement in the Group's diaper business when

compared to previous years. In addition, the Group's efforts to strengthen sales distribution of disposable diapers in e-commerce and maternity stores channel were gradually reflected, such that the proportion of disposable diapers sold by the Group through e-commerce and maternity stores channel have increased to more than 40.0% and more than 15% respectively, continuing to catch up closely with the industry average. For the six months ended 30 June 2020, revenue from the disposable diapers segment was approximately RMB722,181,000 (2019 first half: RMB750,666,000), narrowing the decline to about 3.8%, which accounted for approximately 6.6% of the Group's overall revenue (2019 first half: 7.0%). The Group believes that the sales of the disposable diapers business will soon return to the growth trajectory.

In the past few years, the Group's emphasis on high-quality premium diaper series such as "Q • MO" and "Soft and Thin" (小輕芯), the upgraded product of Anerle (安兒樂) has driven the overall sales of disposable diapers year after year, proving that the Group's investment in the development of the premium product market is in the right direction. "ElderJoy" adult diaper series continue to penetrate the domestic market, and have laid a solid foundation in the Malaysian and Southeast Asian markets. During the period, despite benefiting from the rising proportion of high-margin products, the cost of petrochemical raw materials used in disposable diapers rose due to the tight supply during the period, hence, the gross profit margin of the disposable diapers segment decreased slightly to approximately 38.6% (2019 first half: 40.6%).

Looking ahead, the Group will continue to take premium high-margin products as its core development strategy, focus on developing and upgrading more high-quality products and increase its market share in the high-quality diaper market. The Group will continue to develop the baby care market and the adult health care market. On the one hand, it will attract high-spending customers to purchase high-quality and high-margin products through its online "Q • MO" online flagship store and offline maternity stores. On the other hand, it will continue to actively cooperate with nursing homes and hospitals and supply adult disposable diapers and mattresses and other care products. While expanding the potential customer base, it will also explore other sales channels apart from traditional channels. The multi-pronged approach of e-commerce, maternity stores, nursing homes, hospitals and traditional channels will bring growth momentum to the disposable diapers business, and help the Group to develop the adult health care business in the long term, and continue to tap the growth potential of the adult health care market.

Household products

Revenue from the Group's household products segment amounted to approximately RMB192,509,000 (2019 first half: RMB154,170,000), including revenue from Sunway Kordis Holding Limited ("Sunway Kordis") amounted to approximately RMB131,220,000 (2019 first half: RMB114,456,000). The household products business accounted for approximately 1.8% (2019 first half: 1.4%) of the Group's revenue.

In recent years, the Group has stepped up its efforts to develop the household products business so as to expand its market coverage. The Group's household business includes the manufacturing of food wrap film, plastic bags (including garbage bags and disposable gloves) and some household cleaning products. During the period, national health awareness increased significantly, which drove higher demand for household cleaning products, and the revenue of household products business increased notably by about 24.9% over the same period last year.

The Group acquired the entire issued share capital of the Sunway Kordis and its subsidiaries in April 2018. Sunway Kordis has sales channels to export products to Europe, Australia, North America and Asia. The Group will seek to leverage on Sunway Kordis's overseas sales network to bring Hengan's products to overseas market.

Other Incomes

During the period, the Group officially commenced production and sales of surgical masks as a result of the epidemic, providing domestic consumers with high-quality and reliable surgical mask products to fight the epidemic. Although the supply of non-woven fabrics, one of the main raw materials for surgical masks production, was tight in the market, non-woven fabrics have always been the raw materials for the Group's production of personal hygiene products (including sanitary napkins and disposable diapers). Hence, the Group has certain inventory of non-woven fabrics. On top of that, the long-term cooperative relationship with raw materials suppliers helps to ensure a stable supply. Therefore, leveraging on the raw materials procurement advantage and its brand reputation, the Group's surgical masks business achieved remarkable development during the period. For the six months ended 30 June 2020, the revenue of surgical masks and other health care products exceeded RMB200 million, accounting for approximately a low single-digit percentage of the Group's overall revenue. The Group's surgical mask products are primarily sold in the mainland China market, and some are also supplied to Hong Kong area or exported to the European market. In May 2020, the Group obtained a 5-year medical device production license, becoming the first surgical mask manufacturer in Fujian Province to obtain a medical device production license, which means that surgical mask products will become the regularly produced products of the Group, expanding the Group's product portfolio in the category of hygiene products. In the future, the Group will appropriately adjust its production capacity in accordance with the epidemic situation and market demand to fulfill the needs of the domestic and overseas markets.

In addition, the Group's other incomes mainly included the revenue of Wang-Zheng in Malaysia, the revenue of Sunway Kordis and the revenue of raw materials trading business. For the period ended 30 June 2020, revenue of Wang-Zheng Group amounted to approximately RMB183,287,000 (2019 first half: RMB207,843,000), while revenue of Sunway Kordis was approximately RMB131,220,000 (2019 first half: RMB114,456,000). In addition, the revenue of the Group's raw materials sales business decreased by approximately 4.6% compared to the six months ended 30 June 2019.

During the period under review, the impressive gross profit of the surgical masks produced and sold by the Group, increase in the proportion of revenue from the self-branded products of household business and improvement in the gross profit margin of raw materials trading, all contributed to the increase in the gross profit of the Group's other incomes. The gross profit margin of other incomes increased year-on-year to approximately 24.2% (2019 first half: 12.5%).

E-commerce

In the first half of 2020, the total retail sales of consumer goods fell 11.4% year-on-year, but online retail sales of physical products grew 14.3% year-on-year, accounting for 25.2% of the total retail sales of consumer goods, an increase of 5.6 percentage points from the same period last year. Bucking the trend, online shopping grow with the number of online purchase of goods or services made by citizens has generally increased across the country. The normalization of epidemic prevention and control drove more products that have not been sold online to land on

e-commerce platforms, which in turn promotes the development of e-commerce platforms and online shopping habits, which is conducive to the expansion of the overall e-commerce market. The Group's core brands, such as Space 7, Hearttex and "Q•MO", have opened official flagship online stores which are operated directly by the Group, enabling the Group to unify its sales strategy and flexibly adjust its product portfolio. In addition to the use of e-commerce platforms, the Group has also strategically collaborated with well-known large-scale e-commerce platforms in China. Through the Retail Integrated and New Channel platforms, the Group expanded its offline sales network, entered small shops in small communities and opened up the boundaries between online and offline channels.

In the first half of 2020, despite the impact of the logistics disruption caused by the epidemic, the Group's e-commerce business achieved stable development. For the six months ended 30 June 2020, the revenue from e-commerce (including Retail Integrated and New Channel platforms) exceeded RMB2.0 billion, accounting for approximately 18.0% of the Group's total sales revenue.

With the rapid development of the overall e-commerce market, it is believed that the system and logistics support of domestic online shopping platform will continue to be optimised, making it more convenient for online shoppers, and further promoting the evolution of the e-commerce market. In the future, the Group will actively collect and analyse end consumer sales data through new retail networks and direct sales stores. Integrating the data from the flagship online store operated by the Group will help the Group to analyse consumer habits and preferences. Moreover, the consumer data can be refined into income and geographical distribution according to the distribution of small shops in different communities. By categorizing consumers, the Group can leverage on the flexibility and market responsiveness of "small sales team" to devise targeted sales strategies that are more suitable for regional markets, and launch products and services for different consumer groups. In addition, it can also rely on the understanding of these fragmented markets by the "small sales team" to give feedback on consumer needs to the production and development team, promoting the Group's precision marketing and precision production to fully meet the needs of consumers.

Targeted at the online shopping market, the Group launched a number of online exclusive products, including online exclusive packaging and combo packages to attract consumers to make purchases through e-commerce channel. The Group leveraged on the frequent online shopping festivals on e-commerce platforms to attract consumers with exclusive products. Moreover, the Group will continue to increase its market share in e-commerce channel and consider e-commerce channel as the main growth driver for overall sales.

In July 2020, the Group signed a strategic partnership agreement with Alibaba to jointly build a data centralisation platform of Hengan and establish the brand's ability to directly communicate with end customers in the aspect of business and data through the empowerment of digital intelligence technology. The project takes the data centralisation platform as foundation. In the future, Alibaba will assist Hengan in upgrading its digital intelligence strategy, business, organization, and technology, and form a comprehensive and unified platform operation method for members, products, and channels, laying a foundation in customer service, brand operations, channels empowerment, product innovation and organisation collaboration, enabling the Group to achieve its strategic goal of becoming the "world's top-tier enterprise of daily necessities".

International business development

The Group has actively expanded to overseas markets. Currently, the Group sells its products

in 51 countries and regions, with 74 direct partnerships with major clients or distributors.

In April 2017, the Group acquired an aggregate of 80,003,000 shares of Wang-Zheng Berhad (Stock code: 7203), a company listed on the Main Market of Bursa Malaysia Securities Berhad. The acquired shares represented approximately 50.45% of the equity interest in Wang-Zheng. Wang-Zheng and its subsidiaries are principally engaged in investment holding and the manufacturing and processing of fibre-based products, which include disposable adult and baby diapers, sanitary protection and tissue products, cotton products and processed papers. During the period, Hengan gradually entered the Malaysian market, star product “Super Mini” wet wipes series and Banitore’s disposable adult diapers both received great word-of-mouth reviews in Malaysia. By assisting Wang-Zheng to develop the e-commerce business, Hengan has expanded into Southeast Asian markets, such as Malaysia and Singapore. The Group will continue to utilise the sales network of Wang-Zheng in Southeast Asia (including supermarkets and personal hygiene products chain stores), in order to promote Hengan products to the Malaysian and Southeast Asian markets.

During the period, the revenue and net profit of Wang-Zheng amounted to approximately RMB183,287,000 and RMB6,394,000 respectively, accounting for approximately 1.7% and 0.3% of the Group’s total revenue and net profit respectively.

In 2020, Wang-Zheng continues to vigorously promote Hengan’s products to the Southeast Asian market through various sales channels (such as convenient store and e-commerce channels), comprehensively establish brand image and high-quality product philosophy. The Group will continue to upgrade the existing Wang-Zheng products and develop high-end products. In addition, as part of its strategic plan for the Southeast Asian market, the Group has established a sales office in Indonesia to promote and sell Hengan branded products.

In addition, the Russian plant invested by the Group has started production of diapers in June 2019, thereby expanding its diaper business to the Russian market. Since April 2020, the Group has begun to sell surgical masks to the Finnish government and other European governments and enterprises. The quality of the products has received positive reviews from the local markets, which helps the Group to establish its brand reputation in European market, thereby effectively helping the Group to further promote its other hygiene products to European markets.

In the future, the Group will continue to step up efforts to promote sales of surgical masks and other hygiene products to the European market and other overseas markets, and continue to expand the Group's overseas sales network. The Group will establish other international sales networks, devise appropriate marketing strategies according to the needs and characteristics of local markets, and continue to explore new growth points. The Group will also explore opportunities to expand to new markets from time to time to develop its international business at a steady pace.

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 loss of approximately RMB87,978,000 as a result from the purchases of raw materials from oversea suppliers. The Group has not experienced 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 2020, 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 maintained a solid financial position. As at 30 June 2020, the Group's cash and bank balances, long-term bank time deposits and restricted bank deposits totally amounted to approximately RMB31,884,837,000 (31 December 2019: RMB22,977,561,000); Corporate bonds amounted to RMB3,997,840,000 (31 December 2019: RMB3,994,474,000); Super short-term commercial papers totally amounted to approximately RMB3,000,000,000 (31 December 2019: Nil), and bank borrowings amounted to approximately RMB22,440,248,000 (31 December 2019: RMB17,613,967,000).

In December 2019, the Group successfully registered for the proposed issue of RMB3.0 billion super short-term commercial papers. In February and March 2020, the Group issued super short-term commercial papers in four batches of RMB3.0 billion, with a coupon rate from 2.6% to 2.85% per annum respectively. The four batches of super short-term commercial papers will mature in 270 days from the respective issue date.

In addition, the Group applied for the registration for the proposed issue of short-term commercial papers of RMB6.0 billion in two tranches in June 2020, each tranche will have a term of not more than one year. In June 2020, the Group applied for the registration of the proposed issue of RMB5.0 billion domestic corporate bonds, each tranche of the domestic bonds will have a term of not more than five years.

The bank borrowings were subject to floating annual interest rates ranging from approximately 0.5% to 4.4% (2019 first half: from 1.5% to 4.9%).

As at 30 June 2020, the Group's gross gearing ratio was approximately 157.8% (31 December 2019: 120.9%), 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 13.1% (31 December 2019: negative 7.6%) as the Group was in a net cash position.

During the period, the Group's capital expenditure amounted to approximately RMB247,595,000. As at 30 June 2020, the Group had no material contingent liabilities.

Outlook

Looking ahead to the second half of 2020, Mr. Sze Man Bok, Chairman of Hengan International, said, "the global economic environment remains complicated and volatile. In the light of lingering uncertainties over geopolitics, ongoing coronavirus epidemic and softening Chinese Renminbi, the Group will closely monitor the impact of external factors on the prices of imported wood pulp and petrochemicals. As the epidemic in China has been stabilized in the second quarter, the rapidly rising national health awareness after the epidemic will help accelerate domestic consumption upgrades and benefit the refinement and high-quality development of the personal hygiene products market in the long run."

“The Group expects the wood pulp prices to remain at the low level in the second half of 2020, which will further improve the Company’s gross profit margin. The Group will also seize market opportunities arising from the consumption upgrade after the epidemic, continue to adhere to its consumer-centered business philosophy, satisfy the increasingly sophisticated needs of consumers and drive the sales of high-end products through constant innovation, product upgrade and optimisation of product portfolio. In addition, the Group will continue to implement the strategy of “small sales team” to improve the flexibility and market responsiveness of the small sales team in order to swiftly respond to the ever-evolving market demands, and achieve benefit maximization and efficiency optimization.”

“Regarding sales channels, the epidemic has accelerated the shift of consumption patterns to online. Relying on the Group’s omni-channel retail network, the Group will step up its efforts to increase the coverage of e-commerce and New Retail, while further consolidating traditional channels, and leveraging on big data technology to analyse consumer spending habits and preferences so as to understand consumer needs more precisely. Through integrating the online and offline platforms, the New Retail model will help the Group to satisfy the varying needs of consumers, thereby increasing its product penetration and market share of the Group.”

“The coronavirus epidemic has driven the Group to develop the business of preventive medical supplies, such as surgical masks. In addition to meeting the national public health needs, the Group believes that the personal hygiene awareness of citizens will continue to rise after the epidemic and the market for anti-epidemic medical supplies such as surgical masks will increase day by day. This year, the Group officially obtained the medical device production license and officially started its business in the medical care segment. The Group will closely monitor the changes in market demand to further increase the production scale of relevant medical products in a timely manner, endeavouring to ensure the production and supply of medical and preventive supplies.”

“Leveraging on the Group’s leadership in the personal and household hygiene products industry in China, Hengan will continue to forge ahead with industrial expansion as the long-term development target, actively expand industries with high growth potential namely feminine care, infant child care, elderly care and epidemic prevention medical care, promote international development of Hengan’s brand in the long run, continue to improve its overall competitiveness and profitability in order to maximise values for shareholders, and contribute to society in the provision of personal and household hygiene products.”

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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 and the first ten red chips and private enterprises listed on China Enterprises Index since 2018.

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