恒安國際集團有限公司*

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1044)

Websites: http://www.hengan.com
http://www.irasia.com/listco/hk/hengan

"Growing with You for a Better Life"

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013
FINANCIAL SUMMARY

	Unaudited		
	2013	2012	% of
	HK$'000	*HK$'000*	change
Revenue	**10,414,826**	9,041,725	15.2%
Profit attributable to shareholders	**1,858,854**	1,626,288	14.3%
Gross profit margin	**45.2%**	44.2%	
Earnings per share			
— Basic	**HK$1.511**	HK$1.323	
— Diluted	**HK$1.510**	HK$1.322	
Finished goods turnover	**46 days**	50 days	
Trade receivables turnover	**34 days**	35 days	
Rate of return (annualised)	**24.1%**	25.1%	

INTERIM FINANCIAL INFORMATION

The Board of Directors of Hengan International Group Company Limited ("Hengan International" or the "Company") (the "Board") is pleased to present the unaudited interim condensed consolidated statement of income, the unaudited interim condensed consolidated statement of comprehensive income, the unaudited interim condensed consolidated statement of changes in equity and the unaudited interim condensed consolidated statement of cash flow of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013, and the unaudited interim condensed consolidated balance sheet of the Group as at 30 June 2013, together with the comparative figures and selected explanatory notes. The interim financial information has been reviewed by the Company's audit committee and the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Note	Unaudited Six months ended 30 June **2013** ***HK$'000***	 2012 *HK$'000*
Revenue	*6*	**10,414,826**	9,041,725
Cost of goods sold		**(5,703,810)**	(5,043,018)
Gross profit		**4,711,016**	3,998,707
Other gains — net		**305,382**	185,205
Distribution costs		**(1,918,172)**	(1,607,445)
Administrative expenses		**(592,217)**	(438,820)
Operating profit	*7*	**2,506,009**	2,137,647
Finance income		**97,679**	22,654
Finance costs		**(136,820)**	(107,944)
Finance costs — net		**(39,141)**	(85,290)
Profit before income tax		**2,466,868**	2,052,357
Income tax expense	*8*	**(583,931)**	(410,608)
Profit for the period		**1,882,937**	1,641,749
Profit attributable to:			
Shareholders of the Company		**1,858,854**	1,626,288
Non-controlling interests		**24,083**	15,461
		1,882,937	1,641,749
Earnings per share for profit attributable to shareholders of the Company			
— Basic	*9*	**HK$1.511**	HK$1.323
— Diluted	*9*	**HK$1.510**	HK$1.322
Dividends	*10*	**1,046,677**	921,771

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Profit for the period	**1,882,937**	1,641,749
Other comprehensive income:		
— Currency translation differences	**326,387**	(88,186)
Total comprehensive income for the period	**2,209,324**	1,553,563
Attributable to:		
Shareholders of the Company	**2,179,560**	1,537,614
Non-controlling interests	**29,764**	15,949
Total comprehensive income for the period	**2,209,324**	1,553,563

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2013

	Note	**Unaudited 30 June *2013* *HK$'000***	Audited 31 December *2012* *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	**8,149,371**	7,815,553
Construction-in-progress	*11*	**1,242,970**	1,301,331
Land use rights	*11*	**1,039,408**	1,032,792
Intangible assets	*11*	**585,986**	590,822
Prepayments for non-current assets		**336,728**	275,625
Deferred income tax assets		**121,117**	152,116
Long-term bank deposits	*13*	**803,415**	1,845,231
		12,278,995	13,013,470
Current assets			
Inventories		**3,838,898**	3,830,502
Trade and bills receivables	*12*	**1,967,372**	1,870,481
Other receivables, prepayments and deposits		**794,254**	882,063
Derivative financial instruments		**—**	1,382
Restricted bank deposits	*13*	**63,666**	62,539
Cash and bank balances	*13*	**20,346,348**	9,544,379
		27,010,538	16,191,346
Total assets		**39,289,533**	29,204,816
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	*17*	**123,138**	122,903
Other reserves		**4,203,067**	3,220,065
Retained earnings			
— Proposed dividend		**1,046,677**	1,167,576
— Unappropriated retained earnings		**10,034,710**	9,567,648
		15,407,592	14,078,192
Non-controlling interests		**357,484**	330,048
Total equity		**15,765,076**	14,408,240

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*
AS AT 30 JUNE 2013

	Note	**Unaudited 30 June *2013* *HK$'000***	Audited 31 December *2012* *HK$'000*
LIABILITIES			
Non-current liabilities			
Bank borrowings	*15*	**3,073,404**	3,787,218
Convertible bonds	*16*	**5,147,422**	—
Deferred income tax liabilities		**138,950**	185,801
Deferred income on government grants		**1,511**	2,070
		8,361,287	3,975,089
Current liabilities			
Trade payables	*14*	**1,875,789**	1,803,054
Other payables and accrued charges		**1,223,815**	1,217,375
Derivative financial instruments		**40,790**	5,666
Current income tax liabilities		**446,371**	354,814
Bank borrowings	*15*	**11,576,405**	7,440,578
		15,163,170	10,821,487
Total liabilities		**23,524,457**	14,796,576
Total equity and liabilities		**39,289,533**	29,204,816
Net current assets		**11,847,368**	5,369,859
Total assets less current liabilities		**24,126,363**	18,383,329

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Unaudited					
	Attributable to the Company's shareholders					
	Share capital	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2012	122,901	3,489,931	8,728,581	12,341,413	377,334	12,718,747
Profit for the period	—	—	1,626,288	1,626,288	15,461	1,641,749
Currency translation differences	—	(88,674)	—	(88,674)	488	(88,186)
Total comprehensive income	—	(88,674)	1,626,288	1,537,614	15,949	1,553,563
Transactions with owners						
2011 final dividends paid	—	—	(921,767)	(921,767)	(65,800)	(987,567)
Share-based compensation						
— Value of employee services	—	14,624	—	14,624	—	14,624
— Proceeds from shares issued	2	501	—	503	—	503
Total of transactions with owners	2	15,125	(921,767)	(906,640)	(65,800)	(972,440)
Appropriation to statutory reserves	—	297,059	(297,059)	—	—	—
Transfer to retained earnings	—	(500,000)	500,000	—	—	—
Balance at 30 June 2012	122,903	3,213,441	9,636,043	12,972,387	327,483	13,299,870
Balance at 1 January 2013	**122,903**	**3,220,065**	**10,735,224**	**14,078,192**	**330,048**	**14,408,240**
Profit for the period	**—**	**—**	**1,858,854**	**1,858,854**	**24,083**	**1,882,937**
Currency translation differences	**—**	**320,706**	**—**	**320,706**	**5,681**	**326,387**
Total comprehensive income	**—**	**320,706**	**1,858,854**	**2,179,560**	**29,764**	**2,209,324**
Transactions with owners						
2012 final dividends paid	**—**	**—**	**(1,169,815)**	**(1,169,815)**	**(2,328)**	**(1,172,143)**
Share-based compensation						
— Value of employee services	**—**	**40,385**	**—**	**40,385**	**—**	**40,385**
— Proceeds from shares issued	**235**	**102,470**	**—**	**102,705**	**—**	**102,705**
Convertible bonds — equity component	**—**	**176,565**	**—**	**176,565**	**—**	**176,565**
Total of transactions with owners	**235**	**319,420**	**(1,169,815)**	**(850,160)**	**(2,328)**	**(852,488)**
Appropriation to statutory reserves	**—**	**342,876**	**(342,876)**	**—**	**—**	**—**
Balance at 30 June 2013	**123,138**	**4,203,067**	**11,081,387**	**15,407,592**	**357,484**	**15,765,076**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Cash flows from operating activities		
Cash generated from operations	**3,062,190**	1,951,044
Income tax paid	**(511,986)**	(507,112)
Net cash generated from operating activities	**2,550,204**	1,443,932
Cash flows from investing activities		
Purchase of property, plant and equipment, including additions of construction-in-progress	**(578,389)**	(1,586,503)
Additions of land use rights	**(2,441)**	(180,702)
Proceeds from disposal of property, plant and equipment and land use rights	**25,050**	890
(Increase)/decrease in prepayments for non-current assets	**(55,714)**	108,141
(Increase)/decrease in restricted bank deposits	**(11)**	9,209
Increase in long-term and short-term bank deposits	**(1,817,698)**	(391,954)
Interest received	**201,853**	130,137
Net cash used in investing activities	**(2,227,350)**	(1,910,782)
Cash flows from financing activities		
Proceeds from bank borrowings	**7,395,004**	6,688,809
Repayment of bank borrowings	**(4,045,677)**	(4,844,530)
Proceeds from issuance of convertible bonds	**5,331,080**	—
Interest paid	**(145,194)**	(107,944)
Dividends paid	**(1,169,815)**	(921,767)
Dividends paid to non-controlling interest	**(2,328)**	—
Proceeds from shares issued under the employee share option schemes	**102,705**	503
Net cash generated from financing activities	**7,465,775**	815,071
Net increase in cash and cash equivalents	**7,788,629**	348,221
Cash and cash equivalents at 1 January	**6,098,604**	4,229,036
Effect of foreign exchange rate changes	**43,995**	(5,460)
Cash and cash equivalents at 30 June	**13,931,228**	4,571,797

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

1. GENERAL INFORMATION

Hengan International Group Company Limited (the "Company") and its subsidiaries (together the "Group") are engaged in the manufacturing, distribution and sale of personal hygiene products, food and snack products and skin care products in the People's Republic of China (the "PRC"), Hong Kong and certain overseas markets.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, British West Indies, Cayman Islands.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited since December 1998.

This interim condensed consolidated financial information is presented in units of thousands HK dollars (HK$'000), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the Board of Directors on 27 August 2013. These interim condensed consolidated financial statements have been reviewed, not audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2013 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting". The interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual consolidated financial statements of the Group for the year ended 31 December 2012, as described in the annual consolidated financial statements.

(a) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(b) HKAS 1 (Amendment) "Presentation of financial statements". The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The new amendments on presentation of financial statements have been adopted by the Group, which are set out in the statement of comprehensive income.

3. ACCOUNTING POLICIES *(Continued)*

(c) HKFRS 13 "Fair value measurements". HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP. The new disclosure requirements on fair value measurement have been adopted by the Group, which are set out in Note 5.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

- HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

  The derecognition rules have been transferred from HKAS 39 'Financial instruments: Recognition and measurement' and have not been changed. The Group has not yet decided when to adopt HKFRS 9.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the group.

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2012.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2012.

There have been no changes in the risk management department since year end or in any risk management policies since the year end.

5.2 Liquidity risk

Compared to the previous year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

As at 30 June 2013 the contractual maturities of financial liabilities were as follows:

	Less than 1 year	**Between 1 and 2 years**	**Between 3 and 5 years**
	HK$'000	*HK$'000*	*HK$'000*
At 30 June 2013			
Bank borrowings	**11,576,405**	**2,933,404**	**140,000**
Convertible bonds	**—**	**—**	**6,002,396**
Interest payables	**203,955**	**39,908**	**1,133**
Trade and other payables	**2,788,056**	**—**	**—**
At 31 December 2012			
Bank borrowings	7,440,578	2,950,073	837,145
Interest payables	204,906	77,075	11,591
Trade and other payables	2,666,995	—	—

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2013.

	Unaudited 30 June 2013 Level 2	Audited 31 December 2012 Level 2
	HK$'000	*HK$'000*
Financial assets at fair value through profit or loss		
— Derivative financial instruments	**—**	1,382
Financial liabilities at fair value through profit or loss		
— Derivative financial instruments	**(40,790)**	(5,666)

During the six months ended 30 June 2013, there are no significant transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments, and also no significant changes in the reclassification of financial assets.

6. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the Executive Directors.

The Executive Directors consider the performance of the Group from a product perspective. The Executive Directors assess the performance of the operating segments based on a measure of segment profit/(loss) without allocation of other gains/(losses) and finance income/(costs) which is consistent with that in the annual consolidated financial statements.

The Group's operations are mainly organised under the segments of manufacturing, distribution and sale of:

- personal hygiene products including sanitary napkins products, disposable diapers products and tissue paper products;

- food and snacks products; and

- skin care products and others

Most of the Group's companies are domiciled in the PRC. The revenue from external customers in the PRC accounted for more than 90% of the Group's total revenue.

Addition to non-current assets comprise additions to property, plant and equipment, construction-in-progress, land use rights, intangible assets and prepayment for non-current assets.

Unallocated costs represent corporate expenses. Unallocated assets comprise corporate assets, including certain cash and bank balances and derivative financial instruments. Unallocated liabilities comprise corporate borrowings.

6. SEGMENT INFORMATION *(Continued)*

The segment information for the six months ended 30 June 2013 is as follows:

			Unaudited			
	Sanitary napkins products *HK$'000*	Disposable diapers products *HK$'000*	Tissue paper products *HK$'000*	Food and snacks products *HK$'000*	Skin care products and others *HK$'000*	Group *HK$'000*
Consolidated income statement for the six months ended 30 June 2013						
Segment revenue	**3,027,508**	**1,518,052**	**5,184,934**	**931,548**	**155,001**	**10,817,043**
Inter-segment sales	**(167,606)**	**(86,279)**	**(119,656)**	**—**	**(28,676)**	**(402,217)**
Revenue of the Group	**2,859,902**	**1,431,773**	**5,065,278**	**931,548**	**126,325**	**10,414,826**
Segment profit	**1,198,659**	**304,208**	**674,500**	**57,039**	**10,394**	**2,244,800**
Unallocated costs						**(44,173)**
Other gains — net						**305,382**
Operating profit						**2,506,009**
Finance income						**97,679**
Finance costs						**(136,820)**
Profit before income tax						**2,466,868**
Income tax expense						**(583,931)**
Profit for the period						**1,882,937**
Non-controlling interests						**(24,083)**
Profit attributable to shareholders of the Company						**1,858,854**
Other items for the six months ended 30 June 2013						
Addition to non-current assets	**93,188**	**23,175**	**244,976**	**29,418**	**84,235**	**474,992**
Depreciation charge	**29,532**	**45,068**	**224,202**	**25,286**	**6,361**	**330,449**
Amortisation charge	**2,150**	**676**	**8,653**	**5,836**	**359**	**17,674**
Consolidated balance sheet as at 30 June 2013						
Segment assets	**6,921,731**	**5,232,205**	**19,084,352**	**1,212,073**	**1,310,207**	**33,760,568**
Deferred income tax assets						**121,117**
Unallocated assets						**5,407,848**
Total assets						**39,289,533**
Segment liabilities	**1,203,265**	**504,449**	**5,599,135**	**343,943**	**74,493**	**7,725,285**
Deferred income tax liabilities						**138,950**
Current income tax liabilities						**446,371**
Unallocated liabilities						**15,213,851**
Total liabilities						**23,524,457**

6. SEGMENT INFORMATION *(Continued)*

The segment information for the six months ended 30 June 2012 is as follows:

	Sanitary napkins products HK$'000	Disposable diapers products HK$'000	Unaudited Tissue paper products HK$'000	Food and snacks products HK$'000	Skin care products and others HK$'000	Group HK$'000
Consolidated income statement for the six months ended 30 June 2012						
Segment revenue	2,433,211	1,474,816	4,540,409	809,055	239,183	9,496,674
Inter-segment sales	(168,319)	(153,573)	(129,605)	—	(3,452)	(454,949)
Revenue of the Group	2,264,892	1,321,243	4,410,804	809,055	235,731	9,041,725
Segment profit	930,514	270,583	699,877	41,073	32,616	1,974,663
Unallocated costs						(22,221)
Other gains — net						185,205
Operating profit						2,137,647
Finance income						22,654
Finance costs						(107,944)
Profit before income tax						2,052,357
Income tax expense						(410,608)
Profit for the period						1,641,749
Non-controlling interests						(15,461)
Profit attributable to shareholders of the Company						1,626,288
Other items for the six months ended 30 June 2012						
Addition to non-current assets	39,019	3,689	1,388,671	73,451	154,234	1,659,064
Depreciation charge	31,360	20,686	170,078	17,468	5,194	244,786
Amortisation charge	2,127	668	7,289	5,791	31	15,906
Consolidated balance sheet as at 30 June 2012						
Segment assets	3,822,265	2,998,079	14,695,119	1,108,865	2,409,297	25,033,625
Deferred income tax assets						171,118
Unallocated assets						509,002
Total assets						25,713,745
Segment liabilities	417,019	713,950	3,219,931	336,041	148,215	4,835,156
Deferred income tax liabilities						165,451
Current income tax liabilities						303,152
Unallocated liabilities						7,110,116
Total liabilities						12,413,875

7. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Crediting		
Government grant income	**137,027**	90,108
Reversal of provision for decline in value of inventories	**15,056**	—
Net exchange gain	**25,269**	—
Net gain on derivative financial instruments	**—**	621
Charging		
Depreciation of property, plant and equipment *(Note 11)*	**330,449**	244,786
Amortisation of land use rights *(Note 11)*	**12,764**	10,687
Amortisation of intangible assets *(Note 11)*	**4,910**	5,219
Employee benefit expense, including directors' emoluments	**871,044**	731,090
Loss on disposal of property, plant and equipment	**3,518**	2,435
Operating lease rentals	**46,290**	42,731
Provision for impairment of trade receivables	**764**	1,727
Provision for decline in value of inventories	**—**	7,332
Net exchange loss	**—**	25,685
Net loss on derivative financial instruments	**36,506**	—
City Construction and Maintenance Tax and Educational Surcharge	**82,724**	71,116

8. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	96,673	51,691
— PRC income tax	502,924	414,529
Deferred income tax, net	(15,666)	(55,612)
Income tax expense	583,931	410,608

Hong Kong profits tax has been provided for at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits of the Group's companies in Hong Kong for the period.

8. INCOME TAX EXPENSE *(Continued)*

Taxation on PRC income has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the PRC in which the Group operates. The Company's subsidiaries incorporated in the PRC are subject to Corporate Income Tax ("CIT") at the rate of 25%. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

Deferred income tax is calculated in full on temporary differences under the liability method using the prevailing tax rates applicable to the PRC subsidiaries of the Group.

According to the New CIT Law, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 are subject to withholding tax at a rate of 5% (preferential rate) or 10% upon the distribution of such profits to foreign investors. Deferred income tax liabilities of approximately HK$95,047,000 (2012: HK$46,386,000) for the six months ended 30 June 2013 have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future.

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the Group's profit attributable to shareholders of the Company of HK$1,858,854,000 (2012: HK$1,626,288,000) by the weighted average number of 1,229,884,859 (2012: 1,229,015,853) ordinary shares in issue during the period.

	Unaudited	
	Six months ended 30 June	
	2013	2012
Basic		
Profit attributable to shareholders of the Company (HK$'000)	**1,858,854**	1,626,288
Weighted average number of ordinary shares in issue (thousands)	**1,229,885**	1,229,016
Basic earnings per share (HK$)	**HK$1.511**	HK$1.323

9. EARNINGS PER SHARE *(Continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to be converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. The Company's share options are regarded as dilutive potential ordinary shares as at 30 June 2013. Calculations are done to determine the number of shares that could have been acquired at fair value (determined by using average market share price of the Company's shares for the six months ended 30 June 2013) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited Six months ended 30 June	
	2013	2012
Diluted		
Profit attributable to shareholders of the Company (HK$'000)	**1,858,854**	1,626,288
Weighted average number of ordinary shares in issue (thousands)	**1,229,885**	1,229,016
— Share options (thousands)	**529**	995
— Convertible bonds (thousands)	**1,000**	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,231,414**	1,230,011
Diluted earnings per share (HK$)	**HK$1.510**	HK$1.322

10. DIVIDENDS

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Proposed interim dividend of HK$0.85 (2012: HK$0.75) per share	**1,046,677**	921,771

A final dividend of HK$1,169,815,000 (2012: HK$921,767,000) that related to the period to 31 December 2012 was paid in May 2013.

10. DIVIDENDS *(Continued)*

An interim dividend of HK$0.85 per share (2012: HK$0.75) was proposed by the Board of Directors on 27 August 2013. This interim dividend, amounting to HK$1,046,677,000 (2012: HK$921,771,000), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2013.

11. CAPITAL EXPENDITURE — NET BOOK VALUE

	Unaudited						
				Intangible assets			
	Property, plant and equipment	Construction-in progress	Land use rights	Goodwill	Customer relationship	Patents and trademarks	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	5,203,336	2,053,903	850,365	495,300	40,495	65,417	601,212
Additions	58,636	1,527,867	180,702	—	—	—	—
Transfer from construction-in-progress	1,295,746	(1,295,746)	—	—	—	—	—
Disposals	(3,325)	—	—	—	—	—	—
Depreciation/amortisation	(244,786)	—	(10,687)	—	(2,893)	(2,326)	(5,219)
Exchange differences	(31,913)	(11,922)	(4,947)	—	—	(28)	(28)
At 30 June 2012	6,277,694	2,274,102	1,015,433	495,300	37,602	63,063	595,965
At 1 January 2013	**7,815,553**	**1,301,331**	**1,032,792**	**495,300**	**34,710**	**60,812**	**590,822**
Additions	**123,902**	**348,649**	**2,441**	**—**	**—**	**—**	**—**
Transfer from construction-in-progress	**428,636**	**(428,636)**	**—**	**—**	**—**	**—**	**—**
Disposals	**(28,102)**	**—**	**(466)**	**—**	**—**	**—**	**—**
Depreciation/amortisation	**(330,449)**	**—**	**(12,764)**	**—**	**(2,893)**	**(2,017)**	**(4,910)**
Exchange differences	**139,831**	**21,626**	**17,405**	**—**	**—**	**74**	**74**
At 30 June 2013	**8,149,371**	**1,242,970**	**1,039,408**	**495,300**	**31,817**	**58,869**	**585,986**

12. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2013	Audited 31 December 2012
	HK$'000	*HK$'000*
Trade receivables	**1,968,556**	1,861,296
Bills receivables	**7,379**	17,648
	1,975,935	1,878,944
Less: provision for impairment	**(8,563)**	(8,463)
Trade and bills receivables, net	**1,967,372**	1,870,481

12. TRADE AND BILLS RECEIVABLES *(Continued)*

The ageing analysis of trade and bills receivables is as follows:

	Unaudited 30 June 2013 *HK$'000*	Audited 31 December 2012 *HK$'000*
Within 30 days	**840,751**	912,811
31 to 180 days	**1,069,257**	914,144
181 to 365 days	**39,844**	19,903
Over 365 days	**26,083**	32,086
	1,975,935	1,878,944

There is no concentration of credit risk with respect to trade and bills receivables as the Group has a large number of customers. As credit terms are short and most of the trade and bills receivables are due for settlement within one year, the carrying amounts of these balances approximate their fair values as at the balance sheet date.

13. LONG-TERM BANK DEPOSITS, RESTRICTED BANK DEPOSITS, AND CASH AND BANK BALANCES

	Unaudited 30 June 2013 *HK$'000*	Audited 31 December 2012 *HK$'000*
Long-term bank deposits		
Term deposits with initial term over one year	**803,415**	1,845,231
Restricted bank deposits	**63,666**	62,539
Cash and bank balances		
— Term deposits with initial term between three months and one year	**6,415,120**	3,445,775
— Cash and cash equivalents	**13,931,228**	6,098,604
	20,346,348	9,544,379
Total cash and bank balances	**21,213,429**	11,452,149

13. LONG-TERM BANK DEPOSITS, RESTRICTED BANK DEPOSITS, AND CASH AND BANK BALANCES *(Continued)*

As at 30 June 2013, approximately HK$63,666,000 (31 December 2012: HK$62,539,000) of the bank balances were restricted until certain letters of credit issued by the Group are settled.

The cash and cash equivalents represented cash deposits held at call with banks and in hand and deposits with short-term maturity.

14. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Unaudited 30 June 2013 *HK$'000*	Audited 31 December 2012 *HK$'000*
Within 30 days	**1,242,661**	1,193,981
31 to 180 days	**602,570**	583,037
181 to 365 days	**16,428**	10,939
Over 365 days	**14,130**	15,097
	1,875,789	1,803,054

The carrying amounts of trade payables approximated their fair values as at the balance sheet dates due to short-term maturity.

15. BANK BORROWINGS

	Unaudited 30 June 2013	Audited 31 December 2012
	HK$'000	*HK$'000*
Non-current		
Long-term bank loans — unsecured	**3,073,404**	3,787,218
Current		
Trust receipt bank loans	**1,429,723**	1,173,458
Current portion of long-term bank loans — unsecured	**2,066,102**	850,847
Short-term bank loans — unsecured	**8,080,580**	5,416,273
	11,576,405	7,440,578
Total bank borrowings	**14,649,809**	11,227,796

As at 30 June 2013, the effective interest rate of the Group's borrowings was approximately 2.09% (31 December 2012: 2.45%) per annum.

Movements in bank borrowings are analysed as follows:

	Unaudited
	HK$'000
At 1 January 2012	7,218,363
New borrowings	6,688,809
Repayments of borrowings	(4,844,530)
Exchange difference	(9,588)
At 30 June 2012	9,053,054
At 1 January 2013	**11,227,796**
New borrowings	**7,395,004**
Repayments of borrowings	**(4,045,677)**
Exchange difference	**72,686**
At 30 June 2013	**14,649,809**

16. CONVERTIBLE BONDS

	Unaudited 30 June 2013 *HK$'000*	Audited 31 December 2012 *HK$'000*
Fair value of convertible bonds issued on 27 June 2013	**5,434,000**	—
Issuing expenses	**(110,013)**	—
Equity component	**(176,565)**	—
Liability component on initial recognition on 27 June 2013	**5,147,422**	—

On 27 June 2013, the Company issued zero-coupon convertible bonds which will be due on 27 June 2018 (the "maturity date"), in the aggregate principal amount of HK$5,434 million with an initial conversion price of HK$120.0825 per ordinary share of the Company (subject to adjustment). Unless previously redeemed, converted, purchased or cancelled (subject to redemption conditions), these bonds will be redeemed at 110.46 per cent of their principal amount on the maturity date.

The fair values of the liability component and the equity conversion component were determined upon the issuance of the convertible bonds.

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of equity conversion component, is included in shareholders' equity in other reserves.

The fair value is calculated using cash flows discounted at a rate based on the borrowing rate of 2.7% per annum.

From 27 June 2013 to 30 June 2013, no bond holders have converted their bonds into ordinary shares of the Company.

17. SHARE CAPITAL

	Authorised share capital Ordinary shares of HK$0.10 each	
	Number of shares	*HK$'000*
At 1 January 2012 to 30 June 2013	**3,000,000,000**	**300,000**

	Issued and fully paid Ordinary shares of HK$0.10 each	
	Number of shares	*HK$'000*
At 1 January 2012	1,229,007,721	122,901
Share-based compensation — Proceeds from shares issued	20,000	2
At 30 June 2012	1,229,027,721	122,903
At 1 January 2013	**1,229,027,721**	**122,903**
Share-based compensation — Proceeds from shares issued	**2,357,000**	**235**
At 30 June 2013	**1,231,384,721**	**123,138**

18. CAPITAL COMMITMENTS

	Unaudited 30 June 2013 *HK$'000*	Audited 31 December 2012 *HK$'000*
Contracted but not provided for in respect of:		
Machinery and equipment	**984,494**	1,091,778
Leasehold land and buildings	**437,064**	388,745
Land use rights	**—**	102,688
	1,421,558	1,583,211
Authorised but not contracted in respect of:		
Machinery and equipment	**—**	727,861
Leasehold land and buildings	**288,894**	1,765,639
	288,894	2,493,500
Total capital commitment	**1,710,452**	4,076,711

19. CONTINGENT LIABILITIES

At 30 June 2013, the Group had no material contingent liabilities (31 December 2012: Nil).

20. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

(a) During the period, the Group had the following significant related party transactions:

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Purchases from Weifang Hengan Thermal Power Co., Ltd. ("Weifang Power")		
— electricity energy	**80,047**	80,968
— heat energy	**54,456**	48,945
	134,503	129,913

Pursuant to agreements between a wholly-owned subsidiary of the Company and Weifang Power, an electricity company, the Group purchased electricity energy and heat energy from Weifang Power at prices not less favorable than the prevailing market prices. Weifang Power is beneficially owned by Mr. Sze Wong Kim, an executive director, and a son of Mr. Hui Lin Chit, an executive director and a substantial shareholder of the Company. The latter is also an elder brother of Mr. Hui Ching Chi, an executive director of the Company.

(b) For the six months ended 30 June 2013, the key management compensation amounted to approximately HK$8,586,000 (2012: HK$5,281,000).

21. Events occurring after the balance sheet date

Details of the interim dividend proposal are described in Note 10.

BUSINESS REVIEW

China's economic growth continued to slow down in the first half of 2013, while its exports were hindered by the complex international economic situation. The country's domestic consumption sentiment was deteriorating amid volatile business environment. China's gross domestic product rose by 7.6% year on year to RMB24,800.9 billion in the first half of 2013, according to the National Bureau of Statistics of China. The growth dropped by 0.2 percentage points when compared to that for the same period of last year. Nevertheless, the country's employment rate remained stable, and its ongoing urbanization drove the income growth of both the urban and rural residents despite its slowing economic growth. The per capita disposable income of urban households rose by 6.5% year on year to approximately RMB13,649 and that of rural households increased by 9.2% year on year to approximately RMB4,817. The people's consistently improving living standards and increasing awareness of health and hygiene have fostered the development of the market for high-quality personal care and family hygiene products. As a leading company in mainland China's market for personal care and family hygiene products, the Group was drawing on its economies of scale and effective cost-control measures to achieve steady business growth despite the challenges brought by the changing market and business environment.

For the six months ended 30 June 2013, the Group's revenue rose by about 15.2% year on year to approximately HK$10,414,826,000 (2012 first half: HK$9,041,725,000). Profit attributable to shareholders increased by about 14.3% year on year to approximately HK$1,858,854,000 (2012 first half: HK$1,626,288,000). The Board of Directors has declared an interim dividend of HK$0.85 per share for the six months ended 30 June 2013 (2012 first half: HK$0.75).

Thanks to the fairly stable raw material prices, enhanced product mix, economies of scale and consistently tight cost control policy, the Group's overall gross profit margin rose to approximately 45.2% (2012 first half: 44.2%). As a percentage of revenue, distribution costs and administrative expenses increased slightly to around 24.1% for the period (2012 first half: 22.6%).

Tissue Paper

The market for quality tissue papers in China has been growing rapidly due to improving living standards and higher awareness of personal hygiene. Meanwhile, market competition intensified as major competitors increased production capacity resulting in more supply in the market. However, the country's annual tissue paper consumption per capita is still lower than that of other developed countries, implying huge growth potential of the market.

In the first half of 2013, the Group launched various upgraded product series, enhanced sales network management and strengthened marketing and brand promotion to drive growth of the tissue paper business. At the same time, the tissue paper business continued to take advantage of the Group's brand and network. The revenue from tissue sales in the mainland China market thus increased by about 17.8% year on year. Nevertheless, the raw paper export sales, a relatively low margin business, saw a double-digit decline in revenue due to keen price competition. As a result, the revenue of the tissue paper business grew at only about 14.8% to approximately HK$5,065,278,000, accounting for approximately 48.6% of total revenue (2012 first half: 48.8%). In view of the current market competition, the management plans to step up marketing and promotion campaigns in the second half of the year with an aim to improve the sales growth of the tissue business segment.

The gross profit margin dropped slightly to approximately 34.9% (2012 first half: 36.1%) in the first half of 2013, reflecting the increase in production costs as a result of higher price of tissue wood pulp, the major raw material for manufacturing tissue paper.

For the six months ended 30 June 2013, the Group did not add any new production line. The annualised production capacity is expected to be approximately 900,000 tons. It is the Group's plan to increase the annualised production capacity by around 360,000 tons in 2014 and 120,000 tons in 2015. The new production capacity includes 8 production lines to be added to the Group's factories in Chongqing, Hunan, Shandong and Wuhu City, bringing the Group's total annualised production capacity to about 1,380,000 tons by the end of 2015. It will be able to satisfy the market's increasing demand.

Sanitary Napkin

Accelerating urbanization and rising living standards continue to catalyze the growth of the sanitary napkin market, improve the product's market penetration rate and attract foreign competitors. To capture the growth potential, the Group continued to invest in product development, product mix enhancement and raising brand awareness, with an aim to boost sales growth of the business segment.

During the first half of the year, the revenue of sanitary napkin business increased by about 26.3% year on year to approximately HK$2,859,902,000, accounting for around 27.5% of total revenue (2012 first half: 25.0%). The costs of major raw materials such as petrochemical products remained fairly stable during the period. In addition, the Group spared no efforts in adopting stringent cost controls and increasing sales of mid-to-high-end products. As a result, the gross profit margin expanded to about 65.1% (2012 first half: 64.1%). In the second half of the year, the Group will continue to focus on product innovation, optimize existing products and increase the sales of mid-to-high-end products in order to satisfy the consumer demand.

Disposable Diapers

Mainland China's steady economic growth and urbanization, and people's increasing awareness of personal hygiene continue to boost the demand for diaper products. The market penetration rate for diaper products in the country is still low with enormous growth potential. In 2012, the sales of upgraded version diapers, as affected by the overstocking of the old version products in various distribution channels, were below expectation. Nonetheless, as the inventories of the old version products in the distribution channels were substantially cleared in the first quarter of the year, and the upgraded version products were well accepted by the market, the Group's diaper sales improved with a double-digit growth in the second quarter. During the first half of the year, the overall revenue of the disposable diaper business increased by about 8.4% to HK$1,431,773,000, accounting for approximately 13.7% of total revenue (2012 first half: 14.6%).

The Group's efforts in strengthening marketing and brand promotion of mid-to-high-end diaper products resulted in improvement of sales revenue of such products by approximately 18.9% year on year. On the other hand, low-end diaper sales revenue decreased by approximately 9.3% year on year as market competition remained fierce. As a result of the above change in sales mix and the fairly stable prices of major raw materials such as petrochemical products during the period, the gross profit margin of the Group's disposable diapers business increased to approximately 43.5% (2012 first half: 41.6%).

Brand and product promotion play a key role in boosting the sales of diaper products. Apart from strengthening its distribution network management, the Group also actively expanded its presence in new distribution channels (such as maternity stores, hospitals and online sales channels) in order to increase market coverage. With the implementation of the above measures, the management remains optimistic about the long-term prospects of its disposable diaper business.

Food and Snacks Products

The impact of industrial gelatine issue unfolded in 2012 on the snack industry subsided gradually. The Group's food and snacks business has recovered. In the first half of 2013, revenue of the Group's business of food and snacks products grew by about 15.1% year on year to HK$931,548,000, accounting for approximately 8.9% of the Group's total revenue (2012 first half: 8.9%). Due to the decline in costs of major raw materials such as sugar and palm oil during the period, the gross profit margin of the Group's snacks business increased to approximately 42.6% (2012 first half: 37.9%).

As the Chinese people's quality of living improves, the Group believes that the snack business in the long term will keep booming. In the second half of 2013, the Group will continue to commit resources to enriching its product portfolio so that it will be able to cater to the different tastes of consumers, and boost the revenue growth of its snack business.

First Aid Products

Revenue of the Group's first-aid product business under the brands of "Banitore" and "Bandi" amounted to HK$20,999,000 (2012 first half: HK$19,617,000). As the business only accounted for approximately 0.2% (2012 first half: 0.2%) of the Group's total revenue, it did not have any significant impact on the Group's overall results.

Product Research and Development

The Group is dedicated to excellence. As the first and so far the only enterprise in the mainland's tissue paper industry being awarded the Enterprise Technology Centre with State Accreditation, the Group continued to allocate more resources to product research and development with an aim to further enhance efficiency and develop more value-added products to meet consumers' higher requirements, and strengthen the Group's leading position in the personal hygiene product industry.

LIQUIDITY, FINANCIAL RESOURCES AND BANK LOANS

The Group maintained a solid financial position. On 27 June 2013, the Company completed the issue of HK$5,434,000,000 zero-coupon convertible bonds due 2018. The Directors intended to use the net proceeds to finance the capital expenditure of the Group, refinance a portion of the Group's bank borrowings and for working capital and general corporate purposes. As such proceed was yet to be used to refinance bank borrowings, the Group's cash and borrowings increased significantly as of 30 June 2013.

As of 30 June 2013, the Group's cash and bank balances, long-term bank deposits and restricted bank deposits amounted to approximately HK$21,213,429,000 in total (31 December 2012: HK11,452,149,000); convertible bonds liability portion amounted to approximately HK$5,147,422,000 (31 December 2012: nil), and bank borrowings amounted to approximately HK$14,649,809,000 (31 December 2012: HK$11,227,796,000).

The convertible bonds were subject to a fixed interest rate of 2.7% while the bank borrowings were subject to floating annual interest rates ranging from approximately 1.0% to 4.8% (2012 first half: 1.2% to 4.5%). As at 30 June 2013, apart from the bank deposits of HK$63,666,000 (31 December 2012: HK$62,539,000) deposited in banks as restricted bank deposits for issuing letters of credit, there were no other charges on the Group's assets for its bank loans and convertible bonds. As at 30 June 2013, the Group's gross gearing ratio was approximately 128.5% (2012: 79.8%), 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 8.8% (2012: negative 1.1%) as the Group was in a net cash position. The Group will repay part of its bank loans in the second half of the year such that its gross gearing ratio is expected to drop accordingly.

During the period, the Group's capital expenditure amounted to approximately HK$474,992,000. As at 30 June 2013, the Group had no material contingent liabilities.

HUMAN RESOURCES AND MANAGEMENT

As at 30 June 2013, the Group employed approximately 35,000 staff. The Group's remuneration package is determined with reference to the experience and qualifications of the individual employees and general market conditions. Bonus is linked to the Group's financial results as well as individual performance. The Group also ensures that all employees are provided with adequate training and professional opportunities according to their needs.

FOREIGN CURRENCY RISKS

Most of the Group's income is denominated in Renminbi while part of the raw materials purchases are imported and settled in US dollar. The Group has never had any difficulties in getting 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 2013, apart from certain interest rate swap contracts and exchange 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.

OUTLOOK

Looking ahead to the second half of 2013, we expect the global economic recovery to be slow while China's economic fundamentals to remain intact. Despite the slowing domestic economic growth, China's economic development will remain stable on the back of continuing urbanization, which is favorable to the development of the market for personal hygiene products. As people's awareness of personal hygiene continues to increase, demand for high-quality hygiene products is set to rise. The Group will assiduously develop more quality products and expand its sales network leveraging its brand and scale advantages, so as to meet the market's growing demand.

In view of the current market situation, the Group will continue to strengthen product promotion and tap markets with potential for growth. In addition to its plan to expand production capacity of the core businesses, the Group will continue to improve its product quality and at the same time improve management efficiency in order to increase its overall competitiveness, brand influence and market share. Meanwhile, the Group will continue to monitor closely the price trends of raw materials and promptly optimize its product mix according to the changes in the market with a view to improving its gross profit margin.

With its solid business foundation, brand equity and nationwide distribution network, the Group is confident of maintaining its leading position in mainland China's personal hygiene product market. It will strive for consistent growth of its business and greater shareholder value.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board of Directors has declared an interim dividend of HK$0.85 (2012: HK$0.75) per share for the six months ended 30 June 2013 to be paid to shareholders whose names appear on the Register of Members of the Company at the close of business on 27 September 2013. Dividend warrants will be despatched to shareholders on or about 10 October 2013.

The Register of Members of the Company will be closed from 24 September 2013 to 27 September 2013 (both days inclusive), during which no transfer of shares will be effected. In order to be qualified for the interim dividend, all transfers accompanied by the relevant share certificates shall be lodged with the Company's branch share registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong by 4:00 p.m. on 23 September 2013.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of the Company's shares during the six months ended 30 June 2013. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

AUDIT COMMITTEE

The Audit Committee is chaired by an independent non-executive director and comprises five independent non-executive directors. It meets at least two times a year. The Audit Committee provides an important link between the Board and the Company's external and internal auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation, including the interim report for the six months ended 30 June 2013.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

For the six months ended 30 June 2013, the Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months ended 30 June 2013, and they all confirmed that they had fully complied with the required standard set out in the Model Code.

CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance. The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules of the Stock Exchange during the period.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I extend my gratitude to all our staff for their hard work and dedication.

By Order of the Board
Hengan International Group Company Limited
Sze Man Bok
Chairman

As at the date of this report, the Board comprises Mr. Sze Man Bok, Mr. Hui Lin Chit, Mr. Hung Ching Shan, Mr. Xu Shui Shen, Mr. Xu Da Zuo, Mr. Xu Chun Man, Mr. Sze Wong Kim, Mr. Hui Ching Chi and Mr. Loo Hong Shing Vincent as executive directors, and Mr. Chan Henry, Mr. Wang Ming Fu, Ms. Ada Ying Kay Wong, Mr. Ho Kwai Ching, Mark and Mr. Zhou Fang Sheng as independent non-executive directors.

Hong Kong, 27 August 2013

** for identification purpose only*