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"

2007 ANNUAL RESULTS ANNOUNCEMENT
FINANCIAL SUMMARY

	2007	2006	**Change**
	HK$'000	*HK$'000*	
Revenue	**5,686,972**	4,114,943	38.2%
Profit attributable to shareholders	**1,005,939**	696,624	44.4%
Earnings per share	**HK 92.2 cents**	HK 64.5 cents	42.9%
Dividends			
– Interim (paid)	**HK 28.0 cents**	HK 18.0 cents	
– Final (proposed)	**HK 32.0 cents**	HK 25.0 cents	
Finished goods turnover (days)	**64**	71	
Accounts receivable turnover (days)	**32**	29	
Current ratio (times)	**3.4**	2.5	
Gross gearing ratio (%)	**34.4**	63.4	
Net gearing ratio (%)	**–**	26.9	

* *for identification purpose only*

RESULTS

The Board of Directors of Hengan International Group Company Limited (the "Company" or "Hengan International") is pleased to announce that the consolidated accounts comprising the consolidated profit and loss account and balance sheet of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007, together with the comparative figures for the previous year, are as follows:

Consolidated profit and loss account

		For the year ended 31 December	
		2007	2006
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**5,686,972**	4,114,943
Cost of goods sold		**(3,410,728)**	(2,394,256)
Gross profit		**2,276,244**	1,720,687
Other gains – net		**103,395**	74,619
Distribution costs		**(902,467)**	(691,791)
Administrative expenses		**(221,367)**	(185,393)
Operating profit	*3*	**1,255,805**	918,122
Interest income		**21,707**	14,559
Finance costs		**(95,016)**	(63,796)
Profit before income tax		**1,182,496**	868,885
Income tax expense	*4*	**(175,555)**	(171,773)
Profit for the year		**1,006,941**	697,112
Attributable to:			
Shareholders of the Company		**1,005,939**	696,624
Minority interest		**1,002**	488
		1,006,941	697,112
Transfers to statutory reserves	*5*	**72,057**	44,259
Dividends	*6*	**668,387**	464,730
Earnings per share for profit attributable to shareholders of the Company – basic and diluted	*7*	**HK 92.2 cents**	HK 64.5 cents

Consolidated balance sheet

		As at 31 December	
		2007	2006
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,552,478**	1,655,075
Construction-in-progress		**455,664**	387,560
Leasehold land and land use rights		**143,172**	63,529
Intangible assets		**454,663**	454,940
Deferred tax assets		**45,216**	59,825
Prepayment for non-current assets		**322,219**	175,153
		3,973,412	2,796,082
Current assets			
Inventories		**1,329,120**	1,094,259
Trade receivables	*8*	**594,455**	412,494
Other receivables, prepayments and deposits		**381,593**	157,851
Restricted bank deposits		**144,889**	5,775
Cash and cash equivalents		**2,160,031**	1,014,894
		4,610,088	2,685,273
Total assets		**8,583,500**	5,481,355
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**114,162**	108,077
Other reserves		**4,040,849**	1,688,062
Retained earnings			
– Proposed dividend		**365,714**	270,192
– Unappropriated retained earnings		**993,986**	726,896
		5,514,711	2,793,227
Minority interests		**22,595**	23,787
Total equity		**5,537,306**	2,817,014

	Note	As at 31 December 2007 HK$'000	2006 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term bank loans – unsecured		**85,227**	69,837
Convertible bonds		**1,562,833**	1,497,313
Deferred tax liabilities		**37,971**	12,239
Deferred income on government grants		**11,211**	10,166
		1,697,242	1,589,555
Current liabilities			
Trade and bills payables	9	**672,830**	443,930
Other payables and accrued charges		**370,850**	328,576
Deferred income on government grants		**1,981**	1,622
Taxation payable		**56,481**	96,693
Trust receipt bank loans		**3,602**	1,433
Current portion of long-term bank loans – unsecured		**114,465**	61,981
Short-term bank loans – unsecured		**10,000**	140,551
Short-term bank loans – secured		**118,743**	–
		1,348,952	1,074,786
Total liabilities		**3,046,194**	2,664,341
Total equity and liabilities		**8,583,500**	5,481,355
Net current assets		**3,261,136**	1,610,487
Total assets less current liabilities		**7,234,548**	4,406,569

Notes:

1. Basis of preparation and principal accounting policies

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated accounts have been prepared under the historical cost convention, as modified by the revaluation of buildings.

Standards, amendment and interpretations effective in 2007 and relevant to the Group
HKFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to HKAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

HK(IFRIC)-Int 8, 'Scope of HKFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's accounts for year 2007.

HK(IFRIC)-Int 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's accounts for year 2007.

Standards, amendments and interpretations effective in 2007 but not relevant to the Group
The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- HK(IFRIC)-Int 7, 'Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies'.

- HK(IFRIC)-Int 9, 'Re-assessment of embedded derivatives'.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group
The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 March 2007 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009);

- HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009);

- HKFRS 8, 'Operating segments' (effective from 1 January 2009);

- HK(IFRIC)-Int 11, 'HKFRS 2 – Group and treasury share transactions' (effective from 1 March 2007);

- HK(IFRIC)-Int 12, 'Service concession arrangements' (effective from 1 January 2008);

- HK(IFRIC)-Int 13, 'Customer loyalty programmes' (effective from 1 July 2008); and

- HK(IFRIC)-Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008).

2. **Revenue and segment information**

(a) An analysis of the Group's revenue and contribution to the operating profit by business segments is as follows:

	Sanitary napkins 2007 *HK$'000*	**Disposable diapers 2007** *HK$'000*	**Tissue paper products 2007** *HK$'000*	**Skin care and cleansing products hygiene materials, and others 2007** *HK$'000*	**Group 2007** *HK$'000*	Sanitary napkins 2006 *HK$'000*	Disposable diapers 2006 *HK$'000*	Tissue paper products 2006 *HK$'000*	Skin care and cleansing products hygiene materials, and others 2006 *HK$'000*	Group 2006 *HK$'000*
Segment revenue	**1,648,455**	**1,368,406**	**2,636,245**	**342,652**	**5,995,758**	1,301,912	956,735	1,798,297	209,895	4,266,839
Inter-segment sales	**(109,566)**	**(7,493)**	**(51,140)**	**(140,587)**	**(308,786)**	(52,444)	(2,223)	(8,857)	(88,372)	(151,896)
Revenue of the Group	**1,538,889**	**1,360,913**	**2,585,105**	**202,065**	**5,686,972**	1,249,468	954,512	1,789,440	121,523	4,114,943
Segment results	**557,483**	**244,057**	**301,546**	**78,223**	**1,181,309**	451,572	134,479	255,946	21,803	863,800
Unallocated costs					**(28,899)**					(20,297)
Other gains – net					**103,395**					74,619
Operating profit					**1,255,805**					918,122
Interest income					**21,707**					14,559
Finance costs					**(95,016)**					(63,796)
Profit before income tax					**1,182,496**					868,885
Income tax expense					**(175,555)**					(171,773)
Profit for the year					**1,006,941**					697,112
Minority interest					**(1,002)**					(488)
Profit attributable to shareholders of the Company					**1,005,939**					696,624
Segment assets	**1,374,254**	**1,232,997**	**4,338,044**	**567,995**	**7,513,290**	1,286,291	772,163	3,184,757	139,058	5,382,269
Deferred tax assets					**45,216**					59,825
Unallocated assets					**1,024,994**					39,261
Total assets					**8,583,500**					5,481,355
Segment liabilities	**196,500**	**254,807**	**821,658**	**37,262**	**1,310,227**	225,421	182,853	633,754	27,568	1,069,596
Deferred tax liabilities					**37,971**					12,239
Taxation payable					**56,481**					96,693
Unallocated liabilities					**1,641,515**					1,485,813
Total liabilities					**3,046,194**					2,664,341
Capital expenditure	**87,324**	**78,213**	**746,169**	**6,462**	**918,168**	42,951	96,167	417,809	1,317	558,244
Depreciation	**57,408**	**21,226**	**117,058**	**6,232**	**201,924**	41,757	17,643	95,106	5,508	160,014
Amortisation charge	**2,505**	**90**	**2,158**	**628**	**5,381**	3,554	616	1,016	464	5,650

(b) No geographical analysis is provided as less than 10% of the Group's consolidated revenue and results are attributable to markets outside the People's Republic of China (the "PRC" or "mainland China").

3. Operating profit

Operating profit is stated after crediting and charging the following:

	2007	2006
	HK$'000	*HK$'000*
Crediting		
Gain on disposal of assets classified as held-for-sale	**–**	29,929
Net exchange gains	**591**	–
Government grants *(note)*	**100,089**	37,546
Amortisation of deferred income on government grants	**1,436**	1,144
Charging		
Net exchange losses	**–**	4,299
Depreciation	**201,924**	160,014
Amortisation of leasehold land and land use rights recognised in administrative expenses	**4,909**	5,283
Amortisation of intangible assets recognised in administrative expenses – patent and trademarks	**472**	367
Losses on disposal/write-off of property, plant and equipment	**1,594**	819
Staff costs including Director's emoluments	**333,015**	259,575
Operating leases rental in respect of factory premises and sales liaison offices	**22,420**	15,733
Repairs and maintenance expenses	**31,742**	26,642
Auditor's remuneration	**4,168**	3,500
Impairment of trade receivables	**2,235**	2,762
Loss on revaluation of buildings	**223**	–
Provision for impairment of inventories/inventories written off	**6,382**	16,389

Note: The Group obtained and recognised as income government subsidies of HK$20,373,000 (2006: HK$29,674,000) from certain PRC municipal governments as encouragement on the Group's investments in these municipalities, and government grants of HK$79,716,000 (2006: nil) for reinvestment of profits earned by certain PRC subsidiaries of the Group.

4. Income tax expense

The amount of income tax charged to the consolidated profit and loss account represents:

	2007	2006
	HK$'000	*HK$'000*
Hong Kong profits tax *(note a)*	**2,319**	1,208
PRC income tax *(note b)*	**158,627**	197,933
Deferred taxation *(note c)*	**14,609**	(27,368)
Income tax expense	**175,555**	171,773

(a) Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits of the Group in Hong Kong for the year.

(b) PRC income tax represents tax charges on the assessable profits of the PRC subsidiaries of the Group at the prevailing tax rates applicable to the PRC subsidiaries of the Group.

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

5. Transfers to statutory reserves

These represent transfers to statutory reserves which comprise statutory surplus reserve and statutory public welfare fund of the PRC subsidiaries of the Group in accordance with the relevant laws and regulations in the PRC. The reserves form part of the shareholders' fund.

6. Dividends

	2007	2006
	HK$'000	*HK$'000*
Interim, paid, HK28 cents (2006: HK 18 cents) per ordinary share	**302,673**	194,538
Final, proposed, HK32 cents (2006: HK 25 cents) per ordinary share	**365,714**	270,192
	668,387	464,730

At a meeting held on 18 March 2008, the directors proposed a final dividend of HK 32 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2008.

7. Earnings per share

Basic earnings per share is calculated by dividing the Group's profit attributable to shareholders of HK$1,005,939,000 (2006: HK$696,624,000) and the weighted average number of 1,090,492,475 (2006: 1,080,766,355) ordinary shares in issue during the year. Dilutive earnings per share is not presented as the convertible bonds and share options issued do not have any dilutive effect on the earnings per share.

8. Trade receivables

The majority of the Group's sales is on open accounts with credit terms ranging from 30 days to 90 days. At 31 December 2007, the ageing analysis of the trade receivables, net of provisions, was as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
1 – 30 days	**235,076**	214,982
31 – 180 days	**332,785**	186,127
181 – 365 days	**14,816**	6,145
Over 365 days	**11,778**	5,240
	594,455	412,494

9. Trade and bills payables

At 31 December 2007, the ageing analysis of the trade and bills payables was as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade payable by ageing:		
1 – 30 days	**418,946**	301,226
31 – 180 days	**202,519**	100,602
181 – 365 days	**17,710**	7,287
Over 365 days	**7,426**	1,456
	646,601	410,571
Bills payable:		
Maturity period of 1 to 180 days normally	**26,229**	33,359
	672,830	443,930

OVERALL PERFORMANCE

The economy in mainland China maintained a robust growth in 2007. According to preliminary information published by the National Bureau of Statistics of China, Gross Domestic Products ("GDP") of mainland China rose approximately by 11.4% year-on-year to approximately RMB24,661.9 billion. It was the fifth year in a row that the GDP grew by 10% or above. The national economy maintained a steady and fast growth with the features of rapid economic growth, optimised structure, increased efficiency and improved livelihood of the people. Amid thriving economy and improving living standard, the demand for personal care and hygiene products and higher product quality mounted, thus propelling the development of the industry in mainland China.

For the year ended 31 December 2007, the Group's revenue amounted to approximately HK$5,686,972,000, representing an increase of approximately 38.2% compared to that of the previous year. The growth in revenue was mainly attributable to rising market demand for high quality personal care and hygiene products in mainland China, which in turn boosted the sales of tissue paper, disposable diaper and sanitary napkin products of the Group. Despite the continuous increase in raw material prices and labour costs, the Group managed to mitigate the impact by proactively expanding production capacity to optimise economies of scale, and by adopting various cost control measures, such as increasing the staff productivity and streamlining the production process. In addition, the appreciation of Renminbi also helped partly offset the impact of the rising costs. As such, the profit attributable to shareholders increased by approximately 44.4% to approximately HK$1,005,939,000.

Moreover, benefited from economies of scale and the improvement of efficiency per capita, distribution costs and administrative expenses totally amounted to approximately 19.8% (2006: 21.3%) of the total revenue, representing a decrease of approximately 1.5%.

BUSINESS REVIEW

Tissue Papers

Demand for quality tissue paper products continued to surge as a result of the booming mainland China economy and rising income per capita, bringing a satisfactory growth in revenue of the Group. Revenue increased by approximately 44.5% in 2007 to approximately HK$2,585,105,000, accounting for approximately 45.5% of the overall sales revenue. The "Hearttex" brand, enjoying a high reputation, was the first choice quality tissue paper products among mainland China consumers. The Group also received positive market response to its "cartoon" and "skin soothing" series of tissue paper products and kitchen paper products, which were launched to the market during the year.

During the year, the Group continued to focus on manufacturing tissue paper products with higher gross profit margins, including box tissue papers, pocket handkerchiefs and wet tissues. The revenue of these products accounted for approximately 71.4% of the overall revenue of tissue paper products (2006: 71.3%).

To cope with the rapidly increasing market demand, the Group continued to expand its production capacity. The Shandong Phase II production base of the Group commenced operation in July 2007, lifting significantly its annual production capacity of raw papers to approximately 240,000 tons, which further enhanced the benefit of economies of scale.

During the year, the Group's gross profit margin of tissue paper products was approximately 31.5% (2006: 35.6%), representing a drop of approximately 4.1%, mainly due to the increase in production costs prompted by surging wood pulp prices.

On the environmental protection front, the mainland China government adopted various measures to curb pollution from different industrial sectors. Some small-to-medium-size manufacturers were instructed to stop production by the Central Government as they have not yet installed proper environmental protection facilities and had therefore generated serious pollution. This accelerates the consolidation of the tissue paper industry. The environmental protection measures and facilities of the Group attained both China's and international standard, which is beneficial to the Group.

Sanitary Napkins

The rising living standard in mainland China has raised people's demand for high quality personal hygiene products, which in turn resulted in greater consumption for better quality products with brand names. In addition, the surge of raw material prices imposed operation pressure on some small-to-medium-size manufacturers, resulting in closure of these companies and consolidation of the market, which created a favourable business environment for large scale manufacturers.

As a leading large scale personal hygiene product manufacturer, the Group had achieved an encouraging result in its sanitary napkin business in 2007. The revenue reached approximately HK$1,538,889,000, representing an increase of approximately 23.2% and accounting for approximately 27.1% of the Group's total revenue. The Group focused on producing mid-to-high-end products with "Anerle" and "Space 7" products continuing to gain popularity in the market. The two products, accounted for approximately 84.8% (2006: 80.3%) of the total revenue of sanitary napkin business of the Group.

While the price of petrochemical products, the major raw materials for manufacturing sanitary napkins, surged during the year, the Group reinforced its cost control measures and increased the proportion of products with high gross profit margins, bringing the gross profit margin to approximately 56.9% (2006: 55.3%).

Disposable Diapers

Although sales of disposable diapers in the first half of 2007 were adversely affected by the warm weather in mainland China, growth of revenue of the Group's diapers business in 2007 was still satisfactory as a result of the improvement in living standard and average income per capita, as well as increase in birth rate and large room for growth in market penetration rate of disposable diapers, thus helping the Group achieve satisfactory growth in the sales of disposable diapers. The sales revenue in 2007 reached approximately HK$1,360,913,000, representing an increase of approximately 42.6% and accounting for approximately 23.9% of the total revenue.

The price of petrochemical products and wood pulp, the major raw materials of disposable diapers, surged during the year. However, the Group's efforts on strengthening internal controls and increasing production capacity to optimise economies of scales benefit helped maintain a steady gross profit margin for disposable diapers business at approximately 33.3% (2006: 32.9%).

Skincare and Cleansing Products

Competition of skincare products was keen in mainland China. Sales of "MissMay" products amounted to approximately HK$30,462,000 (2006: HK$32,742,000). This business contributed approximately 0.5% of the Group's total revenue and has only negligible impact to the overall business of the Group.

First-Aid Products

Sales of the Group's first-aid products: "Banitore", "Bandi" and "Comfitore" in 2007 amounted to approximately HK$26,105,000 (2006: HK$24,922,000). This business accounted for approximately 0.5% of the Group's total revenue.

DISTRIBUTION AND MARKETING STRATEGIES

The Group has a nationwide distribution network for selling its broad range of personal hygiene products. To cope with the growing mainland China market, the Group not only proactively launched new products and enhanced production quality, but also set up appropriate development strategies to strengthen its brand promotion activities. Apart from expanding traditional sales channels, including local convenient stores and small shops, the Group also strengthened communication and cooperation with large supermarkets. Moreover, the Group recruited a number of sales and marketing professionals to promote its products in supermarkets and hypermarkets. During the year, distribution costs accounted for approximately 15.9% of the total revenue (2006: 16.8%), representing a decrease of approximately 0.9% due to economies of scale.

RESEARCH AND DEVELOPMENT OF PRODUCTS

The Group was devoted to improve quality of products and hence continued to apply more resources on research and development in order to enhance the quality of products, provide new personal hygiene products to customers and capture expanding opportunities in the market. To strengthen the research and development team, the Group appointed Mr. Paul S. Woon as the Chief Technology Officer in January 2008. Mr. Paul S. Woon is highly experienced in design, research and development of sanitary napkins, disposable diapers and hygienic materials. With Mr. Paul S. Woon joining the Group, the Group is confident that his valuable experience in the industry will further strength the research and development team, and improve design and research and development capabilities in relation to new products and materials, solidifying the leading position of the Group in the personal hygiene products industry.

HUMAN RESOURCES MANAGEMENT

As at 31 December 2007, the Group employed approximately 21,100 full-time and temporary staff. The Group's remuneration package is determined with reference to the experience and qualifications of the individual employee 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 continued professional opportunities according to their needs.

LIQUIDITY, FINANCIAL RESOURCES AND BANK LOANS

During the year, the Group placed 60,000,000 new shares in a top-up placement of existing shares and planned to use the net proceeds of approximately HK$1.797 billion for potential acquisitions, capacity expansion and general working capital purposes. The placing further enhanced the solid financial position of the Group. As at 31 December 2007, the Group's cash and cash equivalents and restricted bank deposits totally amounted to approximately HK$2,304,920,000 (2006: HK$1,020,669,000), convertible bonds liability portion was approximately HK$1,562,833,000 (2006: HK$1,497,313,000) and short-term and long-term bank loans amounted to approximately HK$332,037,000 (2006: HK$273,802,000). During the year, the Group's capital expenditure on the acquisition and installation of production facilities amounted to approximately HK$918,168,000, and the related prepayments made thereon amounted to approximately HK$322,219,000.

The convertible bonds were subject to a fixed interest rate of 4.7% semi-annually while the bank borrowings were subject to floating annual interest rates ranging from 3.2% to 6.4%. Apart from the bank deposits of approximately HK$144,889,000 (2006: HK$5,775,000) deposited in banks as collaterals, there were no other charges on the Group's assets for its bank loans. As at 31 December 2007, the Group's gross gearing ratio was approximately 34.4% (2006: 63.4%), which was calculated on the basis of the amount of borrowings as a percentage of the total shareholders' equity (not including minority interests). The net gearing ratio, which was calculated on the basis of the amount of borrowings less cash and cash equivalents as a percentage of the total shareholders' equity (not including minority interests), was zero (2006: 26.9%). The decrease of gross gearing ratio and net gearing ratio was mainly due to the funds raised as mentioned above.

As at 31 December 2007, the Group had no material contingent liabilities.

FOREIGN CURRENCY RISKS

A large portion of the Group's income is in Renminbi while most of the raw materials purchases are required to be 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 31 December 2007, the Group had not issued any financial instruments or entered into any contracts for foreign currency hedging purposes.

FUTURE PROSPECTS

Alongside with the rapid economic growth and urbanisation, increasing market integration and growing population in mainland China, the Group remains optimistic to the prospects of personal care and hygiene product market. By leveraging on the current solid business foundation, the Group is confident in its ability to maintain the leading position in mainland China personal hygiene market.

Although China is the largest tissue paper consumption country in Asia, it is still an enormous market with immense growth potential when compared with the average rate of consumption of tissue paper in western countries. In order to cope with the market demand, the Group will continue to enhance its research and development efforts, and introduce more quality tissue paper products. The management team also decided to adjust the price of tissue paper products from March 2008, with an aim to offset inflating costs.

The Group's Fujian production base Phase II and Hunan production base Phase II are expected to commence operation in April and December 2008 respectively, which will further increase the total production capacity of the Group to approximately 360,000 tons per year.

With regard to sanitary napkin business, the Group will proactively produce more mid-to-high end products with higher gross profit margins and strengthen brand promotion activities in order to increase market share and mitigate the impact of intensive competition and cost pressure resulted from surging raw material prices and logistics costs.

The increase in average income per capita in mainland China and the change in consumption pattern of parents due to the advocacy of using disposable diapers resulted in significant increase in demand for diapers. Diapers market has entered into a fast growing stage. To seize the business opportunities, the Group will carry out technical revamp on existing production lines and add new production lines.

Looking forward, the raw materials prices are still on the rising trend in the coming year. The Group will minimise the impact by raising the proportion of higher gross profit margin products, implementing different cost control measures, enhancing production capacity, extending sales network, as well as strengthening promotion and marketing.

The Group expects that market consolidation will continue. As such, the Group will actively seek merger and acquisition opportunities with synergy effect offered at reasonable prices. The Group is dedicated to expanding market presence and improving business performance. The Group expects that its businesses will continue to grow in 2008 and is committed to increasing shareholders' value.

FINAL DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK$0.32 (2006: HK$0.25) per share for the year ended 31 December 2007 at the forthcoming Annual General Meeting to be held on 13 May 2008. The final dividend amounting to approximately HK$365,714,000, if approved by shareholders, is expected to be paid on or about 22 May 2008 to those shareholders whose names appear on the Register of Members on 13 May 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 5 May 2008 to 13 May 2008, both days inclusive, during which period no transfer of shares can be registered. To qualify for the final dividend (which will be payable on or about 22 May 2008) to be approved at the forthcoming Annual General meeting, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 2 May 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company did not redeem any of the Company's shares during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance. It believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, maintain high standards of accountability and protect shareholders' interests in general. The Company has complied with the Code on Corporate Governance Practices throughout the year ended 31 December 2007.

REVIEW OF ACCOUNTS

The Audit Committee, which is chaired by an independent non-executive director and currently has a membership comprising another two independent non-executive directors, has discussed with management and reviewed the consolidated accounts for the year ended 31 December 2007. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2007 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated accounts for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express our sincere thanks to our shareholders for their support and to our staff for their commitment and diligence during the year.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Sze Man Bok, Mr. Hui Lin Chit, Mr. Yeung Wing Chun, Mr. Hung Ching Shan, Mr. Xu Da Zuo, Mr. Xu Chun Man and Mr. Loo Hong Shing Vincent as executive directors, and Mr. Chan Henry, Mr. Chu Cheng Chung and Ms. Ada Ying Kay Wong as independent non-executive directors.

By order of the Board
Sze Man Bok
Chairman

Hong Kong, 18 March 2008