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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1044)

Websites: <http://www.hengan.com>

<http://www.irasia.com/listcolhklhengan>

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2025**

“Growing with You for a Better Life”

2025 ANNUAL RESULTS FINANCIAL SUMMARY

	2025	2024	Change
	<i>RMB'000</i>	<i>RMB'000</i>	%
Revenue	23,068,869	22,669,215	1.8%
Revenue of core business segments (include revenue of tissue and hygiene products)	20,739,891	20,361,041	1.9%
Gross profit margin (%)	33.8%	32.3%	
Operating Profit	3,484,096	3,354,591	3.9%
Profit attributable to shareholders	2,535,047	2,298,535	10.3%
Earnings per share			
— Basic	RMB2.227	RMB2.015	10.5%
— Diluted	RMB2.227	RMB2.015	10.5%
Dividends			
— Interim (paid)	RMB0.70	RMB0.70	
— Final (proposed/paid)	RMB0.70	RMB0.70	
Accounts receivable turnover (days)	36	39	
Finished goods turnover (days)	42	46	
Current ratio (times)	1.2	1.4	
Rate of return (%)	11.6%	11.0%	

RESULTS

The Board of Directors of Hengan International Group Company Limited (the “Company” or “Hengan International” or “恒安國際”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2025, together with the comparative figures for the previous year, as follows:

Consolidated statement of profit or loss

		Year ended 31 December	
		2025	2024
	Notes	RMB'000	RMB'000
Revenue	2	23,068,869	22,669,215
Cost of goods sold	4	(15,262,995)	(15,344,275)
Gross profit		7,805,874	7,324,940
Selling and distribution costs	4	(3,892,396)	(3,687,693)
Administrative expenses	4	(1,469,841)	(1,422,536)
Impairment losses (including reversals of impairment losses) on financial assets	4	(53,252)	(68,006)
Other income and other gains — net	3	1,093,711	1,207,886
Operating profit		3,484,096	3,354,591
Finance income	5	71,516	180,399
Finance costs	5	(350,740)	(563,575)
Finance costs — net		(279,224)	(383,176)
Share of results of investments accounted for using the equity method		115	376
Profit before tax		3,204,987	2,971,791
Income tax expense	6	(671,820)	(675,187)
Profit for the year		2,533,167	2,296,604
Profit attributable to:			
Shareholders of the Company		2,535,047	2,298,535
Non-controlling interests		(1,880)	(1,931)
		2,533,167	2,296,604
Earnings per share for profit attributable to shareholders of the Company			
— Basic	7	RMB2.227	RMB2.015
— Diluted	7	RMB2.227	RMB2.015

Consolidated statement of comprehensive income

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Profit for the year	2,533,167	2,296,604
Other comprehensive (expense) income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
— Currency translation differences	<u>65,575</u>	<u>(19,069)</u>
<i>Items that will not be subsequently reclassified to profit or loss</i>		
— Currency translation differences	<u>(142,365)</u>	<u>107,149</u>
Total comprehensive income for the year	<u>2,456,377</u>	<u>2,384,684</u>
Attributable to:		
Shareholders of the Company	2,448,812	2,381,489
Non-controlling interests	<u>7,565</u>	<u>3,195</u>
Total comprehensive income for the year	<u>2,456,377</u>	<u>2,384,684</u>

Consolidated statement of financial position

		As at 31 December	
		2025	2024
	Note	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		9,098,076	8,319,686
Right-of-use assets		1,245,616	1,171,034
Construction-in-progress		445,626	1,287,158
Investment properties		176,580	181,100
Intangible assets		581,336	612,589
Prepayments for non-current assets		131,491	136,187
Deferred tax assets		385,860	491,777
Investments accounted for using the equity method		34,025	34,678
Long-term time deposits		7,009,754	4,630,685
		<u>19,108,364</u>	<u>16,864,894</u>
Current assets			
Inventories		4,463,723	4,797,574
Trade and bills receivables	9	2,320,032	2,254,158
Other receivables, prepayments and deposits		1,634,031	1,556,768
Tax recoverable		3,681	7,473
Derivative financial instruments		35,833	372
Restricted bank deposits		300	300
Financial assets at FVTPL		—	61,149
Cash and bank balances		15,615,635	14,261,723
		<u>24,073,235</u>	<u>22,939,517</u>
Total assets		<u>43,181,599</u>	<u>39,804,411</u>
Capital and reserve			
Share capital		123,345	123,345
Other reserves		2,967,648	2,902,639
Retained earnings		18,660,540	17,894,966
Equity attributable to shareholders of the Company		<u>21,751,533</u>	<u>20,920,950</u>
Non-controlling interests		<u>221,290</u>	<u>224,631</u>
Total equity		<u>21,972,823</u>	<u>21,145,581</u>

		As at 31 December	
		2025	2024
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities			
Borrowings	<i>11</i>	116,345	2,420,061
Lease liabilities		9,092	9,000
Deferred tax liabilities		169,399	153,227
		<u>294,836</u>	<u>2,582,288</u>
Current liabilities			
Trade payables	<i>10</i>	3,102,737	3,044,835
Other payables and accrued charges		1,903,262	1,641,831
Contract liabilities		86,948	543,233
Derivative financial instruments		14,360	–
Lease liabilities		17,815	14,078
Tax payables		171,103	162,778
Borrowings	<i>11</i>	15,617,715	10,669,787
		<u>20,913,940</u>	<u>16,076,542</u>
Total liabilities		<u>21,208,776</u>	<u>18,658,830</u>
Total equity and liabilities		<u>43,181,599</u>	<u>39,804,411</u>

1. Basis of preparation and principal accounting policies

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards as issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and the Hong Kong Companies Ordinance.

(i) Amendments to an HKFRS Accounting Standard that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to an HKFRS Accounting Standard as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21	Lack of Exchangeability
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The application of the amendments to HKFRS Accounting Standard in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(ii) New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11 ²
HKFRS 18	Presentation and Disclosure in Financial Statements ³
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2026.

³ Effective for annual periods beginning on or after 1 January 2027.

Except for the new HKFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and HKFRS 7 *Financial Instruments: Disclosures*. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provision. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

2. Revenue and segment information

The segment information provided to the Executive Directors for the reportable segments is as follows:

	2025			
	Hygiene products <i>RMB'000</i>	Tissue paper products <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
Segment revenue	6,860,993	15,272,031	3,456,307	25,589,331
Inter-segment sales	<u>(289,696)</u>	<u>(1,103,437)</u>	<u>(1,127,329)</u>	<u>(2,520,462)</u>
Revenue of the Group	<u>6,571,297</u>	<u>14,168,594</u>	<u>2,328,978</u>	<u>23,068,869</u>
Segment profit	<u>1,458,789</u>	<u>651,707</u>	<u>322,960</u>	2,433,456
Unallocated costs				(43,071)
Other income and other gains — net				<u>1,093,711</u>
Operating profit				3,484,096
Finance income				71,516
Finance costs				(350,740)
Share of results of investments accounted for using the equity method				<u>115</u>
Profit before tax				3,204,987
Income tax expense				<u>(671,820)</u>
Profit for the year				2,533,167
Non-controlling interests				<u>1,880</u>
Profit attributable to shareholders of the Company				<u>2,535,047</u>
Other items for the year ended				
31 December 2025				
Additions to non-current assets	505,593	513,955	60,683	1,080,231
Depreciation of property, plant and equipment and investment properties	253,911	635,428	72,542	961,881
Depreciation of right-of-use assets	20,147	25,797	10,902	56,846
Amortisation charge of intangible assets	<u>25,596</u>	<u>5</u>	<u>6,730</u>	<u>32,331</u>

	2025			
	Hygiene products <i>RMB'000</i>	Tissue paper products <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
As at 31 December 2025				
Segment assets	<u>6,030,430</u>	<u>11,597,695</u>	<u>2,367,616</u>	19,995,741
Deferred tax assets				385,860
Tax recoverable				3,681
Investments accounted for using the equity method				34,025
Long-term time deposits				7,009,754
Cash and bank balances				15,615,635
Unallocated assets				<u>136,903</u>
Total assets				<u><u>43,181,599</u></u>
Segment liabilities	<u>1,372,681</u>	<u>1,710,760</u>	<u>1,992,325</u>	5,075,766
Deferred tax liabilities				169,399
Tax liabilities				171,103
Borrowings				15,734,060
Unallocated liabilities				<u>58,448</u>
Total liabilities				<u><u>21,208,776</u></u>

	2024			
	Hygiene products <i>RMB'000</i>	Tissue paper products <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
Segment revenue (restated)	7,134,456	14,765,535	3,461,973	25,361,964
Inter-segment sales (restated)	<u>(195,860)</u>	<u>(1,343,090)</u>	<u>(1,153,799)</u>	<u>(2,692,749)</u>
Revenue of the Group (restated)	<u>6,938,596</u>	<u>13,422,445</u>	<u>2,308,174</u>	<u>22,669,215</u>
Segment profit (restated)	<u>1,669,306</u>	<u>264,922</u>	<u>247,704</u>	2,181,932
Unallocated costs				(35,227)
Other income and other gains — net				<u>1,207,886</u>
Operating profit				3,354,591
Finance income				180,399
Finance costs				(563,575)
Share of results of investments accounted for using the equity method				<u>376</u>
Profit before tax				2,971,791
Income tax expense				<u>(675,187)</u>
Profit for the year				2,296,604
Non-controlling interests				<u>1,931</u>
Profit attributable to shareholders of the Company				<u>2,298,535</u>
Other items for the year ended 31 December 2024				
Additions to non-current assets (restated)	673,933	885,505	129,548	1,688,986
Depreciation of property, plant and equipment and investment properties (restated)	206,317	612,551	86,123	904,991
Depreciation of right-of-use assets (restated)	19,045	21,270	10,515	50,830
Amortisation charge of intangible assets (restated)	<u>24,431</u>	<u>5</u>	<u>6,652</u>	<u>31,088</u>

	2024			
	Hygiene products <i>RMB'000</i>	Tissue paper products <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
Segment assets (restated)	<u>6,392,032</u>	<u>11,291,372</u>	<u>2,523,623</u>	20,207,027
Deferred tax assets				491,777
Tax recoverable				7,473
Investments accounted for using the equity method				34,678
Financial assets at FVTPL				61,149
Long-term time deposits				4,630,685
Cash and bank balances				14,261,723
Unallocated assets				<u>109,899</u>
Total assets				<u>39,804,411</u>
Segment liabilities (restated)	<u>1,463,045</u>	<u>1,858,649</u>	<u>1,889,097</u>	5,210,791
Deferred tax liabilities				153,227
Tax liabilities				162,778
Borrowings				13,089,848
Unallocated liabilities				<u>42,186</u>
Total liabilities				<u>18,658,830</u>

3. Other income and other gains — net

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Income from long-term and short-term time deposits	614,557	658,472
Government grants income (<i>Note</i>)	189,495	464,560
Realised fair value gains on derivative financial instruments	281,891	167,884
(Losses)/gains from liquidation of subsidiaries	(4,484)	77,398
(Losses)/gains on disposal/early termination of property, plant and equipment, intangible assets and right-of-use assets	(42,820)	47,302
Gain from disposal of investment in an associate	—	13,283
Gain from disposal of financial assets at FVTPL	28,118	—
Unrealised fair value gains on derivative financial instruments	21,759	366
Fair value losses on financial assets at FVTPL	—	(161,633)
Exchange gains/(losses) from operating activities — net	4,590	(98,149)
Others	605	38,403
	<u>1,093,711</u>	<u>1,207,886</u>

Note: These represented government grants received from certain municipal governments of Mainland China as an encouragement for the Group's contributions to the development of the local economy. There are no unfulfilled conditions and other contingencies attaching to government grants that have been recognised.

4. Expenses by nature

Expenses included in cost of goods sold, selling and distribution costs, administrative expenses and impairment losses (including reversals of impairment losses) on financial assets were analysed as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Raw materials and consumables used	11,914,496	12,530,477
Employee benefit expense, including Directors' emoluments	2,461,307	2,418,881
Transportation and loading expenses	1,240,592	1,183,640
Marketing and advertising expenses	1,328,609	1,157,578
Utilities and various office expenses	1,076,345	1,031,653
Depreciation of property, plant and equipment	951,693	896,381
Repairs and maintenance expenses	203,476	212,726
Research and development expenses	176,339	209,638
Travelling expenses	155,567	159,940
Impairment losses (including reversals of impairment losses) on financial assets	53,252	68,006
Tax surcharges	118,970	106,846
Depreciation of right-of-use assets	56,846	50,830
Expenses of short-term leases and low-value assets	36,725	42,594
Amortisation of intangible assets	32,331	31,088
Allowance (reversal of allowance) of inventories	14,107	(20,251)
Changes in inventories of finished goods	393,931	7,811
Impairment charge on property, plant and equipment	2,183	—
Auditor's remuneration		
— Audit services	4,400	4,400
— Non-audit services	1,128	3,115
Others	456,187	427,157
Total cost of goods sold, selling and distribution costs, administrative expense and impairment losses (including reversals of impairment losses) on financial assets	<u>20,678,484</u>	<u>20,522,510</u>

5. Finance income and finance costs

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Finance costs:		
Interest expense		
— Borrowings	289,013	477,942
— Lease liabilities	1,089	1,169
Other finance charges	26,706	17,126
Exchange loss	33,932	71,622
	<u>350,740</u>	<u>567,859</u>
Total finance costs incurred	350,740	567,859
Less: Finance costs capitalised in buildings and machinery under construction-in-progress	—	(4,284)
	<u>350,740</u>	<u>563,575</u>
Finance income:		
Interest income from cash and cash equivalents	(71,516)	(180,399)
Finance costs, net	<u>279,224</u>	<u>383,176</u>

For the year ended 31 December 2025, no capitalisation rate was applied to funds borrowed generally and used for the development of construction-in-progress (2024: 2.82% per annum).

6. Income tax expense

The amount of income tax expense charged to the consolidated statement of profit or loss represents:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Current income tax		
— Current tax on profits for the year	494,240	570,414
— PRC withholding income tax	55,477	127,244
Deferred income		
— Tax charge (credit) to profit or loss	<u>122,103</u>	<u>(22,471)</u>
Income tax expense	<u><u>671,820</u></u>	<u><u>675,187</u></u>

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

Certain subsidiaries were approved to be new and high-technology enterprises and are entitled to the tax rate of 15%.

(b) Hong Kong and overseas profits tax has been calculated at the rates of taxation prevailing in the regions in which the Group operates respectively.

(c) The profits of Mainland China subsidiaries 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 tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's Mainland China subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

(d) The Group is operating in certain jurisdictions where the Pillar Two Rules are effective and is subject to the global minimum top-up tax Pillar Two Rules. However, as the top-up tax impact is not significant to the Group, the management of the Group has not made relevant disclosures of qualitative and quantitative information about the Group's exposure to the Pillar Two income taxes.

7. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the Group's profit attributable to the shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2025	2024
Profit attributable to shareholders of the Company (RMB'000)	<u>2,535,047</u>	<u>2,298,535</u>
Weighted average number of ordinary shares outstanding (thousands)	<u>1,138,167</u>	<u>1,140,558</u>
Basic earnings per share (RMB)	<u><u>2.227</u></u>	<u><u>2.015</u></u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share options of the Company and the share awards of a subsidiary are the only categories relevant to the diluted earnings per share calculation of the Company.

As the exercise price in respect of outstanding share options is higher than the average market price, and the shares awarded by the subsidiary were vested immediately after grant, there is no adjustment for profit attributable to shareholders of the Company and dilutive potential ordinary share on the weighted average number of ordinary shares for the purpose of diluted earnings per share for the year ended 31 December 2025 and 2024.

8. Dividends

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Dividends recognised as distribution to ordinary shareholders:		
Interim dividend of RMB0.70 in respect of the year ended 31 December 2025 (2024: interim dividend of RMB0.70 in respect of the year ended 31 December 2024) per ordinary share (<i>Note</i>)	813,485	813,485
Final dividend of RMB0.70 in respect of the year ended 31 December 2024 (2024: final dividend of RMB0.70 in respect of the year ended 31 December 2023) per ordinary share (<i>Note</i>)	<u>813,485</u>	<u>813,485</u>
	<u><u>1,626,970</u></u>	<u><u>1,626,970</u></u>

Notes:

- (a) The dividends paid in 2025 include final dividend amounted to RMB813,485,000 paid in respect of the year ended 31 December 2024 of RMB0.70 per share (including RMB16,240,000 which is the dividend of shares withheld for share award schemes of the Company) and interim dividend amounted to RMB813,485,000 paid in respect of the year ended 31 December 2025 of RMB0.70 per share (including RMB16,240,000 which is the dividend of shares withheld for share award schemes of the Company and RMB910,000 which is the dividend of shares withheld for treasury shares).

The dividends paid in 2024 include final dividend amounted to RMB813,485,000 paid in respect of the year ended 31 December 2023 of RMB0.70 per share (including RMB16,240,000 which is the dividend of shares withheld for share award schemes of the Company) and interim dividend amounted to RMB813,485,000 paid in respect of the year ended 31 December 2024 of RMB0.70 per share (including RMB16,240,000 which is the dividend of shares withheld for share award schemes of the Company).

- (b) A final dividend in respect of the year ended 31 December 2025 of RMB0.70 per share, amounting to a total dividend of RMB813,485,000, was proposed by the Board of Directors at a meeting held on 17 March 2026, subject to the final approval by the shareholders of the Company at the Annual General Meeting to be held on 18 May 2026. These financial statements do not reflect this dividend payable.

Dividends payable to shareholders will be paid in HK\$. The exchange rate adopted by the Company for its 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 final dividend of RMB0.70 per share equivalent to HK\$0.793498 per share using the exchange rate of HK\$ to RMB on 16 March 2026, which is 0.88217.

9. Trade and bills receivables

Part of the Group's sales are on open account with credit terms ranging from 30 days to 90 days. The following is an aged analysis of the trade and bills receivables presented based on invoice date.

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Within 30 days	1,099,863	952,521
31–180 days	1,191,782	1,248,469
181–365 days	22,630	47,041
Over 365 days	191,585	191,641
	<u>2,505,860</u>	<u>2,439,672</u>
Less: allowance for credit losses	<u>(185,828)</u>	<u>(185,514)</u>
Trade and bills receivables, net	<u><u>2,320,032</u></u>	<u><u>2,254,158</u></u>

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 end of reporting period.

10. Trade payables

At 31 December 2025 and 2024, the following is an aged analysis of trade payables based on invoice date.

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Within 30 days	1,720,328	1,716,415
31–180 days	1,359,440	1,299,079
181–365 days	20,527	24,014
Over 365 days	2,442	5,327
	<u>3,102,737</u>	<u>3,044,835</u>

The carrying amounts of trade payables are approximate their fair value as at the end of reporting period due to short-term maturity.

11. Borrowings

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Non-current		
Long-term bank loans — unsecured	<u>116,345</u>	<u>2,420,061</u>
Current		
Short-term bank loans — unsecured	9,485,613	10,540,562
Trust receipt bank loans — unsecured	75,465	107,147
Current portion of long-term bank loans — unsecured	2,356,637	21,889
Current portion of long-term bank loans — secured	—	189
Super short-term commercial paper — unsecured (a)	2,700,000	—
Corporate bond — unsecured (b)	<u>1,000,000</u>	<u>—</u>
	<u>15,617,715</u>	<u>10,669,787</u>
Total borrowings	<u>15,734,060</u>	<u>13,089,848</u>

(a) Super short-term commercial papers

The Group has the following super short-term commercial papers at the end of the reporting period:

	Interest rate	Expiration term	Mature date	Amount RMB'000
2025				
25恒安國際SCP002 (科創債)	1.71%	278 days	3 June 2026	700,000
25恒安國際SCP003 (科創債)	1.74%	182 days	24 March 2026	1,000,000
25恒安國際SCP004 (科創債)	1.77%	269 days	17 July 2026	500,000
25恒安國際SCP005 (科創債)	1.68%	179 days	24 April 2026	500,000
				2,700,000

As at 31 December 2025, the carrying amounts of super short-term commercial papers recognised in the consolidated financial statements approximate their fair values.

The following super short-term commercial papers were issued and matured during the years:

2025				
25恒安國際SCP001 (科創債)	1.69%	180 days	26 November 2025	1,000,000
2024				
24恒安國際SCP001	2.10%	180 days	4 September 2024	2,500,000
24恒安國際SCP002	2.10%	182 days	11 September 2024	2,500,000
				5,000,000

(b) Corporate bond

The RMB-denominated corporate bond was issued on 4 December 2025, carries an interest rate of 1.8% and will mature on 4 December 2026. As at 31 December 2025, the carrying amounts of super short-term commercial papers recognised in the consolidated financial statements approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY DEVELOPMENT AND BUSINESS REVIEW

In 2025, amid rising uncertainties in the global economic environment and intensifying international trade frictions, China implemented more proactive and effective macroeconomic policies. The national economy progressed under pressure, with notable achievements in high-quality development, and China's gross domestic product ("GDP") grew by 5.0% year-on-year. The implementation of consumption stimulus initiatives yielded tangible results, steadily enlarging the consumer market, with total retail sales of consumer goods increasing by 3.7% year-on-year, of which retail sales of daily necessities rose by 6.3%. Facing a complex and volatile market environment, the Group remained focused on profitability, continuously enhancing its comprehensive competitive advantages, advancing product premiumisation and diversification, deepening its omni-channel sales layout, steadily expanding its market share, and achieving stable business development.

During the year, competition in the domestic household products market intensified, with the tissue paper industry undergoing accelerated consolidation that forced some small and medium-sized enterprises out of the market. While the hygiene products segment maintained relatively high gross margins, competition continued to intensify due to the room for price promotions. Hengan adapted to industry development and consolidation trends, seizing growth opportunities arising from the increasing demand for upgraded personal care products and new retail channels. Through stable pricing strategies, product premiumisation, and omni-channel sales layout, Hengan further consolidated its profitability and market leadership position. With the effective implementation of various strategies, the Group's tissue paper revenue resumed growth in 2025. Combined with the benefits of omni-channel sales and increased sales of premium products, these measures effectively mitigated the negative impact of intense price competition on hygiene products sales. The Group's revenue in 2025 recorded a 1.8% year-on-year growth to approximately RMB23,068,869,000 (2024: RMB22,669,215,000). In 2026, operating pressures persist, but the steady increase in tissue paper sales is expected to continue strengthening profitability resilience. The Group will maintain stable revenue through optimising omni-channel sales efficiency, product upgrades, and appropriate allocation of promotional expenses.

Leveraging the trend of consumption channel fragmentation and catering to new consumption patterns, the Group vigorously developed its e-commerce and new retail channels. During the year, in response to the demand for immediate replenishment and emergency purchases of household products, the Group expanded into emerging instant retail channels. Revenue from e-commerce and new retail channels increased by 10.1% year-on-year, accounting for 36.9% of total sales (2024: 34.1%). On the other hand, the Group actively explored new growth areas in traditional channels, with sales efficiency particularly notable in the hygiene products market. Additionally, the Group continued to drive product premiumisation and enrich its product portfolio to meet consumers' rising expectations for functionality and added value, while enhancing brand image and injecting new momentum into its long-term development. Key premium products, including the "Tianshan Cotton" (天山絨棉) sanitary napkins series, the Hearttex (心相印) wet wipes series, and the premium disposable diapers "Q • MO" series, maintained strong sales momentum during the year, effectively enhancing profitability. Furthermore, the Group's newly launched products during the year, such as the "Cranberry A+" (蔓越莓A+) organic pure cotton sanitary napkins and the "Embracing Nature" (向野而生) premium tissue paper series, aligned with the "value consumption" trend, injecting new growth drivers into the Group's overall revenue.

During the year under review, the growth in tissue paper sales effectively offset the decline in hygiene products sales and the increase in associated promotional expenses, resulting in the Group's overall gross profit for 2025 increasing by approximately 6.6% year-on-year to approximately RMB7,805,874,000 (2024: RMB7,324,940,000). In the second half of 2025, with reduced promotional spending on tissue paper and a recovery in hygiene products sales, leading to an improvement in the Group's full-year gross profit margin to approximately 33.8% (2024: 32.3%). Looking ahead to 2026, the Group will precisely allocate marketing expenses, while premium, high-margin products are expected to maintain growth, effectively mitigating the impact of raw material price fluctuations on gross profit. The Group's gross profit is expected to remain stable.

During the year, operating profit increased by 3.9% to approximately RMB3,484,096,000 (2024: RMB3,354,591,000), mainly due to the improvement in the Group's overall gross profit. Profit attributable to equity holders of the Company increased by approximately 10.3% to approximately RMB2,535,047,000 (2024: RMB2,298,535,000). In 2025, the Group's basic earnings per share was RMB2.227 (2024: RMB2.015).

The Board of Directors declared a final dividend of RMB0.70 per share (2024: RMB0.70 per share) for the year ended 31 December 2025. Together with the interim dividend of RMB0.70 per share (2024: RMB0.70 per share) already paid, the full-year dividend amounts to RMB1.40 per share (2024: RMB1.40 per share), with a total payout of RMB1,626,970,000 (2024: RMB1,626,970,000), maintaining a stable dividend amount.

Hygiene Products (including Sanitary Napkins and Disposable Diapers)

China's hygiene products market continues to present significant growth opportunities, driven by consumption upgrades, an ageing population, and evolving parenting concepts. However, industry competition has intensified accordingly. At the same time, consumer demand for premium-quality products is rising, requiring enterprises to strike a balance between enhancing product quality and controlling costs, while also introducing cost-effective offerings aligned with market trends. Leveraging its expanded omni-channel sales network, sustained growth in premium high-margin products, and precise allocation of promotional expenses, the Group has maintained its leading position even in a challenging market environment.

With the rapid proliferation of new consumption patterns, distribution channels have become increasingly fragmented, while e-commerce and emerging retail formats continue to thrive. The Group has actively embraced these trends, accelerating its diversified channel deployment and further strengthening its advantages in traditional channels. During the year, domestic brands adopted aggressive promotional strategies to capture market share, particularly evident in the e-commerce segment, resulting in a certain degree of impact on the Group's sanitary napkin product sales. As a result, the hygiene products business recorded a revenue decline of approximately 5.3% to around RMB6,571,297,000 (2024: RMB6,938,596,000), representing approximately 28.5% of the Group's total revenue (2024: 30.6%). Nevertheless, hygiene products sales successfully reversed the downward trend seen in the first half of 2025, achieving a mid-single-digit growth in the second half. This recovery was primarily driven by stronger sales in traditional channels, the continued popularity of premium series "Tianshan Cotton" and "Q • MO," and the low base effect from the same period in 2024, together signaling a gradual recovery trajectory. Looking ahead to 2026, market competition is expected to remain intense. With the rising contribution of premium high-margin products and the sustained benefits of the omni-channel sales strategy, the Group's annual hygiene products revenue is expected to remain stable.

During the year, the sustained growth in premium product sales and stable raw material prices partially offset the impact of declining sanitary napkin sales and increased promotional expenses. As a result, gross profit margin of the hygiene products business dropped to approximately 58.3% in 2025 (2024: 60.4%). The Group will continue to seize opportunities in the domestic market. Supported by the benefits of omni-channel sales, ongoing product upgrades, and premiumisation, the gross profit margin is expected to remain stable in 2026.

To meet consumers' demand for high-quality hygiene products, Hengan has continued to advance product upgrades and premium positioning. The Group's Space 7 (七度空間) premium sanitary napkin series delivered outstanding sales performance during the year. The premium series "Tianshan Cotton", (天山絨棉) made with rare and pure long-staple cotton from the snowy Tianshan Mountains, recorded a year-on-year sales increase of approximately 28.7% to RMB570 million. The Pants-style sanitary napkin series achieved sales of approximately RMB690 million, representing a year-on-year growth of about 17.9%. In addition, Space 7 launched the "Cranberry A+" (蔓越莓A+) organic pure cotton sanitary napkin, infused with cranberry essence, offering 12-hour antibacterial protection and enhanced with microcapsule deodorizing technology to improve user experience. Designed to prevent leakage during prolonged sitting, the product enhances comfort and peace of mind, meeting modern women's demand for high-quality, safe, and healthy hygiene products. The Group believes that the upgraded and premium versions of the Space 7 sanitary napkin series will continue to generate significant revenue, supporting market share expansion and increasing the proportion of premium products, thereby further strengthening the profitability of the hygiene products business. To meet the rising capacity needs driven by premium product demand, the Group's Neikeng Phase II integrated hygiene products production base commenced mass production during the year, providing strong support for future business expansion.

Additionally, "Q•MO" launched its upgraded "Royal Supreme Softness" diaper series during the year, featuring comprehensive improvements in size and absorption capacity, along with enhanced breathability, helping the Group capture growth opportunities. During the year, "Q•MO" recorded sales of approximately RMB600 million, representing a year-on-year growth of about 9.6%. Furthermore, the Group's adult diaper business benefited from the expanding domestic adult incontinence products market and rising penetration rates. The adult diaper brand "Elderjoy" (安而康), with its core brand proposition "Brave Aging" (勇闖變老), breaks away from traditional function-oriented positioning, elevating the brand to one of emotional resonance. This innovative approach has received wide recognition across various sectors. During the year, sales of the Group's adult diapers reached approximately RMB320 million, representing a year-on-year increase of about 5.2%.

As essential daily necessities, hygiene products continue to drive market expansion in China. The industry is currently at a critical stage of transformation, upgrading, and standardisation. The Group will continue to develop high-quality products, optimise new retail channels, strengthen growth in traditional channels, and promote long-term development while consolidating its leading position. In addition, the Group will pursue a dual high-end strategy across both the infant and adult health care markets, while deepening cooperation with maternity stores, elderly care centres, and hospitals to support the sustainable growth of its adult health care products business.

Tissue Paper

Driven by rising awareness of health and hygiene, consumption upgrading, and diversified product needs, demand for premium and functional tissue products continued to increase. Coupled with the relatively low penetration of the domestic tissue market and the considerable room for expansion in new retail channels, the industry's growth outlook remains positive. During the year, with ongoing industry consolidation, promotional competition eased in the domestic market, leading to improvements in the Group's promotional spending and average selling price. The survival-of-the-fittest dynamic, with weaker players phased out and stronger ones prevailing, further supported the Group in consolidating its leadership position and expanding market share.

Benefiting from the rising contribution of premium tissue sales and a double-digit growth in new retail channels, the Group's tissue business returned to growth in 2025, with revenue increasing by approximately 5.6% year-on-year to around RMB14,168,594,000 (2024: RMB13,422,445,000). Supported by the Group's effective "value competition" strategy, category diversification initiatives, and efficiency gains from omni-channel sales, market share continued to expand steadily. Tissue sales accounted for approximately 61.4% of the Group's total revenue (2024: 59.2%). Looking ahead to 2026, industry consolidation and the upward trend in wood pulp prices are expected to ease price competition, while demand for premium, high-quality tissue products is forecast to continue rising. The Group will further increase the penetration of its premium portfolio and optimise its channel strategy, enabling the tissue business to sustain stable and resilient growth.

During the year, with wood pulp prices remaining at relatively low levels, cost pressures on the tissue business eased, while promotional expenses gradually declined. Coupled with the steady increase in the sales contribution of premium, higher-margin products, the gross profit margin improved. As a result, the Group's tissue business gross profit margin rose to approximately 23.0% in 2025 (2024: 18.9%).

Looking ahead to 2026, as wood pulp prices have risen compared with the beginning of 2025, the Group will optimise promotional spending and continue to increase the share of premium products in its sales mix, offsetting cost pressures and maintaining a stable gross profit margin for the tissue business.

Driven by the rising trend of "value consumption," domestic consumers are increasingly seeking more personalised experiences, with heightened expectations for product functionality, added value, and quality. These shifts have fuelled demand for premium and innovative offerings, and the Group's upgraded and high-end tissue products delivered outstanding sales performance.

The Fluffy Cube series is the first tissue product in China to adopt the internationally recognised high-quality TAD (Through-Air Drying) technology, delivering a breakthrough improvement in both comfort and practicality. In addition, during the year, the Group's Hearttex (心相印) brand launched the Embracing Nature (向野而生) series, made with 100% virgin wood pulp and four-ply soft embossed technology. Developed in collaboration with a team of world-class fragrance masters, the series provides a nature-inspired sense of relaxation, while upgraded features such as water resistance and seamless layering enhance convenience and comfort.

Hearttex also partnered with Sanrio to introduce co-branded soft pack and bottom-dispensing tissue products, catering to the preferences of younger consumers. Furthermore, the Group's premium tissue portfolio expanded into new categories such as cotton soft towels, offering comprehensive solutions to meet consumers' multi-scenario tissue needs.

In recent years, the Group has introduced a diversified portfolio of wet wipes, accelerating its penetration into key segments such as toilet wet wipes, baby wipes, household cleaning wipes and wet compress wipes. This strategy has met the varied preferences and needs of consumers while reinforcing the Group's position as a market leader. Wet wipes continued to provide strong growth momentum to the Group's revenue, with sales rising significantly by 30.0% to approximately RMB1,582,125,000 (2024: RMB1,216,677,000). Their contribution to the tissue business increased markedly to approximately 11.1% (2024: 9.1%). In addition, wet wipes deliver the highest gross profit margin among all tissue products, underscoring their exceptional profitability. With demand for premium and personalised hygiene products continuing to expand, the wet wipes business is expected to sustain rapid growth. The Group will continue to capitalise on market opportunities, further enlarging its domestic market share and strengthening its leadership position.

Benefiting from consumption upgrades and the rise of scenario-based segmented products, tissue sales on e-commerce platforms continued to expand, with wet wipes showing particularly strong growth. During the year, the Group strengthened its online sales efforts for tissue products, actively engaging brand ambassadors and launching refreshed IP-collaborated tissue series to enhance appeal among younger consumers and broaden brand presence. The Group's Hearttex (心相印) brand introduced the "Make a Heart-to-Heart Friend" (交個心朋友) handkerchief tissue series, with packaging designs inspired by the 16 MBTI personality types, offering consumers a personalised and novel shopping experience. During the year, the tissue business delivered outstanding sales performance in e-commerce and new retail channels, achieving a year-on-year growth of approximately 11.9% and accounting for nearly 42.1% of total tissue sales, supporting the continued expansion of the Group's domestic market share.

The Group will continue to focus on developing high-quality products, enhancing production efficiency, and expanding capacity to capture growth opportunities in the domestic household paper market and reinforce its leading industry position. During the year, the annual production capacity was increased to 1,725,000 tonnes. This forward-looking capacity expansion provides a solid foundation for the Group's future business growth.

Other Income

The Group's other income mainly includes revenue from raw material trading business, the household products business, and international business development. During the year, other income increased by approximately 0.9% year-on-year to approximately RMB2,328,977,000 (2024: 2,308,174,000).

Household Products

During the year, revenue from the household products business was approximately RMB316,264,000 (2024: RMB252,535,000), representing a year-on-year increase of approximately 25.2% and accounting for approximately 1.4% of the Group's revenue. This growth was primarily driven by an increase in the export business of household products.

In recent years, the Group's "Hearttex" household products brand has continuously expanded its product range, successively launching items such as plastic bags (including garbage bags and disposable gloves), food wrap film, dish detergent and paper cups. Sunway Kordis and its subsidiaries possess sales channels for exporting products to overseas markets (including Australia and Asia). The Group will continue to capitalise on the overseas sales networks to bring Hengan's high-quality products to the global stage.

International Business Development

International business development revenue primarily includes finished products and raw paper export operations, business related to medical products and income from Malaysia's Wang-Zheng Group. In 2025, turnover of International business development was approximately RMB1,656,887,000 (2024: RMB1,652,384,000), accounting for approximately 7.2% of the Group's overall sales (2024: 7.3%), of which the revenue from finished products and raw paper export operations and business related to medical products were RMB785,183,000 and RMB105,545,000, respectively (2024: RMB501,483,000 and RMB117,631,000).

Among them, the Group's Wang-Zheng Group business in Malaysia saw a steady development during the year and its turnover increased by 6.8% to approximately RMB518,403,000 (2024: RMB485,610,000) accounting for approximately 2.2% of the Group's overall sales (2024: 2.1%). Wang-Zheng Group is principally engaged in investment holding and the manufacturing and processing of fiber-based products, which include adult and baby disposable diapers, and tissue products, cotton products and processed papers. Its brands include "P Love" adult disposable diapers, "Carina" personal hygiene products. The Group leverages on the Malaysian Wang-Zheng Group as its base to bring Hengan's tissue and adult disposable diapers products into the Southeast Asian market.

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

E-commerce and New Retail Channels

Facing the continued fragmentation of consumption channels and the ongoing development of new consumption models integrating online and offline, such as livestreaming e-commerce and instant retail, domestic e-commerce and new retail channels maintained strong growth in sales and market penetration, becoming a new consumption force. According to the National Bureau of Statistics of China, national online retail sales of physical goods reached RMB13.1 trillion in 2025, representing a year-on-year increase of 8.6%. The Group actively expanded its e-commerce and other new retail channels, explored diversified sales and promotion models, and optimised its omni-channel sales layout. During the year, the Group conducted higher quality product promotions for various brands across new channels, and precisely allocated promotional resources, further enhancing brand awareness in online and new retail channels, broadening its consumer reach and strengthening its market share.

To cater for the new consumer trends, the Group focused on developing its instant retail business. Instant retail provides a more convenient solution for replenishment and emergency needs, enabling "hour-level" delivery services, which aligns with the characteristics of the Group's daily necessity categories featuring high-frequency consumption and rapid turnover. Although the related business is still in its nascent stage, the Group believes that the expansion of new channels will inject new growth momentum into overall sales, helping to enhance the Group's market share.

In 2025, the Group's e-commerce and new retail channels (including Retail Integrated and New Channel) maintained a robust development momentum. Sales for the year increased by approximately 10.1% to more than RMB8.52 billion (2024: approximately RMB7.73 billion), raising the proportion of the Group's overall sales to approximately 36.9% (2024: 34.1%). During the year, e-commerce and new retail channels contributed approximately 42.1% and approximately 36.0% to the sales of tissue paper business and hygiene products business, respectively. Looking ahead, the layout and sales structure of new retail channels are expected to be further optimised, driving continuous enhancement of the Group's profitability.

Looking ahead, the Group will closely align with e-commerce and new retail trends, expanding its brand flagship stores and emerging channels (such as Douyin) to enhance data analytics capabilities and broaden its consumer base. By leveraging live-streaming and social communities, the Group is enhancing its resonance with young consumers. The appointment of popular celebrities as the brand ambassadors of the various brands further amplifies the Group's brand presence. Moving forward, the Group aims to expand its footprint in e-commerce and new retail channels to drive sustainable future growth

Selling and Administrative Expenses

As the Group moderately increased its marketing investment in expanding new channels in 2025 to capture market opportunities and promote the Group's key products, the Group's selling and administrative expenses for the year amounted to approximately RMB5,362,237,000 (2024: RMB5,110,229,000), representing a year-on-year increase of approximately 4.9%. However, the growth in gross profit during the year partially offset the increase in selling and administrative expenses, while the proportion of selling and administrative expenses to total revenue increased to approximately 23.2% (2024: 22.5%). The Group believes that through precise allocation of selling expenses, the ratio of expenses to revenue is expected to improve in 2026.

Foreign Currency Risks

Most of the Group's income is denominated in Renminbi. During the year, Renminbi appreciated against the U.S. dollar and the H.K. dollar. The Group recorded an exchange loss of approximately RMB29,342,000 and it recorded an exchange loss of approximately RMB170 million in 2024.

As at 31 December 2025, apart from certain forward foreign exchange contract and foreign exchange option contract entered into with certain large commercial banks, the Group had not issued any significant financial instruments or entered into any significant contracts for foreign currency hedging purposes.

Liquidity, Financial Resources and Bank Loans

The Group has always maintained a solid financial position. As at 31 December 2025, the Group's cash and bank balances, long-term time deposits and restricted bank deposits amounted to approximately RMB22,625,689,000 (31 December 2024: RMB18,892,708,000); and bank borrowings and other borrowings amounted to approximately RMB15,734,060,000 (31 December 2024: RMB13,089,848,000).

In 2023 and 2025, the Group successfully registered corporate bonds in an aggregate amount of not more than RMB10 billion and super short-term commercial papers in an aggregate amount of not more than RMB7.5 billion, respectively. In 2025, the Group completed the issuance of five batches of super short-term commercial papers and one tranche of corporate bonds in an aggregate amount of RMB4.7 billion with a coupon rate ranging from 1.68% to 1.80% per annum and a tenor ranging from 179 days to one year. The proceeds from the issuance are intended to be used to supplement the working capital of the Group and its subsidiaries and to repay their debts.

The bank borrowings and other borrowings were subject to floating annual interest rates ranging from approximately 0.001% to 4.87% (2024: 0.001% to 5.39%).

As at 31 December 2025, the Group's gearing ratio, which was calculated on the basis of the total amount of borrowings as a percentage of the total shareholders' equity (not including non-controlling interests) was approximately 72.3% (31 December 2024: 62.6%). While the net gearing ratio, which was calculated on the basis of the amount of borrowings less cash and bank balances and long-term time deposits as a percentage of the shareholders' equity (not including non-controlling interests), was approximately negative 31.7% (31 December 2024: negative 27.7%). The Group was in a net cash position of approximately RMB6.89 billion (31 December 2024: RMB5.80 billion). The Group will stay committed to optimising the gearing ratio and maintaining a solid net cash position to ensure a sound financial position.

During the year, the Group's capital expenditure was approximately RMB1,080,231,000 (2024: RMB1,688,986,000), primarily allocated to increase the production capacity of various manufacturing facilities. As at 31 December 2025, the Group had no material contingent liabilities.

Human Resources and Management

During the year, the Group actively improved the efficiency of human resources, raised the salaries of employees to the industry level, and implemented a more scientific and reasonable “target remuneration” system by linking the salary system with the staff duties and responsibilities and task goals, thus stimulating the staff enthusiasm for work, and improving work efficiency. As at 31 December 2025, 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.

Latest Awards

In 2025, awards and honours won by the Group were as follows:

<u>Award/Honour</u>	<u>Organisation</u>
Forbes China’s 2024–2025 Sustainable Development Industrial Enterprises	Forbes China
HKIRA 11th IR Awards 2025 — Best IR by Chairman/CEO, Best IR by CFO, and Best ESG (E)	Hong Kong Investor Relations Association
Quamnet Outstanding Enterprise Awards 2025 — Outstanding Sustainable Enterprise	Quamnet
The 7th China’s Best Managed Companies awards — Platinum Award	Deloitte China, HKUST Business School, and Harvard Business Review (Chinese Edition)
2025 Industry’s Most Progressive Enterprise	S&P Global
The 15th Asian Excellence Awards — Sustainable Asia Award, Best Investor Relations Company, Asia’s Best CEO, Asia’s Best CFO	Corporate Governance Asia

Award/Honour	Organisation
All-Asia Executive Team 2025: Best CEO, Best CFO and Best ESG (Consumer Staples Sector)	Extel (Formerly known as Institutional Investor)
Prestigious ESG Accomplishment of the Year, Outstanding ESG Environmental Performance Award, Outstanding ESG Social Performance Awards and Outstanding ESG Corporate Governance Performance Awards	Sing Tao News Corporation, The Hong Kong Polytechnic University
2024–2025 Forbes China Sustainable Development Industrial Enterprises	Forbes China
Top Ten brands Most Chosen by Chinese Consumers Top Ten Fastest-Growing Brands in the Market	Worldpanel Brand Footprint 2025 for the Chinese Market
“2025 Tmall Beauty Awards” Annual Top Brand Award, Annual Paper Products Award, Annual Excellence Contribution Award (Hearttex), and Personal Care Annual Marketing Partnership Award (Space7)	Tmall
Annual Champion Award (Hearttex)	JD Supermarket

Corporate Social Responsibility

Under the vision of “Growing together with all stakeholders, continuously advancing towards the vision of becoming a top-tier consumer goods company” Hengan has established and deeply cultivated its GROWTH ESG Strategy. Through six strategic pillars — Governance & Ethical Practices, Resource Conservation & Efficiency, Outstanding Customer Care, Workforce Wellbeing & Empowerment, Trusted Partnerships, and Health & Community Engagement — the Group continuously implements ESG initiatives to enhance its sustainability performance. Meanwhile, we actively promote in-depth collaboration with all stakeholders to achieve efficient and synergistic development, steadily advancing toward our “Centennial Hengan Sustainable Development” vision.

Through joint efforts with all stakeholders, Hengan has continuously improved its ESG rating performance. In 2025, our MSCI ESG Rating was upgraded to A; in the S&P Global Corporate Sustainability Assessment (CSA), Hengan was successfully included in the S&P Global Sustainability Yearbook (China Edition) for three consecutive years based on our outstanding performance, and was included in the S&P Global Sustainability Yearbook in February 2026 for the first time. Our Hang Seng ESG Rating has remained stable at Level A, being included in the Hang Seng ESG 50 Index for the first time and included in the Hang Seng Corporate Sustainability Benchmark Index for two consecutive years. Hengan's FTSE Russell ESG Rating also maintains a leading position and continuously being selected as one of the Social Responsibility Index (FTSE4Good) series.

In 2025, at the “Outstanding ESG Enterprises Recognition Scheme 2025” co-hosted by The Hong Kong Polytechnic University and Sing Tao News Group, we received the “Prestigious ESG Accomplishment of the Year” for the second consecutive year. Additionally, Hengan was included in the 2024–2025 Forbes China Sustainable Development Industrial Enterprises Selection Series, recognizing the Group's years of excellent ESG practices.

Governance Excellence

Hengan is committed to creating value for stakeholders and society while safeguarding shareholder interests through a sound governance system, thereby fulfilling its social responsibilities. The Group has established a top-down, four-tier ESG governance structure comprising the Board of Directors, the ESG Committee, the ESG Working Group, and relevant functional departments. Each tier assumes distinct responsibilities for decision-making, supervision, coordination, and implementation of ESG matters, ensuring that ESG principles are integrated throughout the Group's business operations and steadily advancing Hengan's sustainable development journey.

We actively respond to concerns from all parties, formulate policies on sustainable development, and publicly disclose them on our official website, accepting public supervision. Hengan extensively listens to the voices of all stakeholders, responds to expectations for Hengan's sustainable development, and discusses and responds to ESG-related issues of concern to stakeholders, adjusting the Group's ESG strategy in a timely manner.

Green Development

Hengan remains steadfast in implementing its green development strategy, deeply integrating low-carbon transformation and ecological protection across its entire operational value chain. We actively respond to climate change through diversified initiatives including energy management optimization, low-carbon logistics system development, warehousing efficiency improvements, and green product R&D, continuously reducing carbon emissions and the environmental footprint of our operations. We also collaborate across the value chain to build a transparent, traceable green supply network, promoting sustainable development throughout our value chain. In 2025, Hengan's greenhouse gas emission intensity was 0.66 tons of CO₂ equivalent per ten thousand yuan of sales revenue; the energy consumption intensity of the papermaking sector was 0.34 tce per tonne of paper, significantly lower than the level 1 standard (0.38 tce per tonne) of the Energy Consumption Per Unit Product of Pulp and Papermaking (GB31825–2024) (《製漿造紙單位產品能源消耗限額》).

Regarding ecological stewardship, we uphold our “Zero Deforestation” commitment, continuously advancing responsible pulp sourcing by selecting legally harvested, traceable, and sustainably sourced timber for pulp production. We require suppliers to provide products in accordance with the Group's pulp raw material procurement standards. We continuously monitor and encourage suppliers to obtain certifications related to sustainable forest management. By the end of 2025, 100% of our pulp suppliers held certifications from the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification Schemes (PEFC). Meanwhile, eight of Hengan's paper manufacturing companies have obtained FSC Chain of Custody (CoC) certification.

We continuously deepen our circular economy practices by establishing a closed-loop management system spanning from source reduction to end-of-life utilization, systematically enhancing resource efficiency. We vigorously promote the green transformation of packaging and plastics through initiatives such as lightweight design, use of recyclable/biodegradable materials, and increased utilization of circular packaging. We also expand the application of environmentally friendly raw materials such as bamboo pulp and biodegradable materials in our products, effectively reducing resource consumption and waste generation. Meanwhile, we actively engage supply chain partners to jointly build a green and sustainable resource circulation ecosystem, laying a solid foundation for achieving long-term green development.

Customer Care

Hengan International adheres to the core principles of “consumer-centricity, lean management, and forward-looking strategic planning,” continuously advancing the optimization of its R&D system and upgrading organizational synergy. We focus on refining our product development organizational structure and deepening the integration and collaboration between R&D and marketing departments. Through systematic integration of R&D and market resources, we strengthen the precise alignment between product innovation and market demands, effectively translating consumer insights into driving forces for technological and product innovation, and propelling the Group’s R&D system toward greater synergy, efficiency, and user-centricity.

Driven by an unrelenting pursuit of excellence in quality, we continuously optimize and upgrade our production quality systems. In 2025, through a self-developed and deployed Quality Documentation Management System platform, we established a quality management system compliant with ISO 9001 international standards. We adhere to the integration of stringent standards throughout all production and operational processes, achieving standardized, digitalized, and full life-cycle management of quality system documentation across the entire Group, committed to continuously enhancing product quality levels and quality compliance. Meanwhile, adhering to a problem-oriented, systematic improvement approach, we accurately identify various quality issues and implement targeted optimization measures, conducting regular periodic reviews and analyses to continuously drive systematic optimization of quality management processes and sustained improvement in product performance.

We also place high priority on chemical safety, strictly complying with applicable laws, regulations, and internal normative documents, exercising refined management throughout the entire chemical-related process, including product development, chemical procurement, storage, usage, and disclosure. We strictly adhere to international, national, and industry-related standards as well as internal standards, establishing high-standard upstream raw material controls and sourcing quality raw materials. We conduct regular identification and assessment of all chemicals used in all products, actively fulfilling our commitment to consumer responsibility and advancing the transparency of product information. In 2025, we completed the labeling of chemical types and specific content for multiple individual products across core categories including wet wipes, baby diapers, and feminine hygiene products.

Employee Empowerment

Hengan adheres to a people-oriented development philosophy, embedding human rights principles into its corporate culture. The Group has established a Human Rights Policy and an Anti-Discrimination and Anti-Harassment Policy, applicable to all employees and business activities. With a zero-tolerance stance toward any form of discrimination or harassment, Hengan is dedicated to fostering a diverse, equitable, and inclusive workplace while extending its value chain responsibilities to honor its human rights commitments through concrete actions.

Hengan consistently prioritizes employee growth and development as a strategic imperative, establishing a systematic, multi-tiered talent cultivation framework to help employees continuously enhance their professional capabilities and value. To ensure training effectiveness, the Group has implemented evaluation and feedback mechanisms to continuously refine content and methodologies, ensuring the development system closely aligns with business needs and employee growth requirements. Furthermore, Hengan continuously invests in learning resources and platform development, providing employees with opportunities for continuous learning and self-improvement, while encouraging participation in higher-level education. In 2025, we partnered with Sanming University and Huaqiao University to launch undergraduate programs in Mechanical and Electrical Engineering and Business Administration, creating a platform for on-the-job employees to advance both their academic credentials and professional expertise, thereby fostering comprehensive employee development.

As of the end of 2025, Hengan employed approximately 23,000 people, with female comprising 52% of the workforce. Total training hours exceeded 529,500 hours, with 98 promotions to management positions. Employee union membership stands at 100%.

Hengan regards safety management as the foundation of its operations. Through comprehensive safety management policies and objectives, coupled with robust management and established control procedures, the Group fully implements its primary responsibility for safe production, continuously elevating safety management standards and performance. The Group has established and obtained certification for the ISO 45001 Occupational Health and Safety Management System. A Safety Management Committee serves as the leadership and decision-making body for comprehensive safety management, implementing whole-lifecycle safety management processes and safety risk emergency measures to create a safe and healthy working environment. We have successfully entered the third phase of our “Three-Step” comprehensive safety management strategy, steadily advancing toward our goal of establishing a world-class benchmark for safety management.

We systematically advance comprehensive safety management initiatives, enhancing safety control throughout manufacturing operations through the establishment of safety production benchmark production lines, implementation of targeted safety assistance programs, and continuous refinement of standardized operating procedures. In 2025, the Group continued to enhance its health management system by strengthening workplace environment monitoring, providing effective protective equipment, and organizing regular health examinations, thereby enhancing employees' resilience to various occupational hazards. In 2025, the Group recorded zero work-related fatalities, an occupational disease incidence rate of zero, and 2,634 lost workdays due to work-related injuries.

Trusted Partnerships

Hengan consistently upholds a win-win cooperation philosophy, dedicated to building trusted and stable partnerships. Through continuous refinement of our supplier management system, we implement refined, end-to-end management covering supplier development and admission, performance evaluation, daily management, and phase-out/exit processes, while driving continuous improvement in supplier performance through tiered and categorized supplier management and regular performance assessments.

Hengan is committed to building a sustainable supply chain, disseminating sustainability principles across the value chain through the issuance of our Supplier Code of Conduct. In 2025, we integrated supplier ESG management performance into supplier admission criteria and daily performance evaluations. At the admission stage, we incorporate ESG management into our assessment, referencing disclosed ESG reports, carbon footprint certificates, and third-party social responsibility audit reports, combined with on-site ESG audit results, to prioritize suppliers with superior ESG performance. During daily management, we conduct regular ESG risk assessments and on-site audits of production material suppliers. For suppliers identified with higher ESG risks in assessment results, we implement continuous follow-up and monitoring to drive their improvement and enhancement.

We maintain open communication channels with suppliers, conducting site visits and hosting various training and exchange sessions to jointly explore effective strategies for quality enhancement, deeply exchange views on optimizing product environmental performance, strengthen consensus with suppliers on ensuring raw material quality, and foster mutual growth across the value chain. In 2025, the Group organized a team of experts to visit suppliers in Finland, engaging in in-depth exchanges with suppliers on sustainable pulp management, with a focus on forest resource conservation and sustainable forestry practices.

Healthy Communities

Guided by our principle of “Everlasting Compassion,” we have built a comprehensive philanthropic platform and sustained commitment to social welfare. Through concrete actions that embody our aspiration for “Peace and Prosperity for the Nation and Home,” we have made meaningful strides in child welfare, women’s empowerment, rural revitalization, disaster relief, and ecological conservation.

Since our founding in 1985, Hengan has remained dedicated to advancing women’s rights in physical health, professional development, and social participation. In 2025, our Space7 brand launched the large-scale “Warm Hearts Initiative” at major subway stations across key cities nationwide, establishing “Caring Supply Stations” to provide free emergency menstrual products for women. This initiative aims to dismantle menstrual stigma and foster solidarity among women in public spaces, ensuring safer and more comfortable travel experiences for urban women. Additionally, Hengan actively participated in and supported the 2025 Global Women’s Summit thematic exhibition. Mr. Hui Ching Lau, CEO of the Group, was invited to attend and share Hengan’s explorations and achievements in women’s health initiatives.

In 2025, we partnered with the China Children and Teenagers’ Fund to launch the “Berry” Heartwarming Initiative, reaching into rural schools to deliver sweet care and growth motivation through care packages, nutritional education, and interactive fun classes. During the 2025 Chongyang Festival, Hengan conducted the “Warm Sunset, Caring for the Elderly” themed visitation activities, visiting multiple nursing homes and welfare institutions to deliver care products and consolation funds to senior citizens. Furthermore, Hengan actively responded to the national call for East-West cooperation, donating special funds to poverty alleviation and public welfare projects in Yongxing County and Minning County. These funds were used to improve local infrastructure and support the development of characteristic industries, demonstrating our commitment to consolidating poverty alleviation achievements and achieving rural revitalization in western regions through targeted assistance.

Outlook

Looking ahead to 2026, amid persistent uncertainties including intensifying international trade tensions and complex geopolitical conflicts, the global economy continues to face downward pressure with signs of weakening growth momentum. Despite the complex and volatile external environment, China’s economy remains grounded in a solid foundation, multiple advantages, strong resilience, and vast potential. Supported by proactive and effective macroeconomic policies, China’s economic development is expected to maintain its steady and positive trajectory. Policy dividends will continue to be released, and the trend of expanding and upgrading the consumer market persists. Backed by rigid demand, the domestic sanitary products industry is expected to maintain stable growth in the long run. The Group will continue to closely monitor domestic and international political and economic developments, as well as evolving market trends, responding flexibly to challenges, and making prudent decisions.

Although wood pulp prices trended upward in early 2026, they are expected to remain relatively stable in the first half of the year, as supply and demand for wood pulp stabilise across regions. The Group will strive to further improve gross profit margin by moderately allocating promotional resources, continuously increasing the proportion of premium products, and enhancing sales performance, thereby boosting the Group's profitability. The Group will closely monitor the impact of external factors on the prices of raw materials, including imported wood pulp and petrochemicals.

As a leading player in the industry, the Group will continue to implement its three core strategies, including "Focus on Core Businesses", "Brand Leadership" and "Long-Termism", laying a solid foundation for the sustainable development of the Group. The Group will maintain its focus on the development of the two core businesses of tissue paper and sanitary products, actively developing and upgrading high-quality products to drive premiumisation and diversification. It will also accelerate omni-channel penetration into rural markets as well as online and offline markets across Chinese Mainland, enhancing the sales effectiveness of omni-channel and further expanding its market share. Meanwhile, the Group will adhere to the core "Stable Pricing" strategy, maintain sound liquidity and seize opportunities arising from industry consolidation and the continued growth of e-commerce.

Hengan remains committed to strengthening brand value and market recognition, while advancing its premiumisation strategy. The Group will focus on developing premium products such as the popular "Q • MO", "Tianshan Cotton", and "Fluffy Cube" series, expanding product categories and application scenarios to broaden its consumer base. At the same time, the Group will highlight core brand attributes — including the use of 100% virgin wood pulp — to further enhance brand distinctiveness. Meanwhile, the Group will regularly pursue cross-industry IP collaborations to refresh product imagery and packaging design, cultivate a more dynamic and youthful brand identity. Upholding the principle of "quality first," the Group maintains zero tolerance for quality and safety issues. Guided by customer feedback, it will continue to improve product quality and industry standards, consolidating its leading position in the market with reliable, high-quality products.

In the future, the Group will accelerate the integration of smart technologies into operational management, leveraging artificial intelligence and big data analytics to gain more precise insights into consumer preferences and purchasing patterns. These insights will provide strong decision support for product development, marketing initiatives, and channel strategies, while enhancing supply chain flexibility to boost overall operational efficiency and competitive advantage. In response to the domestic upgrade and diversification trends in household paper and sanitary products, the Group is expanding production capacity and upgrading technology to prepare for long-term sustainable growth. At the same time, the Group will develop and launch more high-quality products under the Wang-Zheng brand, further penetrate the Southeast Asian market, and gradually expand its overseas footprint.

In 2026, the Group's second Five-Year Plan will set sail. As a leading enterprise in the personal and household sanitary products industry in China, Hengan will continue to adhere to the mission of "Growing with You for a Better Life", stay aligned with the pace of national development, and strengthen its core competitiveness in responding to market changes. The Group will also actively advance ESG initiatives, striving to build a high-quality, reliable, and sustainable personal and household sanitary products company. Moving forward, the Group will deepen its focus on the two core businesses of tissue paper and sanitary products, continuously enhance its brand image, seize the opportunities in the "new retail" era, drive high-quality product R&D and upgrades, and actively expand into new markets to further scale its business. At the same time, the Group will continue to pursue industry extension as the long-term development goal, actively expanding into feminine care, infant and childcare, and elderly care segments. By leveraging the flexible application of smart technologies, the Group will further strengthen competitiveness, gradually bring the Hengan brand onto the international stage, and remain committed to becoming a "global top-tier household products enterprise."

PROPOSED FINAL DIVIDEND

The board of directors (the "Board") have resolved to recommend the payment of a dividend of RMB0.70 (2024: RMB0.70) per share to shareholders, whose names appear in the register of members of the Company on Monday, 26 May 2025 (the "Proposed Final Dividend"). Subject to the passing of the necessary resolution at the forthcoming annual general meeting to be held on Monday, 18 May 2026 (the "AGM"), the Proposed Final Dividend will be payable on Friday, 5 June 2026.

CLOSURE OF THE REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the AGM

The AGM is scheduled to be held on Monday, 18 May 2026. For determining the entitlement to attend and vote at AGM, the register of members of the Company will be closed from Wednesday, 13 May 2026 to Monday, 18 May 2026, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at AGM, unregistered holders of shares of the Company should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 12 May 2026.

(b) For determining the entitlement to the Proposed Final Dividend

The Proposed Final Dividend is subject to the approval of shareholders at the AGM. For determining the entitlement to the Proposed Final Dividend for the year ended 31 December 2025, the register of members of the Company will also be closed from Tuesday, 26 May 2026 to Wednesday, 27 May 2026, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 22 May 2026.

REVIEW OF ACCOUNTS

The Audit Committee, which is chaired by an independent non-executive director and currently has a membership comprising another four independent non-executive directors, has discussed with the management and reviewed the consolidated financial statements for the year ended 31 December 2025. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2025 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board of Directors on 17 March 2026. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

During the year ended 31 December 2025, the Company repurchased a total of 1,300,000 ordinary shares on the Stock Exchange at an aggregate consideration of approximately HK\$28,018,250 (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 <i>HK\$</i>	Lowest price paid <i>HK\$</i>
2 June 2025	700,000	21.55	20.90
3 June 2025	<u>600,000</u>	22.15	21.55
	<u><u>1,300,000</u></u>		

As of 31 December 2025, 1,300,000 of the shares repurchased are held as treasury shares by the Company. Subject to compliance with the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company may consider using the treasury shares for funding its share incentive schemes, future resales, transfers or cancellation.

In accordance with the Listing Rules, the treasury shares held by the Company do not carry any voting rights at general meetings and are not entitled to any dividend distributions.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined under the Listing Rules)) during the twelve months ended 31 December 2025.

CORPORATE GOVERNANCE PRACTICES

The Group recognises the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders, and the Board is fully committed to doing so. The Board believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, achieve high standard of accountability and protect stakeholders' interests.

For the year ended 31 December 2025, the Company has applied the principles and complied with the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix C1 to the Listing Rules on Stock Exchange.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules on the Stock Exchange. The Company has made specific enquiry of all directors regarding any noncompliance with the Model Code during the year ended 31 December 2025, and they all confirmed that they had fully complied with the required standard set out in the Model Code.

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 Ching Lau, Mr. Xu Da Zuo, Mr. Sze Wong Kim, Mr. Hui Ching Chi, Mr. Xu Wenmo and Mr. Li Wai Leung as executive directors, and Mr. Theil Paul Marin, Ms. Ada Ying Kay Wong, Mr. Ho Kwai Ching Mark and Mr. Chen Chuang as independent non-executive directors.

By order of the Board
Sze Man Bok
Chairman

Hong Kong, 17 March 2026