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"

FINANCIAL SUMMARY
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Unaudited		
	2021	2020	% of
	RMB'000	*RMB'000*	change
Revenue	**9,973,914**	10,927,862	(8.7%)
Gross profit margin	**39.4%**	44.1%	
Operating profit	**2,540,583**	3,185,111	(20.2%)
Profit attributable to shareholders	**1,860,292**	2,259,528	(17.7%)
Earnings per share			
— Basic	**RMB1.574**	RMB1.899	
— Diluted	**RMB1.574**	RMB1.899	
Finished goods turnover (days)	**50**	53	
Trade and bills receivables turnover (days)	**59**	59	
Rate of return on equity (annualised)	**19.2%**	24.2%	

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 statements of profit or loss, comprehensive income, changes in equity and cash flows of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2021, and the unaudited interim condensed consolidated balance sheet of the Group as at 30 June 2021, together with the comparative figures and selected explanatory notes (the "Interim Financial Information"). 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.

* *For identification purposes only*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2021

		Unaudited Six months ended 30 June	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Revenue	*6*	**9,973,914**	10,927,862
Cost of goods sold		**(6,043,243)**	(6,112,243)
Gross profit		**3,930,671**	4,815,619
Selling and distribution costs		**(1,296,654)**	(1,471,952)
Administrative expenses		**(623,401)**	(652,528)
Net accrual of impairment losses on financial assets	*7*	**(12,071)**	(10,488)
Other income and other gains — net		**542,038**	504,460
Operating profit		**2,540,583**	3,185,111
Finance income		**109,102**	113,332
Finance costs		**(233,417)**	(392,464)
Finance costs — net		**(124,315)**	(279,132)
Share of net (losses)/profits of associates	*18*	**(383)**	16
Profit before income tax	*7*	**2,415,885**	2,905,995
Income tax expense	*8*	**(547,335)**	(641,035)
Profit for the period		**1,868,550**	2,264,960
Profit attributable to:			
Shareholders of the Company		**1,860,292**	2,259,528
Non-controlling interests		**8,258**	5,432
		1,868,550	2,264,960
Earnings per share for profit attributable to shareholders of the Company			
— Basic	*9*	**RMB1.574**	RMB1.899
— Diluted	*9*	**RMB1.574**	RMB1.899

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Profit for the period	**1,868,550**	2,264,960
Other comprehensive loss:		
Items that may be reclassified to profit or loss		
— Currency translation differences	**(17,408)**	(5,478)
Total comprehensive income for the period	**1,851,142**	2,259,482
Attributable to:		
Shareholders of the Company	**1,848,610**	2,261,406
Non-controlling interests	**2,532**	(1,924)
Total comprehensive income for the period	**1,851,142**	2,259,482

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

	Note	**Unaudited 30 June 2021** *RMB'000*	Audited 31 December 2020 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	**7,382,137**	7,571,430
Construction-in-progress	*11*	**498,773**	489,052
Right-of-use assets	*12*	**994,176**	970,171
Investment properties	*11*	**215,398**	213,609
Intangible assets	*11*	**743,081**	755,444
Prepayments for non-current assets		**366,263**	327,989
Deferred income tax assets		**441,993**	435,853
Investments in associates	*18*	**96,805**	97,188
Financial assets at fair value through profit or loss		**155,030**	156,593
Long-term bank time deposits	*14*	**3,935,960**	3,482,147
		14,829,616	14,499,476
Current assets			
Inventories		**4,197,064**	4,310,918
Trade and bills receivables	*13*	**3,087,291**	3,375,149
Other receivables, prepayments and deposits		**1,318,177**	1,616,952
Current income tax recoverable		**58,274**	48,995
Derivative financial instruments		**8,938**	–
Restricted bank deposits	*14*	**1,394**	4,812
Financial assets at fair value through profit or loss		**–**	100,884
Cash and bank balances	*14*	**23,347,392**	20,483,739
		32,018,530	29,941,449
Total assets		**46,848,146**	44,440,925

	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	*17*	**124,626**	125,366
Other reserves		**2,849,729**	3,133,402
Retained earnings		**16,374,652**	16,152,622
		19,349,007	19,411,390
Non-controlling interests		**249,369**	250,084
Total equity		**19,598,376**	19,661,474
LIABILITIES			
Non-current liabilities			
Borrowings	*16*	**1,747,586**	2,492,618
Lease liabilities	*12*	**12,324**	8,665
Deferred income tax liabilities		**233,122**	216,222
		1,993,032	2,717,505
Current liabilities			
Trade and bills payables	*15*	**1,754,188**	2,244,205
Other payables and accrued charges	*15*	**1,414,170**	1,310,282
Contract liabilities		**77,284**	134,847
Current income tax liabilities		**20,825**	2,177
Borrowings	*16*	**21,965,799**	18,343,682
Derivative financial instruments		**7,747**	15,643
Lease liabilities	*12*	**16,725**	11,110
		25,256,738	22,061,946
Total liabilities		**27,249,770**	24,779,451
Total equity and liabilities		**46,848,146**	44,440,925

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Unaudited					
	Attributable to the Company's shareholders					
	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2021	**125,366**	**3,133,402**	**16,152,622**	**19,411,390**	**250,084**	**19,661,474**
Profit for the period	**–**	**–**	**1,860,292**	**1,860,292**	**8,258**	**1,868,550**
Currency translation differences	**–**	**(11,682)**	**–**	**(11,682)**	**(5,726)**	**(17,408)**
Total comprehensive income	**–**	**(11,682)**	**1,860,292**	**1,848,610**	**2,532**	**1,851,142**
Transactions with owners						
2020 final dividends paid *(Note 10(b))*	**–**	**–**	**(1,530,799)**	**(1,530,799)**	**(1,150)**	**(1,531,949)**
Buy-back of shares	**–**	**(380,194)**	**–**	**(380,194)**	**–**	**(380,194)**
Cancellation of shares	**(740)**	**740**	**–**	**–**	**–**	**–**
Capital reduction of a subsidiary	**–**	**–**	**–**	**–**	**(2,097)**	**(2,097)**
Total of transactions with owners	**(740)**	**(379,454)**	**(1,530,799)**	**(1,910,993)**	**(3,247)**	**(1,914,240)**
Appropriation to statutory reserves	**–**	**107,463**	**(107,463)**	**–**	**–**	**–**
Balance at 30 June 2021	**124,626**	**2,849,729**	**16,374,652**	**19,349,007**	**249,369**	**19,598,376**
Balance at 1 January 2020	125,654	3,203,594	14,543,693	17,872,941	278,937	18,151,878
Profit for the period	–	–	2,259,528	2,259,528	5,432	2,264,960
Currency translation differences	–	1,878	–	1,878	(7,356)	(5,478)
Total comprehensive income	–	1,878	2,259,528	2,261,406	(1,924)	2,259,482
Transactions with owners						
2019 final dividends paid *(Note 10(b))*	–	–	(1,487,109)	(1,487,109)	(2,449)	(1,489,558)
Share-based compensation						
— Value of employee services	–	3,100	–	3,100	–	3,100
— Proceeds from shares issued *(Note 17)*	1	619	–	620	–	620
Capital contribution by non-controlling interests	–	–	–	–	13,633	13,633
Total of transactions with owners	1	3,719	(1,487,109)	(1,483,389)	11,184	(1,472,205)
Appropriation to statutory reserves	–	69,020	(69,020)	–	–	–
Balance at 30 June 2020	125,655	3,278,211	15,247,092	18,650,958	288,197	18,939,155

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2021

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Cash flows from operating activities		
— Cash generated from operations	**2,742,104**	3,618,629
— Income tax paid	**(527,206)**	(703,147)
Net cash generated from operating activities	**2,214,898**	2,915,482
Cash flows from investing activities		
— Purchase of property, plant and equipment, intangible assets, construction-in-progress and other non-current assets	**(283,001)**	(248,137)
— Purchase of land use rights	**(22,964)**	(94,774)
— Proceeds on disposal of property, plant and equipment	**728**	5,608
— Decrease/(increase) in long-term and short-term bank time deposits	**2,452,709**	(4,198,854)
— Proceeds from disposal of financial assets at fair value through profit or loss	**102,447**	–
— Interest received	**477,088**	427,284
Net cash generated from/(used in) investing activities	**2,727,007**	(4,108,873)
Cash flows from financing activities		
— Proceeds from capital contribution by non-controlling interests	**–**	10,505
— Payment to non-controlling interests for capital reduction of a subsidiary	**(2,097)**	–
— Proceeds from borrowings *(Note 16)*	**12,383,815**	17,003,409
— Repayment of borrowings *(Note 16)*	**(9,392,491)**	(9,364,447)
— Decrease in restricted bank deposits	**3,418**	4,346
— Buy-back of shares	**(380,194)**	–
— Interest paid	**(209,071)**	(293,211)
— Dividends paid *(Note 10(b))*	**(1,530,799)**	(1,487,109)
— Dividends paid to non-controlling interests	**(4,153)**	(1,374)
— Lease payments	**(9,452)**	(5,269)
— Proceeds from shares issued under the employee share option scheme	**–**	620
Net cash generated from financing activities	**858,976**	5,867,470
Increase in cash and cash equivalents	**5,800,881**	4,674,079
Cash and cash equivalents at 1 January	**11,607,059**	9,120,176
Effect of foreign exchange rate changes	**(30,706)**	38,689
Ending cash and cash equivalents at 30 June	**17,377,234**	13,832,944

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. GENERAL INFORMATION

Hengan International Group Company Limited (the "Company" or "恒安國際") and its subsidiaries (together, the "Group") are engaged in the manufacturing, distribution and sale of personal hygiene products in the People's Republic of China (the "PRC") 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 (the "Stock Exchange") since December 1998.

This interim condensed consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated.

This interim condensed consolidated financial information was approved for issue by the Board of Directors on 18 August 2021.

This interim condensed consolidated financial information has been reviewed, not audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34, Interim Financial Reporting. The interim condensed consolidated financial information does not include all the notes of the type normally included in the annual consolidated financial statements. Accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this interim condensed consolidated financial information are consistent with those of the annual consolidated financial statements for the year ended 31 December 2020 and corresponding interim financial period, except for the adoption of new and amended standards set out as below.

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

3. **ACCOUNTING POLICIES (Cont'd)**

(a) **New and amended standards adopted by the Group**

A number of new or amended standards became applicable for the current reporting period. The Group assessed the adoption of these new and amended standards and concluded that they did not have a significant impact on the Group's interim results and financial position.

Standards and amendments		Effective for annual periods beginning on or after
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2	1 January 2021

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group:

Standards and amendments		Effective for annual periods beginning on or after
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

4. ESTIMATES

The preparation of interim condensed consolidated 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 consolidated financial statements for the year ended 31 December 2020, with the exception of changes in estimates that are required in determining the provision for income taxes and disclosure of unusual items.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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 do 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 financial statements as at 31 December 2020.

There have been no changes in the risk management policies since last year end.

5.2 Liquidity risk

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

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Cont'd)

5.2 Liquidity risk (Cont'd)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 3 years *RMB'000*	Between 3 and 5 years *RMB'000*	Total *RMB'000*
At 30 June 2021 (Unaudited)					
Borrowings	**21,965,995**	**1,663,623**	**82,708**	**1,255**	**23,713,581**
Interest payables of borrowings	**237,272**	**26,262**	**696**	**18**	**264,248**
Net settled derivative financial instruments	**7,747**	**–**	**–**	**–**	**7,747**
Lease Liabilities	**17,648**	**10,264**	**2,097**	**304**	**30,313**
Trade, bills and other payables	**2,312,450**	**–**	**–**	**–**	**2,312,450**
Total	**24,541,112**	**1,700,149**	**85,501**	**1,577**	**26,328,339**
At 31 December 2020 (Audited)					
Borrowings	18,344,744	2,014,125	476,100	2,393	20,837,362
Interest payables of borrowings	195,822	51,406	4,903	67	252,198
Net settled derivative financial instruments	15,643	–	–	–	15,643
Lease liabilities	11,736	6,947	1,643	332	20,658
Trade, bills and other payables	2,627,786	–	–	–	2,627,786
Total	21,195,731	2,072,478	482,646	2,792	23,753,647

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 assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Cont'd)

5.3 Fair value estimation (Cont'd)

The following table presents the Group's financial instruments that are measured at fair value at 30 June.

Recurring fair value measurements At 30 June 2021 (Unaudited)	**Level 1** *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Financial assets				
Financial assets at fair value through profit or loss ("FVPL")	**–**	**–**	**155,030**	**155,030**
Derivative financial instruments	**–**	**8,938**	**–**	**8,938**
Financial liabilities				
Derivative financial instruments	**–**	**(7,747)**	**–**	**(7,747)**

Recurring fair value measurements At 31 December 2020 (audited)	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Financial assets				
FVPL	–	100,884	156,593	257,477
Financial liabilities				
Derivative financial instruments	–	(15,643)	–	(15,643)

During the six months ended 30 June 2021, there were 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 or liabilities.

Level 2 trading derivatives comprise foreign currency swap contracts,interest rate swap contracts and deposit fund. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Group's derivative financial instruments and deposit fund above are level 2 instruments and their fair value is determined with reference to quotations provided by various banks.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Group's unlisted preference shares are level 3 instruments and their fair value is determined with inputs for the asset or liability that are not based on observable market data.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Cont'd)

5.4 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount as at the balance sheet date:

- Trade and bills receivables
- Other receivables
- Long-term bank time deposits
- Restricted bank deposits
- Cash and bank balances
- Trade and bills payables
- Other payables
- Lease liabilities
- Borrowings

6. SEGMENT INFORMATION

The chief operating decision-makers have 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 income and other gains − net, finance income/(costs) and income tax expense 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 napkin products, disposable diaper products and tissue paper products.

Sales between segments are carried out on terms mutually agreed amongst these business segments. Revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the consolidated statement of profit or loss.

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

The amounts provided to the Executive Directors with respect to total assets and liabilities are measured in a manner consistent with those of the financial statements. These assets and liabilities are allocated based on the operations of the segment.

Addition to non-current assets comprise addition to property, plant and equipment, investment properties, construction-in-progress, right-of-use assets and intangible assets.

Unallocated costs represent corporate expenses. Unallocated assets comprise interest income receivables and corporate assets. Unallocated liabilities comprise accrued interest expenses and corporate liabilities.

6. SEGMENT INFORMATION (Cont'd)

The segment information for the six months ended 30 June 2021 is as follows:

	Unaudited				
	Sanitary napkin products *RMB'000*	Disposable diaper products *RMB'000*	Tissue paper products *RMB'000*	Others *RMB'000*	Group *RMB'000*
Segment revenue	**3,060,964**	**639,528**	**5,143,771**	**2,051,945**	**10,896,208**
Inter-segment sales	**(30,994)**	**(19,860)**	**(447,249)**	**(424,191)**	**(922,294)**
Revenue of the Group	**3,029,970**	**619,668**	**4,696,522**	**1,627,754**	**9,973,914**
Segment profit	**1,447,375**	**97,856**	**420,002**	**42,622**	**2,007,855**
Unallocated costs					**(9,310)**
Other income and other gains – net					**542,038**
Operating profit					**2,540,583**
Finance income					**109,102**
Finance costs					**(233,417)**
Share of net losses of associates					**(383)**
Profit before income tax					**2,415,885**
Income tax expense					**(547,335)**
Profit for the period					**1,868,550**
Non-controlling interests					**(8,258)**
Profit attributable to shareholders of the Company					**1,860,292**
Addition to non-current assets	**51,348**	**34,445**	**177,510**	**22,463**	**285,766**
Depreciation of property, plant and equipment and investment properties	**85,749**	**19,405**	**262,380**	**25,200**	**392,734**
Depreciation of right-of-use assets	**6,045**	**1,861**	**11,252**	**3,607**	**22,765**
Amortisation charge	**9,085**	**–**	**193**	**7,012**	**16,290**
As at 30 June 2021 (Unaudited)					
Segment assets	**3,805,612**	**1,151,403**	**11,237,906**	**2,371,628**	**18,566,549**
Deferred income tax assets					**441,993**
Current income tax recoverable					**58,274**
Investments in associates					**96,805**
FVPL					**155,030**
Long-term time deposits					**3,935,960**
Cash and bank balances					**23,347,392**
Unallocated assets					**246,143**
Total assets					**46,848,146**
Segment liabilities	**854,431**	**160,635**	**1,843,768**	**308,775**	**3,167,609**
Deferred income tax liabilities					**233,122**
Current income tax liabilities					**20,825**
Borrowings					**23,713,385**
Unallocated liabilities					**114,829**
Total liabilities					**27,249,770**

6. **SEGMENT INFORMATION (Cont'd)**

The segment information for the six months ended 30 June 2020 is as follows:

	Unaudited				
	Sanitary napkin products *RMB'000*	Disposable diaper products *RMB'000*	Tissue paper products *RMB'000*	Others *RMB'000*	Group *RMB'000*
Segment revenue	3,239,520	755,092	5,666,570	2,091,335	11,752,517
Inter-segment sales	(16,836)	(32,911)	(317,559)	(457,349)	(824,655)
Revenue of the Group	3,222,684	722,181	5,349,011	1,633,986	10,927,862
Segment profit	1,563,363	107,202	821,914	199,753	2,692,232
Unallocated costs					(11,581)
Other income and other gains – net					504,460
Operating profit					3,185,111
Finance income					113,332
Finance costs					(392,464)
Share of net profits of associates					16
Profit before income tax					2,905,995
Income tax expense					(641,035)
Profit for the period					2,264,960
Non-controlling interests					(5,432)
Profit attributable to shareholders of the Company					2,259,528
Addition to non-current assets	51,574	25,349	136,301	34,371	247,595
Depreciation of property, plant and equipment and investment properties	82,135	19,042	252,299	25,496	378,972
Depreciation of right-of-use assets	5,368	2,077	9,075	3,713	20,233
Amortisation charge	7,982	–	191	7,040	15,213
As at 31 December 2020 (Audited, restated)					
Segment assets	4,056,919	1,407,668	11,822,993	2,104,362	19,391,942
Deferred income tax assets					435,821
Current income tax recoverable					48,995
Investments in associates					97,188
FVPL					257,477
Long-term time deposits					3,482,147
Cash and bank balances					20,483,739
Unallocated assets					243,616
Total assets					44,440,925
Segment liabilities	792,958	248,384	2,246,925	310,718	3,598,985
Deferred income tax liabilities					216,222
Current income tax liabilities					2,177
Borrowings					20,836,300
Unallocated liabilities					125,767
Total liabilities					24,779,451

7. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after crediting and charging the following:

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Crediting		
Government grant income	**153,643**	165,127
Income from long-term and short-term bank time deposits	**365,697**	432,931
Interests income from cash and cash equivalents	**109,102**	110,633
Net gains on derivative financial instruments	**16,708**	–
Exchange gains from operating activities — net	**14,184**	–
Exchange gains from financing activities — net	**–**	2,699
Reversal of provision for decline in value of inventories	**–**	2,316
Gains on disposal of property, plant and equipment	**–**	2,132
Charging		
Depreciation of property, plant and equipment *(Note 11)*	**389,587**	375,950
Depreciation of investment properties *(Note 11)*	**3,147**	3,022
Amortisation of intangible assets *(Note 11)*	**16,290**	15,213
Depreciation of right-of-use assets *(Note 12)*	**22,765**	20,233
Employee benefit expense, including Directors' emoluments	**983,834**	928,537
Losses on disposal of property, plant and equipment	**15,608**	–
Net impairment losses on trade and bills receivables	**12,071**	10,488
Provision for decline in value of inventories	**7,076**	–
Net losses on derivative financial instruments	**–**	27,732
Exchange losses from financing activities — net	**1,593**	–
Exchange losses from operating activities — net	**–**	87,978
Interest expenses on borrowings and bank charges after deducting interest expenses of RMB4,140,000 (2020: RMB7,392,000) capitalised in construction-in-progress	**231,182**	392,144
Miscellaneous taxes and levies	**49,690**	52,178

8. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Current tax on profits for the period	**471,618**	577,137
Withholding income tax on profits of the current period	**82,807**	107,918
Deferred income tax on other timing differences, net	**(7,090)**	(44,020)
Income tax expense	**547,335**	641,035

Taxation on Mainland China income has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in Mainland China in which the Group operates. The Company's subsidiaries incorporated in Mainland China are subject to Corporate Income Tax ("CIT") at the rate of 25% (2020: 25%).

Hong Kong and overseas profits tax has been provided at the rate of taxation prevailing in which the Group operates respectively on the estimated assessable profits for the period.

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

The profits of subsidiaries in Mainland China of the Group derived since 1 January 2008 are subject to withholding tax at a rate of 5% upon distribution of such profits to investors in Hong Kong, or at a rate of 10% for other foreign investors. Deferred income tax liabilities of approximately RMB82,807,000 (2020: RMB107,918,000) for the six months ended 30 June 2021 have been provided for in this regard based on the expected dividends to be distributed from the Group's subsidiaries in Mainland China in the foreseeable future.

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 June	
	2021	2020
Profit attributable to shareholders of the Company *(RMB'000)*	**1,860,292**	2,259,528
Weighted average number of ordinary shares in issue *(thousands)*	**1,182,147**	1,189,681
Basic earnings per share *(RMB)*	**1.574**	1.899

9. EARNINGS PER SHARE (Cont'd)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversation of all dilutive potential ordinary shares. Share options is the only category of dilutive potential ordinary shares of the Company.

The diluted earnings per share is the same as basic earnings per share for the six months ended 30 June 2021 as the potential ordinary shares in respect of outstanding share options is anti-dilutive.

10. DIVIDENDS

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Interim, proposed/paid, RMB1.00 (2020: RMB1.2) per share *(Note (a))*	1,175,121	1,427,625

Notes:

(a) An interim dividend of RMB1.00 (equivalent to Hong Kong dollars ("HK$") 1.202125) (2020: RMB1.20, equivalent to HK$1.341562) per share was proposed by the Board of Directors on 18 August 2021. This interim dividend, amounting to RMB1,175,121,000, calculated based on 1,175,121,000 issued shares as at 18 August 2021, has not been recognised as a liability in this interim condensed consolidated financial information.

Dividends payable to shareholders will be paid in HK$. The exchange rate adopted by the Company for its dividend payable is the middle rate of HK$ to RMB announced by the People's Bank of China for the business day preceding the date of dividend declaration. The exchange rate of HK$ to RMB on 17 August 2021 is 0.83186.

(b) A final dividend of RMB1,530,799,000, equivalent to HK$1,832,480,000 (2019: RMB1,487,109,000, equivalent to HK$1,629,834,000) related to the period up to 31 December 2020 was paid in June 2021.

11. CAPITAL EXPENDITURE – NET BOOK VALUE

	Unaudited			
	Property, plant and equipment *RMB'000*	**Construction-in-progress** *RMB'000*	**Investment properties** *RMB'000*	**Intangible assets** *RMB'000*
At 1 January 2021	**7,571,430**	**489,052**	**213,609**	**755,444**
Additions	**49,567**	**180,115**	**–**	**3,990**
Transfer from construction-in-progress	**170,394**	**(170,394)**	**–**	**–**
Transfer from property, plant and equipment	**(1,855)**	**–**	**1,855**	**–**
Transfer from right-of-use assets	**–**	**–**	**3,481**	**–**
Disposals	**(16,273)**	**–**	**–**	**(63)**
Depreciation/amortisation *(Note 7)*	**(389,587)**	**–**	**(3,147)**	**(16,290)**
Currency translation differences	**(1,539)**	**–**	**(400)**	**–**
At 30 June 2021	**7,382,137**	**498,773**	**215,398**	**743,081**

	Unaudited			
	Property, plant and equipment *RMB'000*	Construction-in-progress *RMB'000*	Investment properties *RMB'000*	Intangible assets *RMB'000*
At 1 January 2020	7,822,457	543,534	226,233	724,620
Additions	61,148	149,001	–	1,557
Transfer from construction-in-progress	175,939	(206,568)	–	30,629
Transfer from property, plant and equipment	(60)	–	60	–
Transfer to right-of-use assets	(13,275)	–	–	–
Disposals	(3,476)	–	–	–
Depreciation/amortisation *(Note 7)*	(375,950)	–	(3,022)	(15,213)
Currency translation differences	(761)	–	(471)	–
At 30 June 2020	7,666,022	485,967	222,800	741,593

The Group's investment properties are stated at historical cost at the end of each reporting period.

12. LEASES

(a) Amounts recognised in the consolidated balance sheet

	As at 30 June 2021 Unaudited *RMB'000*	As at 31 December 2020 Audited *RMB'000*
Right-of-use assets		
— Land use rights	**965,568**	950,571
— Buildings	**28,608**	19,600
Total	**994,176**	970,171
Lease liabilities		
— Current	**(16,725)**	(11,110)
— Non-current	**(12,324)**	(8,665)
Total	**(29,049)**	(19,775)

Expenses have been charged to the interim condensed consolidated statement of profit or loss.

(b) Amounts recognised in the consolidated statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Unaudited Six months ended 30 June	
	2021 *RMB'000*	2020 *RMB'000*
Depreciation of right-of-use assets *(Note 7)*		
— Land use rights	**13,747**	14,083
— Buildings	**9,018**	5,608
— Equipment and others	**–**	542
	22,765	20,233
Interest expense	**642**	320
Short-term and low-value lease expenses	**45,260**	43,204

The total cash payment for leases during the period was RMB77,676,000 (2020: RMB143,247,000).

13. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2021	Audited 31 December 2020
	RMB'000	*RMB'000*
Trade receivables	**3,147,712**	3,427,737
Bills receivables	**18,191**	14,576
	3,165,903	3,442,313
Less: provision for impairment	**(78,612)**	(67,164)
Trade and bills receivables, net	**3,087,291**	3,375,149

Part of the Group's sales are on open account with credit terms ranging from 30 days to 90 days. The ageing analysis of trade and bills receivables based on invoice date is as follows:

	Unaudited 30 June 2021	Audited 31 December 2020
	RMB'000	*RMB'000*
Within 30 days	**1,242,254**	1,557,041
31 to 180 days	**1,690,678**	1,687,797
181 to 365 days	**122,826**	106,096
Over 365 days	**110,145**	91,379
	3,165,903	3,442,313

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 approximated their fair values as at the balance sheet date.

14. LONG-TERM BANK TIME DEPOSITS, RESTRICTED BANK DEPOSITS AND CASH AND BANK BALANCES

	Unaudited 30 June 2021 *RMB'000*	Audited 31 December 2020 *RMB'000*
Long-term bank time deposits		
Term deposits with initial term over one year	**3,935,960**	3,482,147
Restricted bank deposits	**1,394**	4,812
Cash and bank balances		
— Term deposits with initial term over three months and within one year	**5,970,158**	8,876,680
— Cash and cash equivalents	**17,377,234**	11,607,059
	23,347,392	20,483,739
Total	**27,284,746**	23,970,698

The cash and cash equivalents represented cash deposits held at call with banks and in hand and term deposits with initial term within three months.

15. TRADE, BILLS AND OTHER PAYABLES AND ACCRUED CHARGES

	Unaudited 30 June 2021 *RMB'000*	Audited 31 December 2020 *RMB'000*
Trade payables	**1,750,711**	2,237,031
Bills payables	**3,477**	7,174
	1,754,188	2,244,205
Other payables and accrued charges		
— Payables for purchase of property, plant and equipment	**248,843**	253,539
— Accrued expenses	**697,897**	693,430
— Staff salaries payables	**158,011**	207,685
— Accrued interest expenses	**87,272**	61,887
— Other taxes payables	**23,328**	25,586
— Other payables	**198,819**	68,155
	1,414,170	1,310,282
Total	**3,168,358**	3,554,487

15. TRADE, BILLS AND OTHER PAYABLES AND ACCRUED CHARGES (Cont'd)

The ageing analysis of trade and bills payables based on invoice date is as follows:

	Unaudited 30 June 2021 ***RMB'000***	Audited 31 December 2020 *RMB'000*
Within 30 days	**769,928**	1,209,694
31 to 180 days	**951,719**	975,847
181 to 365 days	**24,089**	22,623
Over 365 days	**8,452**	36,041
	1,754,188	2,244,205

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

16. BORROWINGS

	Unaudited 30 June 2021 ***RMB'000***	Audited 31 December 2020 *RMB'000*
Non-current		
Long-term bank loans – unsecured	**1,653,340**	2,384,705
Other borrowings – unsecured	**88,960**	101,440
Long-term bank loans – secured (d)	**5,286**	6,473
	1,747,586	2,492,618
Current		
Short-term bank loans – unsecured	**16,737,896**	17,034,684
Super short-term commercial papers (b)	**3,000,000**	–
Short-term commercial papers (c)	**1,000,000**	–
Corporate bonds (a)	**999,804**	998,938
Other borrowings – unsecured	**8,320**	190,000
Trust receipt bank loans	**217,922**	118,185
Short-term bank loans – secured (d)	**1,857**	1,875
	21,965,799	18,343,682
Total	**23,713,385**	20,836,300

As at 30 June 2021, the effective interest rate of the Group's bank loans and other borrowings was approximately 1.98% (31 December 2020: 2.61%) per annum.

16. BORROWINGS (Cont'd)

(a) Corporate bonds

In September 2016, Hengan (China) Investment Co., Ltd ("Hengan China Investment"), a wholly-owned subsidiary of the Group issued a corporate bonds at a par value of RMB1,000,000,000, which was dominated in RMB with a fixed interest of 3.30% per annum. The bonds will mature in five years from the issue date. The values of the liability, net of transaction costs of RMB8,000,000, were determined at issuance of the bonds.

(b) Super short-term commercial papers

As at 30 June 2021, Hengan International had the following super short-term commercial papers:

	Interest rate	Issue date	Expiration term	Amount *RMB'000*
21恒安國際SCP001	3.08%	2021–03–26	181 days	1,000,000
21恒安國際SCP002	3.00%	2021–04–15	180 days	1,000,000
21恒安國際SCP003	2.90%	2021–04–26	180 days	1,000,000

(c) Short-term commercial papers

As at 30 June 2021, Hengan International had the following short-term commercial papers:

	Interest rate	Issue date	Expiration term	Amount *RMB'000*
21恒安國際CP001	2.90%	2021–05–25	182 days	1,000,000

(d) Long-term and short-term bank loans – secured

As at 30 June 2021, bank borrowings of RMB7,143,000 (31 December 2020: RMB8,348,000) were pledged by the property, plant and equipment (carrying amount of RMB11,107,000(31 December 2020: RMB12,086,000) and cost of RMB13,016,000 (31 December 2020: RMB13,529,000)) of a subsidiary.

16. BORROWINGS (Cont'd)

Movements in borrowings are analysed as follows:

	Unaudited
	RMB'000
At 1 January 2021	**20,836,300**
New borrowings	**12,383,815**
Repayments of borrowings	**(9,392,491)**
Bonds payable – interest adjustment	**866**
Currency translation differences	**(115,105)**
At 30 June 2021	**23,713,385**
At 1 January 2020	21,608,441
New borrowings	17,003,409
Repayments of borrowings	(9,364,447)
Bonds payable – interest adjustment	3,366
Currency translation differences	187,319
At 30 June 2020	29,438,088

17. SHARE CAPITAL

Ordinary shares, issued and fully paid

	Number of shares	*RMB'000*
At 1 January 2021	**1,186,337,417**	**125,366**
Employee share option schemes		
— Buy-back and cancellation of shares	**(8,800,000)**	**(740)**
At 30 June 2021 (unaudited)	**1,177,537,417**	**124,626**
At 1 January 2020	1,189,677,417	125,654
Employee share option schemes		
— Shares issued upon exercise of share options	10,000	1
At 30 June 2020 (unaudited)	1,189,687,417	125,655

18. INVESTMENTS IN ASSOCIATES

The details of investments in associates are as follows:

	RMB'000
At 1 January 2021	**97,188**
Share of net losses	**(383)**
At 30 June 2021 (unaudited)	**96,805**
At 1 January 2020	101,670
Share of net profits	16
At 30 June 2020 (unaudited)	101,686

The particulars of the associates of the Group as at 30 June 2021, all of which equity method is used to account for, are set out as follows:

Name of entity	**Place of business/ country of incorporation**	**% of ownership interest**	**Paid-up capital**	**Principal activities**
Finnpulp Oy	Kuopio, Finland	36.46%	RMB90,252,000	Manufacturing, distribution and sale of wood pulp
Sinolight (Jinjiang) Hygiene Products Research Co., Ltd.*	Jinjiang, PRC	38.80%	RMB11,412,000	Research and development of personal hygiene materials

* *For identification purpose only*

19. CAPITAL COMMITMENTS

	Unaudited 30 June 2021 ***RMB'000***	Audited 31 December 2020 *RMB'000*
Contracted but not provided for in respect of:		
Machinery and equipment	**688,162**	518,029
Leasehold land and buildings	**143,104**	136,459
Total	**831,266**	654,488

20. CONTINGENT LIABILITIES

At 30 June 2021, the Group had no material contingent liabilities (31 December 2020: Nil).

21. 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 no significant related party transactions;

(b) For the six months ended 30 June 2021, the key management compensation amounted to approximately RMB7,349,000 (2020: RMB5,874,000).

22. SUBSEQUENT EVENT

Details of the interim dividend proposed are given in Note 10.

BUSINESS REVIEW

In the first half of 2021, the coronavirus pandemic that raged across the globe last year continued to linger and harm in many countries, adding uncertainty and putting more pressure on the global economic recovery. On top of that, global inflation has been notably on the rise, which directly affected consumer confidence. In the first half of 2021, China's gross domestic product increased by 12.7% year-on-year, while the two-period average growth in the first half of 2021 and 2020 reached 5.3%, indicating that China's overall economy continued to recover steadily. Regarding consumer market, total retail sales of consumer goods in the first half of the year grew 23.0% year-on-year and rose 9.0% compared with the same period in 2019, with a two-year average growth of 4.4%. Although the domestic economy is steadily improving, the pace of recovery of different industries varies, and together with the complicated and volatile external environment, the domestic economic recovery still faces many challenges.

Since the outbreak of the pandemic, the development of domestic online shopping market has become more mature. With the rapid development of information technology, the pandemic gave rise to new consumption patterns and bolstered the new retail trend. Fragmentation of sales channels has dealt an enormous blow to the sales of traditional channels. Coupled with the intensified competition in the industry during the period, international brands have begun to penetrate the mid-to-high-end market to capture some of the market share in additional to their main efforts to develop the first-tier market. Therefore, the Group's revenue for the six months ended 30 June 2021 decreased by approximately 8.7% from the same period of last year to approximately RMB9,973,914,000 (2020 first half: RMB10,927,862,000).

In the first half of 2021, the Group actively developed its e-commerce business and expanded into new retail markets to capture the business opportunities brought by the new domestic consumption environment after the pandemic. During the period, the Group further increased its proportion in e-commerce sales (including Retail Integrated ("零售通") and New Channel ("新通路")) to approximately 20.1% (2020 first half: 17.6%), and made good progress in the development of other new sales channels (including online and offline (O2O) platform, Community Group-buying etc.) with a gradual increase in their proportion of sales to overall sales. At the same time, in response to consumers' demands for higher product quality, the Group has been committed to developing premium products and optimizing its product portfolio to provide the public with diversified, safe and reliable products. Among them, the premium sanitary napkin series "Space 7", which was officially launched in 2020, continued to receive enthusiastic response during the period. The premium tissue paper series "Cloudy Soft Skin" (雲感柔膚), which was officially launched in the second half of 2020, was well-received by the market, resulting in a significant increase in sales; the sales of upgraded premium disposable diapers "Q•MO" realized a double-digit year-on-year growth.

During the period under review, as tissue paper enterprises increased their promotional offers, which intensified industry competition and attempted to seize post-epidemic opportunities, the Group also had to increase promotional efforts to maintain its market competitiveness, which inevitably affected the gross profit of its tissue paper business. In the first half of 2021, the Group's overall gross profit decreased by approximately 18.4% to approximately RMB3,930,671,000 (2020 first half: RMB4,815,619,000), and the overall gross profit margin fell to approximately 39.4% (2020 first half: 44.1%). Looking ahead to the second half of the year, as the price trend of wood pulp is still uncertain at the moment, and the higher cost of wood pulp purchased by the Group this year is expected to be reflected in the cost of tissue paper in the second half of the year, the negative impact of the upward trend in wood pulp price is expected to manifest in the second half of the year, the overall gross profit will continue to be under pressure in the second half of the year.

During the period, operating profit fell approximately 20.2% to RMB2,540,583,000 (2020 first half: RMB3,185,111,000). Profit attributable to shareholders of the Company amounted to approximately RMB1,860,292,000 (2020 first half: RMB2,259,528,000), decreased by about 17.7% year-on-year. Basic earnings per share was approximately RMB1.574 (2020 first half: RMB1.899).

The Board of Directors declared an interim dividend of RMB1.00 per share for the six months ended 30 June 2021 (2020 first half: RMB1.20), amounted to RMB1,175,121,000 calculated based on 1,175,121,000 issued shares as at 18 August 2021. Together with the Group repurchased a total of 8,800,000 shares with an aggregate consideration of approximately RMB380,194,000 for enhancing its per share net asset value and earnings during the period. The Group has returned a total of RMB1,555,315,000 to its shareholders during the period, which accounted for approximately 83.6% of Profit attributable to shareholders of the Company.

Sanitary Napkin

China's feminine care products market is highly saturated, and many international brands that used to focus on premium first-tier markets also actively promoted their products to mid-to-high-end markets in the second-tier or lower tier cities to capture the consumption opportunities after the pandemic during the period, resulting in a fiercer competition. During the period, international brands did not hesitate to adopt very aggressive pricing strategy to substantially reduce prices and increase concessionary measures to seize the market share of mid-to-high-end cities and young consumers. For the avoidance of a profound impact on the market and its brand, Hengan, as a leading brand in mid-to-high-end cities, stayed committed to a rational and stable pricing strategy and developed its sanitary napkin business with product upgrades and high-end products to consolidate its market leadership. Last year, the Group launched the new image of premium product "Space 7". Leveraging on its high-quality products and brand image, the product was well-received by the market, thereby supporting the sales of the sanitary napkin segment.

The pandemic has accelerated the further fragmentation of sales channels. Apart from e-commerce channel, sales from other emerging channels (e.g. online to offline (O2O) platform and Community Group-buying) gained huge momentum. In order to develop these emerging channels, many competitors have adopted more aggressive pricing and concessionary measures to enter these markets. In a bid to cope with the development of new retail channels, the Group has also adopted concessionary measures to enter these emerging channels, which inevitably had a negative impact on the sales of sanitary napkins in traditional channel in the short term.

During the period under review, due to competitors' aggressive pricing strategies to capture mid-to-high-end market share and the further fragmented sales channels, sales of the sanitary napkin business recorded a decline of approximately 6.0% to approximately RMB3,029,970,000 (2020 first half: RMB3,222,684,000) during the period, accounting for nearly 30.4% (2020 first half: 29.5%).

As the cost of petrochemical raw materials used in sanitary napkins has stabilised, coupled with the Group's adherence to a rational and stable pricing strategy, the gross profit margin of the sanitary napkin business has maintained a relative stable level at approximately 70.0% (2020 first half: 70.4%).

The Group's sanitary napkin brand, 七度空間 has always been a hot-selling product in Mainland China and has long been a market leader in the domestic market. Launched last year, the premium product "Space 7" which aimed at the mature white-collar market received positive response. Leverage on the sales of the new premium product "Space 7", the Group will continue to steadily move ahead with the strategy of developing the premium market and gradually increase the proportion of the premium products. Although international brands have further intensified competition in the domestic sanitary napkin market, the Group believes that "Space 7" will become a key growth point in the future, expanding the Group's share in the sanitary napkin market. At the same time, in the face of increasingly fragmented sales channels, the Group on one hand, will step up its efforts to expand new retail channels and increase the sales proportion of new retail channels; on the other hand, will strengthen the development of exclusive products on new retail channels and adopt a stable pricing strategy, so as to maintain the sound development of various channels, support the long-term development of the Group and consolidate the Group's leading position in the mid-to-high-end market.

Regarding other feminine care products, the Group's feminine care brand "Origin and Prime" (若顏初) launched last year has received positive response and support 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, capture growth opportunities brought by consumption upgrade and actively exploring opportunities to introduce the Group's sanitary napkin products to overseas markets.

Tissue Paper

In the first half of 2021, the national health awareness remained at a high level, and the market demand for tissue paper products returned to a rational level, consequently there was no significant increase compared with last year. As consumers no longer worry about the shortage of tissue paper supply affected by the pandemic this year, consumer attitudes are more cautious compared with last year and they are more sensitive to prices. Although the cost of wood pulp grew significantly during the period, many tissue companies had to increase promotional expenses and reduce prices to strive for market share. With further intensified market competition, the decline in average selling price has caused the overall tissue paper market sales to record a double-digit year-on-year decline, and Hengan is no exception. During the period under review, the sales of the Group's tissue paper business fell approximately 12.2% to approximately RMB4,696,522,000 (2020 first half: RMB5,349,011,000), accounting for approximately 47.1% of the Group's overall revenue (2020 first half: 48.9%).

As the Group still had low-cost wood pulp inventory in the majority time of the first half of 2021, the upward trend in wood pulp prices did not put a significant pressure on the Group's gross profit in the first half of the year. Nevertheless, the Group increased its promotional expenses during the period to maintain its market competitiveness, resulted in the gross profit margin falling to approximately 29.2% (2020 first half: 35.0%). The Group expects the upward trend in wood pulp price in the first half to be reflected in the cost of goods sold in the second half of the year. Due to the uncertain price trend of wood pulp, gross profit margin in the second half of year is still expected to be under pressure to a certain extent.

Against the backdrop of the lingering pandemic, national health awareness remains at a high level, the Group achieved a low single-digit growth in the sales of its majority of the tissue paper products during the period. However, the Group recorded a high single-digit decline in sales due to the increased promotional expenses. In terms of wet wipes products, thanks to the additional support from the pandemic last year and the launch of the Group's upgraded "Super Mini" (超迷你) products, the Group recorded an extraordinary high double-digit year-on-year growth in its revenue last year. In view of the high base last year, sales of wet wipes during the period decreased by approximately 21.9% year-on-year to approximately RMB346,282,000 (2020 first half: RMB443,150,000), accounting for approximately 7.4% of the sales of the tissue paper business (2020 first half: 8.3%). Excluding the extraordinary growth recorded last year, the Group posted a double-digit growth in the sales of its wet wipes business this year, compared with the same period in 2019, reflecting the sustained sound development of the Group's wet wipes business. The Group will continue to leverage on its advantage as a leader in the "Super Mini" series, increase its market share and consolidate its leading position in the wet tissue market. In terms of jumbo roll paper products, the Group has always exported jumbo roll paper to other tissue paper manufacturers and overseas markets. This segment accounts for approximately 15.0% of the Group's overall tissue paper sales. In the light of the austere pandemic situation in overseas countries, shipping cost has risen sharply and the jumbo roll paper price, increased during the period, which affected the purchase of the jumbo roll papers manufactured by the Group and led to a approximately 30.0% decline in the Group's jumbo roll paper sales. In consequence of the industry competition and pandemic related factors, the Group's overall tissue paper business did not perform as well as the same period in earlier years.

In terms of new tissue products, the Group continued to provide unique and high-quality products to the market with industry-leading product specifications and innovative technologies. The new premium series "Cloudy Soft Skin", which was launched last year, was well-received by the market during the period. It is made with the Group's original cloud-like three-dimensional embossing technology to form air cushions, providing enjoyable user experience to its customers with cotton soft skin-like tissue paper. The Group has also obtained a national design patent on its unique embossing technology. The product is safe and does not contain any chemical adhesives. It was selected as the recommended tissue product at the World Environmental Conference.

As the living standards of people continues to improve and hygiene awareness remains at a high level, there is still room for growth in the overall tissue paper market. Against the backdrop of intensifying competition, the Group will continue to develop more high-quality products in accordance with the different needs of the market, seize the business opportunities of domestic tissue paper market to expand its market share, and strive to maintain its leading position in the tissue paper market. The Group's annualised production capacity was approximately 1,420,000 tons during the period. The Group will actively consider expanding its production capacity according to the market conditions and sales performance in the future.

Disposable Diapers

With the exacerbating domestic population ageing and the continuous improvement of citizens' living standards, there are ample room for development and potential in the domestic diaper market. As the penetration rate of domestic adult care products is still lower than that of developed countries, the domestic adult diaper market is still at the nascent stage of development. According to the statistics of the China National Household Paper Industry Association, the market size of adult incontinence products in China soared from RMB4.88 billion in 2016 to RMB10.47 billion in 2020, with a compound annual growth rate of 21.0% from 2016 to 2020, indicating that the market penetration rate is increasing continuously. On the other hand, underpinned by the upgrading of domestic consumption, consumers' demand for product quality and safety have continued to rise. Therefore, product upgrades and premium products will continue to be the growth drivers of the Group.

The Group has always stayed committed to developing a series of quality baby and adult care products. During the period under review, the upgraded premium "Q • MO" products performed well, with sales increased by approximately 31.5% year-on-year, and its proportion further increased to approximately 27.3%. In addition, as the market of adult incontinence products in China is growing day by day, the Group's adult disposable diaper business recorded mid-single digit growth during the period, and the market penetration rate of "ElderJoy" (安而康) has gradually increased as well.

In the first half of 2021, the Group's proportion of sales through e-commerce and maternal channels has increased to approximately 47.0% and approximately 18.2%, respectively. However, as the sales channels of the Group's disposable diaper market have become more diverse, the sales in traditional channel have accelerated decline and offset the sales growth of the Group's disposable diaper premium. Moreover, other brands have adopted more aggressive promotional strategies to seize the market share, market competition has become more intense, which resulted in a decrease of approximately 14.2% to approximately RMB619,668,000 (2020 first half: RMB722,181,000) in the sales of the Group's disposable diaper business and its sales accounted for approximately 6.2% of the Group's overall revenue (2020 first half: 6.6%).

In terms of gross profit margin, despite the increase in the sales and proportion of premium products, the tight supply of superabsorbent polymer, a raw material used in the manufacturing of disposable diapers has led to cost escalation and the additional cost incurred relating to the clearance of the mid-end outdated diaper products, thus, the gross profit margin of the disposable diaper segment dropped to approximately 36.2% (2020 first half: 38.6%).

During the period, the Group continued to seize the opportunity brought by consumption upgrade to further develop the premium product market and improve product quality. The "Q • MO" magic breathing diapers have 3.6 times more vents than traditional diapers and are very well-loved by the market. During the period, the sales of "Q • MO" recorded double digit growth. The Group will continue to optimise "Q • MO" products to instil growth momentum into the Group's future development. In addition, as the nation puts more emphasis on the development of the elderly care industry, there will be ample room for development in the field of domestic adult care. The Group will step up its efforts to invest more in the development of adult care products, thereby increasing the domestic market penetration rate of products of the "ElderJoy" and "Banitore" (便利妥) brands and increasing its market share in Southeast Asia at the same time.

In the future, the Group will continue to develop the baby care market and the adult care market in parallel with a premium products strategy. In addition to e-commerce sales channels, the Group will strive to develop new retail channels and also increase cooperation with maternal stores, nursing homes and hospitals. On the one hand, it will seize new business opportunities brought by the new retail. On the other hand, through the cooperation with maternal stores, nursing homes and hospitals, it will expand the Group's customer base and provide a one-stop product sales chain, bringing sustainable growth momentum to the disposable diaper business, supporting the long term development of the adult health care business and continue to tap the growth potential of the adult health care market.

Other Income and Household Products

Regarding other income and household products, the Group's revenue in the first half of the year decreased by approximately 0.4% year-on-year to approximately RMB1,627,754,000 (2020 first half: RMB1,633,986,000), which was mainly attributed to the decline in demand for surgical masks in view of the stabilisation of the pandemic and the decline in sales of overseas business affected by the cities' lockdown due to the pandemic.

During the period under review, revenue from the Group's household products segment was approximately RMB152,502,000 (2020 first half: RMB192,509,000), representing a year-on-year decrease of approximately 20.8%, accounting for 1.5% of the Group's operating revenue (2020 first half: 1.8%), which was mainly attributed to the decline in exports of household products due to the pandemic.

In addition to the revenue from the household products segment, the Group's other income also includes revenue from Wang-Zheng Group in Malaysia, the revenue from Sunway Kordis Holding Limited ("Sunway Kordis"), revenue from raw material trading business and surgical masks and other medical-related products that were launched last year. Affected by the pandemic, the revenue from Wang-Zheng Group during the period decreased by approximately 5.8% year-on-year to approximately RMB172,582,000 (2020 first half: RMB183,287,000), while the revenue from Sunway Kordis was approximately RMB102,088,000 (2020 first half: RMB131,220,000).

On the other hand, the raw material trading business conducted by the Group performed well during the period, with revenue increasing by approximately 22.8% over the same period last year, offsetting some of the decline in other income. During the period, the sales of surgical masks fell on lower demand amid stabilising pandemic and pharmacare products recorded a revenue contribution of over RMB50.0 million (2020 first half: over RMB220 million).

In the first half of 2021, the Group has greatly expanded the product range of its brand, Hearttex (心相印) with the successive launch of plastic bags (including garbage bags and disposable gloves), food wrap film, dish detergent and paper cups etc. Sunway Kordis and its subsidiaries have sales channels to export products to markets in Europe, Australia, North America and Asia. The Group will seek to leverage on Sunway Kordis' overseas sales network to bring Hengan's products to overseas market.

Looking ahead, the Group believes that the growth potential in the business of household products is immense. The Group will continue to devote itself to the research and development of various types of products that cater to market demand and provide consumers with a wide range of high-quality household products to enhance its market competitiveness.

International Business Development

The Group has been actively expanding to overseas markets. Currently, the Group sells its products in 32 countries and regions, with 37 direct partnerships with major clients or distributors. During the period under review, turnover of overseas channel (including Wang-Zhang Group business) was approximately RMB883,319,000 (2020 first half: RMB1,061,957,000), accounting for approximately 8.9% of the Group's overall sales (2020 first half: 9.7%).

During the period, the Group's Wang-Zhang Group business in Malaysia was affected by the pandemic and recorded a turnover of approximately RMB172,582,000 (2020 first half: RMB183,287,000), accounting for approximately 1.7% of the Group's overall sales (2020 first half: 1.7%). Wang-Zheng Group is principally engaged in investment holding and the manufacturing and processing of fiber-based products, which include adult and baby disposable diapers, sanitary napkins and tissue products, cotton products and processed papers. Its brands include Dry Pro diapers and Carina personal hygiene products. In addition, the Group also leveraged on the Malaysian Wang-Zheng Group as its base to bring Hengan's own brand "Hearttex" wet wipes and "Banitore" adult diapers into the Southeast Asian market. In the future, the Group will continue to upgrade its existing Wang-Zheng products, research and develop and launch more high-end products under the Hengan brand and strengthen its market share in Malaysia and Southeast Asia.

E-commerce and New Retail Channel Strategies

The pandemic has made online shopping the new normal, accelerated the mature development of the domestic online shopping market, and promoted the vibrant development of new shopping channels (including O2O platforms and Community Group-buying) along with mainstream e-commerce platforms. The outstanding growth of e-commerce did not only provide profit to e-commerce companies, but also accelerated retailers' and brand companies investment in e-commerce operations. As the digital economy continues to mature, new retail channels are also growing rapidly. Faced with these new trends, the Group worked hard to promote the development of e-commerce channels and new retail channels during the period.

In the first half of 2021, sales revenue of the Group's e-commerce channels (including Retail Integrated ("零售通") and New Channel ("新通路") returned to a growth to approximately over RMB2.0 billion (1H2020: over RMB1.9 billion). Thanks to the Group's efforts in the first half of the year, other new channels (including O2O platforms, community Group-buying, etc.) have also made good progress. The Group will review and optimise the sales strategy of its e-commerce and new channels from time to time, strengthen the sales and promotional efforts of online stores, and actively integrate online and offline channels to provide consumers with a better shopping experience.

In the future, the Group will actively analyse the data of end customers and use such data to precisely allocate cost in devising relevant sales strategies, so that the Group will achieve its strategic goal of becoming the "World's Top Daily Necessities Corporation". In response to the rapid development of the online market and the fragmentation of sales channels, the Group will carefully analyse the needs of customers in different channels, provide consumers with different products on each channel, and strive to develop new retail channels and consolidate sales through traditional channels.

The Group also hopes to bring speciality products and stable pricing into the new retail market, in order to minimise impact on sales and profits, reduce the impact on other channels and at the same time maintain competitiveness. In view of catering the new consumer trends, the Group will continue to focus on the needs of consumers. Capitalising on the rapid development of new technologies, the Group will increase resources in developing e-commerce and new retail channels. By leveraging on the shopping festivals launched on the online platforms, the Group would woo the consumers with the new consumption models such as limited-edition merchandise, community Group-buying, and online social media platforms, thus increasing the Group's market share in the e-commerce and new retail channels sector while grasping the opportunities brought by the digital economy to achieve rapid growth for future development.

Selling and Administrative Expenses

Selling and administrative expenses control has always been the key to achieve stable profit growth for the Group. The Group will seize the opportunities arising from the post-epidemic economic recovery, put forward effective sales strategies and conduct data analysis with its data centralisation platform, continue precise positioning and optimise the product portfolio to bring satisfactory return for shareholders. During the period, the selling and administrative expenses of the Group recorded a reduction of around RMB200.0million, the proportion of sales and administrative expenses to overall revenue was further improved to approximately 19.3% (1H2020: 19.4%). The cost reduction was mainly due to the year-on-year decrease in advertising costs during the period. With the precise cost allocation through data analysis, the Group believes that the expenses-to-revenue ratio will be improved gradually.

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 gain of approximately RMB14,184,000 (1H2020: exchange loss of RMB87,978,000), as a result of a slight increase in the Renminbi to US dollar exchange rate in the first half of 2021.

As at 30 June 2021, 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 has always maintained a solid financial position. As at 30 June 2021, the Group's cash and bank balances, long-term bank time deposits and restricted bank deposits totally amounted to approximately RMB27,284,746,000 (31 December 2020: RMB23,970,698,000); domestic corporate bonds amounted to approximately RMB999,804,000 (31 December 2020: RMB998,938,000); super short-term commercial papers and short-term commercial papers of approximately 4.0 billion (31 December 2020: RMB Nil) and bank borrowings and other borrowings amounted to approximately RMB18,713,581,000 (31 December 2020: RMB19,837,362,000).

In December 2019, the Group successfully registered for the proposed issue of RMB3.0 billion super short-term commercial papers. From March to April 2021, the Group issued super short-term commercial papers in three batches of RMB3.0 billion in total, the coupon rates are between 2.90% to 3.08% per annum. The three batches of super short-term commercial papers will mature in 180 to 181 days from the respective issue date.

In addition, the Group successfully registered for the proposed issue of short-term commercial papers of RMB3.0 billion in June 2020. In May 2021, the Group has finished the issue of RMB1.0 billion first-term commercial papers, the coupon rate is 2.90% and the commercial papers will mature in 182 days from the issue date.

The bank borrowings and other borrowings were subject to floating annual interest rates ranging from approximately 0.5% to 3.7% (1H2020: from 0.5% to 4.40%).

As at 30 June 2021, the Group's gross gearing ratio, which was calculated on the basis of the total amount of borrowings as a percentage of the total shareholders' equity (not including non-controlling interests) increased to approximately 122.6% (31 December 2020: 107.3%). 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 18.5% (31 December 2020: negative 16.1%) as the Group was in a net cash position.

During the period, the Group's capital expenditure amounted to approximately RMB285,766,000. As at 30 June 2021, the Group had no material contingent liabilities.

Latest Awards

From 2021 to date, awards and honours won by the Group were as follows:

Awards/Honours	Organisation
National Advanced Individual of Private Economy in the Fight Against COVID19	United Front Work Department, Ministry of Industry and Information, State Administration for Market Regulation, All-China Federation of Industry and Commerce
China Parenting Network – Product Choice of Mothers "Annual Popularity Award of Disposable Diapers" 2020	2020 China Parenting Network
Annual Best Performance Award in Disposable Diaper Category	myguancha.com
Outstanding Panda Bonds Issuer Outstanding Anti-Epidemic Financial Institution Outstanding Anti-Epidemic Management Team Outstanding Anti-Epidemic Individual in Financials	Shanghai Clearing House
Annual Meritorious Service Award (Private Enterprise category) 2016–2020	Quanzhou Government Office, Quanzhou People's Government
Top 500 Chinese Listed Enterprises by Revenue 2020	Eastmoney Research centre
JD 618 Top Ten Emerging Market Brand Award 2021	JD.com
"Highest Ethical Standards and Best Conduct of Business Practices"5 Star level Safe Enterprise 2020	Jinjiang Leading Group for Safety and Development
Top 10 Brands rated by Chinese Consumers	"Asia Brand Footprint 2021" report by Kantar Consumer Index

Awards/Honours	Organisation
Excellent Private Enterprise in Fujian Province	People's Government of Fujian Province
Best Managed Chinese Companies	Deloitte China
All-Asia Executive Team 2021 rankings Most Honoured Company: Hengan International, Best IR Programs, Best ESG, Best CEO (Mr. Hui Lin Chit) and Best CFO (Mr. Li Wai Leung) in consumer staples sector	Institutional Investor (Magazine)

Products and Raw Materials Research and Development

Adhering to the "consumer-oriented" market principle, Hengan has stayed committed to its corporate vision of "becoming the top household product enterprise in China through sustainable innovation and provision of high-quality products and services". The Group will vigorously upgrade its products portfolio, facilitate the long-term and sustainable business development and provide the public with high-quality personal and household hygiene products.

In response to consumers' pursuit of products whose manufacturing process and ingredients support environmental protection and sustainable development, Hengan will exploit its production scale and technical strength, strive to develop green products and sustainable environment-friendly production technologies.

Human Resources and Management

Benefitting from the "small sales team" operating model strategy, the Group effectively enhanced the efficiency of human resources. Implemented a more scientific and reasonable 'target remuneration' system, link the salary system with the staff job responsibilities and task goals, thus stimulate the staff enthusiasm for work, and improve work efficiency. As at 30 June 2021, the Group employed approximately 23,000 staff members. 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 career opportunities according to their needs. The Group will also continue to improve efficiency and adjust production capacity and supply levels.

Corporate Social Responsibility

Pandemic Prevention and Control

Facing the challenges of coronavirus, Hengan, as a personal and household hygiene product enterprise rooted in China, is committed to its mission of "Growing with You for a Better Life," and continues to uphold corporate social responsibility, and fully supports the disease control and prevention works across the nation. On 13 January 2021, Elderjoy of the Hengan Group collaborated with the Chinese Charity Federation and donated more than ten thousand adult diapers to the medical staff in Hebei. Also, Hengan was awarded "Outstanding Panda Bond Issuer" and "Outstanding Anti-Epidemic Financial Institution" by the Shanghai Clearing House in the "Outstanding institutions for fund settlement and centralized clearing 2020".

Carbon Reduction and Environmental Protection

Hengan has always been practising the application of green, low-carbon, and sustainable development, integrating sustainable development into daily operations and production. All manufacturing factories of Hengan have passed the ISO14001 Environment Management System Certification. The energy consumption per unit product of the papermaking sector of the Group is much lower than the advanced value requirement of the Energy Consumption Per Unit Product of Pulp and Papermaking (GB31825–2015). The water consumption per unit of the paper making sector of the Group was much lower than the national standard upper limit of water withdrawal per ton of product specified in GB/T18916.5 "Water Quotas Part 5: Paper Products".

Sustainable Supply Chain

Hengan also promotes value chain management of sustainable development by guiding and encouraging suppliers to engage in sustainable development. Hengan continues to promote responsible wood pulp procurement and work hand-in-hand with suppliers to promote the sustainable development of the wood pulp supply chain. Six paper production companies under the Group received the Forest Stewardship Council (FSC)/ Chain of Custody (CoC) certification.

Talent Development

Hengan regards human resources as a key factor for the success of the Company. The Group values labour, respects talents, and provides employees with competitive salaries, welfares, comprehensive training programs, and multi-channel promotion opportunities for developing the full potential of all employees and bringing out the best in them. Hengan actively carries out the principle of equal employment and shows no discrimination towards employees based on race, religious belief, gender, age, sexual orientation, disability, nationality, etc.

Health and Safety

Hengan cares about the physical and psychological health of employees and has carried out activities showing care for its employees to continuously improve the safety system of the whole process of enterprise operation. The Group has established occupational health and safety management systems and passed the certification. The Group has also set up a safety management committee as a comprehensive safety management leadership and decision-making body, constructed a framework for the full life cycle safety management process and standardized and orderly carried out safety work in the whole process of operation. The Group regularly organised training on safety regulations, firefighting training and drills, and strengthening the safety awareness and self-protection capabilities of all employees.

ESG Rating Response

In addition, by actively responding to questionnaires such as the CDP (Carbon Disclosure Project) questionnaire, MSCI ESG Ratings, Dow Jones Sustainability Indexes (DJSI), FTSE Russell ESG rating system, as well as Hong Kong Quality Assurance Agency's (HKQAA) Sustainability Rating, the Group conveys the Hengan's concept and practice of sustainable development. In the first half of 2021, the MSCI ESG Rating of Hengan is increased by one level. The FTSE ESG Rating has risen by 22% compared to last year, which is much higher than the average of the industry and Chinese enterprises.

Outlook

Looking ahead to the second half of 2021, divergent pace of pandemic prevention and control, uneven economic recovery, political and economic instability, and rising inflation all add to the external uncertainties. Whilst China's economy continues its steady recovery, the external uncertainties will pose challenges for the country's economic recovery. Therefore, the Group will continue to closely monitor the development of pandemic at home and aboard as well as the changes in the markets in order to respond agilely and take appropriate actions.

Although the price of wood pulp is gradually stabilizing in the second half of 2021, the Group expects that the upward trend of wood pulp prices in the first half of 2021 will exert pressure on the profitability of the Group in the second half of 2021. The Group will monitor the impact of external factors on the prices of imported wood pulp, petrochemical raw materials, polymers, and other raw materials closely.

Due to the volatile pandemic situation and the ongoing trend of domestic consumption upgrades, national health awareness will stay at high level in the future. Consumers' expectations on product quality will continue to increase, which facilitates the refinement and high-quality development of the personal hygiene products market. The Group will take the premium products strategy as the core of future development by allocating more resources to increase the contribution of premium products to the Group's revenue and promote the growth of the Group's overall gross profit and gross profit margin.

Regarding sales channels, the pandemic has accelerated the digitalisation of the global retail industry and the development of new sales channels. Given the advent of the new retail era, the Group will increase investment in the new retail market to increase the Group's coverage in new sales channels. The Group also strives to find more potential customers to increase the sales proportion of tissues, sanitary napkins, and diapers in e-commerce and new retail channels. At the same time, the Group will consolidate traditional channels and integrate online and offline retail models to promote omnichannel sales and provide a more complete consumer experience to support the long-term development of the Group. Moreover, the Group will leverage its data centralisation platform to analyse consumer preferences and market changes and further optimise resource allocation in terms of product design, market distribution, and sales channels.

With the longstanding experience and leading position in China's personal and household hygiene products industry, Hengan will continue to adhere to the mission of 'Growing with You for a Better Life' and is committed to providing high-quality personal and household hygiene products to its consumers. To embrace the new retail era, the Group will strive to develop new retail channels and strive to improve omnichannel sales to provide consumers with a seamless shopping experience. At the same time, the Group will continue to forge ahead with premium products strategy and industrial expansion as the long-term development target and actively expand industries with high growth potential, namely feminine care, infant child care, elderly care, and household products. The Group will continue to improve its overall competitiveness to gradually promote the international development of Hengan's brand and further increase the market share.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board of Directors has declared an interim dividend of RMB1.00 per share (2020: RMB1.20 per share) for the six months ended 30 June 2021 to be paid to shareholders whose names appear on the Register of Members of the Company at the close of business on 16 September 2021. Dividend warrants will be despatched to shareholders on or about 6 October 2021.

Dividends payable to shareholders will be paid in Hong Kong dollars ("HK$"). The exchange rate adopted by the Company for its dividend payable is the middle exchange rate of HK$ to RMB announced by the People's Bank of China for the business day preceding the date of dividend declaration.

The Register of Members of the Company will be closed from 14 September 2021 to 16 September 2021 (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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on 13 September 2021.

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

During the six months ended 30 June 2021, the Company repurchased a total of 8,800,000 ordinary shares on the Stock Exchange at an aggregate consideration of approximately HK$452,354,000 (excluding expenses) for enhancing its per share net asset value and earnings. Details of the repurchase of shares are summarized as follows:

Date of repurchases	Number of shares repurchased	Highest price paid *HK$*	Lowest price paid *HK$*
23 March 2021	600,000	51.55	50.90
24 March 2021	800,000	52.15	51.15
25 March 2021	400,000	52.25	51.20
26 March 2021	700,000	52.65	51.55
29 March 2021	400,000	53.15	52.10
30 March 2021	400,000	53.10	52.05
1 April 2021	400,000	51.05	50.80
7 April 2021	700,000	51.20	50.10
8 April 2021	400,000	51.00	50.25
9 April 2021	400,000	51.15	50.15
12 April 2021	400,000	51.15	50.45
13 April 2021	400,000	51.35	50.45
14 April 2021	400,000	51.55	50.70
15 April 2021	400,000	51.65	51.25
16 April 2021	400,000	51.85	51.35
19 April 2021	400,000	51.80	51.35
20 April 2021	400,000	51.90	51.45
21 April 2021	400,000	51.60	51.25
22 April 2021	400,000	51.65	51.40
	8,800,000		

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2021.

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 2021.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

For the six months ended 30 June 2021, 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. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months ended 30 June 2021, 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 all the applicable 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

Hong Kong, 18 August 2021

As at the date of this report, the Board comprises Mr. Sze Man Bok, Mr. Hui Lin Chit, Mr. Hung Ching Shan, Mr. Hui Ching Lau, Mr. Xu Shui Shen, Mr. Xu Da Zuo, Mr. Xu Chun Man, Mr. Sze Wong Kim, Mr. Hui Ching Chi and Mr. Li Wai Leung as executive directors, and Mr. Chan Henry, Mr. Theil Paul Marin, Ms. Ada Ying Kay Wong, Mr. Ho Kwai Ching, Mark and Mr. Zhou Fang Sheng as independent non-executive directors.