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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>

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

“Growing with You for a Better Life”

2020 ANNUAL RESULTS FINANCIAL SUMMARY

	2020	2019	Change
	RMB'000	RMB'000	%
Revenue	22,374,001	22,492,845	(0.5%)
Operating Profit	6,392,388	5,680,296	12.5%
Profit attributable to shareholders	4,594,815	3,907,723	17.6%
Gross Profit margin (%)	42.3%	38.6%	
Earnings per share			
— Basic	RMB3.864	RMB3.285	17.6%
— Diluted	RMB3.864	RMB3.285	17.6%
Dividends			
— Interim (paid)	RMB1.20	RMB1.00	
— Final (proposed/paid)	RMB1.30	RMB1.25	
Accounts receivable turnover (days)	57	53	
Finished goods turnover (days)	49	43	
Current ratio (times)	1.4	1.3	
Rate of return (%)	23.7%	21.9%	

* For identification purposes only

RESULTS

The Board of Directors of Hengan International Group Company Limited (the “Company” or “Hengan International”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020, together with the comparative figures for the previous year, as follows:

Consolidated statement of profit or loss

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
Revenue	2	22,374,001	22,492,845
Cost of goods sold		<u>(12,918,146)</u>	<u>(13,803,888)</u>
Gross profit		9,455,855	8,688,957
Selling and distribution costs		(3,468,931)	(3,202,780)
Administrative expenses		(1,363,991)	(1,284,556)
Net impairment losses on financial assets		(4,163)	(7,614)
Other income and other gains – net		<u>1,773,618</u>	<u>1,486,289</u>
Operating profit		6,392,388	5,680,296
Finance income		291,811	140,069
Finance costs		<u>(718,295)</u>	<u>(773,478)</u>
Finance costs – net		<u>(426,484)</u>	<u>(633,409)</u>
Share of net losses of associates		<u>(4,482)</u>	<u>–</u>
Profit before income tax	3	5,961,422	5,046,887
Income tax expense	4	<u>(1,352,980)</u>	<u>(1,129,784)</u>
Profit for the year		<u><u>4,608,442</u></u>	<u><u>3,917,103</u></u>
Profit attributable to:			
Shareholders of the Company		4,594,815	3,907,723
Non-controlling interests		<u>13,627</u>	<u>9,380</u>
		<u><u>4,608,442</u></u>	<u><u>3,917,103</u></u>
Earnings per share for profit attributable to shareholders of the Company			
— Basic	5	<u><u>RMB3.864</u></u>	<u><u>RMB3.285</u></u>
— Diluted	5	<u><u>RMB3.864</u></u>	<u><u>RMB3.285</u></u>

Consolidated statement of comprehensive income

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Profit for the year	4,608,442	3,917,103
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
— Currency translation differences	<u>(19,460)</u>	<u>(39,511)</u>
Total comprehensive income for the year	<u>4,588,982</u>	<u>3,877,592</u>
Attributable to:		
Shareholders of the Company	4,592,157	3,858,224
Non-controlling interests	<u>(3,175)</u>	<u>19,368</u>
Total comprehensive income for the year	<u>4,588,982</u>	<u>3,877,592</u>

Consolidated balance sheet

		As at 31 December	
	Note	2020	2019
		RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		7,571,430	7,822,457
Right-of-use assets		970,171	988,245
Construction-in-progress		489,052	543,534
Investment properties		213,609	226,233
Intangible assets		755,444	724,620
Prepayments for non-current assets		327,989	120,293
Deferred income tax assets		435,853	213,211
Investments in associates		97,188	101,670
Financial assets at fair value through profit or loss		156,593	–
Long-term bank time deposits		3,482,147	2,430,082
		<u>14,499,476</u>	<u>13,170,345</u>
Current assets			
Inventories		4,310,918	3,802,496
Trade and bills receivables	7	3,375,149	3,651,224
Other receivables, prepayments and deposits		1,616,952	1,956,862
Current income tax recoverable		48,995	97,511
Derivative financial instruments		–	12,858
Restricted bank deposits		4,812	7,209
Financial assets at fair value through profit or loss		100,884	–
Cash and bank balances		20,483,739	20,540,270
		<u>29,941,449</u>	<u>30,068,430</u>
Total assets		<u><u>44,440,925</u></u>	<u><u>43,238,775</u></u>
Equity			
Equity attributable to shareholders of the Company			
Share capital		125,366	125,654
Other reserves		3,133,402	3,203,594
Retained earnings		16,152,622	14,543,693
		<u>19,411,390</u>	<u>17,872,941</u>
Non-controlling interests		<u>250,084</u>	<u>278,937</u>
Total equity		<u><u>19,661,474</u></u>	<u><u>18,151,878</u></u>

		As at 31 December	
	<i>Note</i>	2020	2019
		RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Borrowings	9	2,492,618	1,246,992
Lease liabilities		8,665	4,365
Deferred income tax liabilities		216,222	171,467
		<u>2,717,505</u>	<u>1,422,824</u>
Current liabilities			
Trade and bills payables	8	2,244,205	2,223,894
Other payables and accrued charges		1,310,282	907,752
Contract liabilities		134,847	145,230
Derivative financial instruments		15,643	19,788
Lease liabilities		11,110	5,960
Current income tax liabilities		2,177	–
Borrowings	9	18,343,682	20,361,449
		<u>22,061,946</u>	<u>23,664,073</u>
Total liabilities		<u>24,779,451</u>	<u>25,086,897</u>
Total equity and liabilities		<u>44,440,925</u>	<u>43,238,775</u>

1. Basis of preparation and principal accounting policies

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

(i) *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 results and financial position.

Standards and amendments		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3 Revised Conceptual Framework	Definition of a Business Revised Conceptual Framework for Financial Reporting	1 January 2020 1 January 2020
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform	1 January 2020
Amendments to HKFRS 16	COVID-19-related Rent Concessions	1 June 2020

(ii) New and amended standards not yet adopted

Certain new and amended standards and interpretations are effective for annual periods beginning after 1 January 2020 and have not been early adopted in preparing these consolidated financial statements. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Standards and amendments		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	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

2. Revenue and segment information

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

	2020				Group RMB'000
	Sanitary napkins products RMB'000	Disposable diapers products RMB'000	Tissue paper products RMB'000	Others RMB'000	
Segment revenue	6,804,704	1,526,780	11,097,505	4,836,954	24,265,943
Inter-segment sales	(149,993)	(101,213)	(714,747)	(925,989)	(1,891,942)
Revenue of the Group	<u>6,654,711</u>	<u>1,425,567</u>	<u>10,382,758</u>	<u>3,910,965</u>	<u>22,374,001</u>
Segment profit	<u>3,215,281</u>	<u>119,363</u>	<u>1,040,685</u>	<u>266,831</u>	<u>4,642,160</u>
Unallocated costs					(23,390)
Other income and other gains – net					<u>1,773,618</u>
Operating profit					6,392,388
Finance income					291,811
Finance costs					(718,295)
Share of net losses of associates					<u>(4,482)</u>
Profit before income tax					5,961,422
Income tax expense					<u>(1,352,980)</u>
Profit for the year					4,608,442
Non-controlling interests					<u>(13,627)</u>
Profit attributable to shareholders of the Company					<u><u>4,594,815</u></u>
Other items for the year ended 31 December 2020					
Additions to non-current assets	132,102	74,070	294,611	85,868	586,651
Depreciation of property, plant and equipment and investment properties	167,642	37,590	505,606	54,100	764,938
Depreciation of right-of-use assets	10,667	3,162	18,568	8,014	40,411
Amortisation charge	<u>16,020</u>	<u>–</u>	<u>382</u>	<u>15,551</u>	<u>31,953</u>

	2020				
	Sanitary napkins products <i>RMB'000</i>	Disposable diapers 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 2020					
Segment assets	<u>7,431,097</u>	<u>4,084,636</u>	<u>14,055,251</u>	<u>3,458,077</u>	29,029,061
Deferred income tax assets					435,853
Current income tax recoverable					48,995
Investments in associates					97,188
Financial assets at fair value through profit or loss					257,477
Unallocated assets					<u>14,572,351</u>
Total assets					<u>44,440,925</u>
Segment liabilities	<u>2,083,677</u>	<u>1,435,252</u>	<u>5,375,313</u>	<u>911,512</u>	9,805,754
Deferred income tax liabilities					216,222
Current income tax liabilities					2,177
Unallocated liabilities					<u>14,755,298</u>
Total liabilities					<u>24,779,451</u>

	2019				
	Sanitary napkins products <i>RMB'000</i>	Disposable diapers products <i>RMB'000</i>	Tissue paper products <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
Segment revenue	6,546,424	1,470,212	11,984,079	3,910,114	23,910,829
Inter-segment sales	(59,421)	(31,125)	(497,541)	(829,897)	(1,417,984)
Revenue of the Group	<u>6,487,003</u>	<u>1,439,087</u>	<u>11,486,538</u>	<u>3,080,217</u>	<u>22,492,845</u>
Segment profit	<u>3,104,858</u>	<u>151,365</u>	<u>843,218</u>	<u>123,943</u>	4,223,384
Unallocated costs					(29,377)
Other income and other gains – net					<u>1,486,289</u>
Operating profit					5,680,296
Finance income					140,069
Finance costs					<u>(773,478)</u>
Profit before income tax					5,046,887
Income tax expense					<u>(1,129,784)</u>
Profit for the year					3,917,103
Non-controlling interests					<u>(9,380)</u>
Profit attributable to shareholders of the Company					<u><u>3,907,723</u></u>
Other items for the year ended 31 December 2019					
Additions to non-current assets	252,343	91,724	291,726	93,570	729,363
Initial recognition of right-of-use assets related to buildings	1,988	208	1,663	116	3,975
Depreciation of property, plant and equipment and investment properties	174,768	38,762	491,760	45,759	751,049
Depreciation of right-of-use assets	10,414	4,174	18,950	4,940	38,478
Amortisation charge	<u>15,782</u>	<u>–</u>	<u>382</u>	<u>10,443</u>	<u>26,607</u>

2019

	Sanitary napkins products <i>RMB'000</i>	Disposable diapers 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 2019					
Segment assets	<u>7,371,874</u>	<u>5,009,723</u>	<u>14,576,696</u>	<u>3,641,818</u>	30,600,111
Deferred income tax assets					213,211
Current income tax recoverable					97,511
Investments in associates					101,670
Unallocated assets					<u>12,226,272</u>
Total assets					<u><u>43,238,775</u></u>
Segment liabilities	<u>2,392,831</u>	<u>1,457,052</u>	<u>5,235,705</u>	<u>832,438</u>	9,918,026
Deferred income tax liabilities					171,467
Unallocated liabilities					<u>14,997,404</u>
Total liabilities					<u><u>25,086,897</u></u>

3. Profit before income tax

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Crediting		
Government grants income (<i>Note</i>)	605,056	692,420
Interest income from cash and cash equivalents	219,243	132,302
Income from long-term and short-term bank time deposits	917,090	833,343
Exchange gains from operating activities – net	249,214	–
Exchange gains from financing activities – net	72,568	7,767
Realised fair value gains on derivative financial instruments	6,891	15,711
Charging		
Depreciation of property, plant and equipment	758,897	745,188
Depreciation of right-of-use assets	40,411	38,478
Amortisation of intangible assets	31,953	26,607
Impairment charge on property, plant and equipment	18,675	–
Impairment charge on investment properties	6,568	–
Employee benefit expense, including Directors' emoluments	1,879,932	1,823,062
Marketing and advertising expenses	1,316,330	1,136,555
Repairs and maintenance expenses	155,979	149,104
Losses on disposal of property, plant and equipment	14,615	32,549
Utilities and various office expenses	773,016	851,848
Transportation and packaging expenses	917,246	816,591
Short-term and low-value lease expenses	93,426	86,306
Net impairment losses on financial assets	4,163	7,614
Provision for inventories write-down	9,651	4,747
Exchange losses from operating activities – net	–	89,331
Unrealised fair value losses on derivative financial instruments	16,519	6,808
Interest expenses on borrowing after deducting interest expenses of RMB10,092,000 (2019: RMB15,630,000) capitalised in construction-in-progress	717,389	772,987

Note: These represented government grants received from certain municipal governments of Mainland China as an encouragement to the Group's contributions to the development of the local economy.

4. Income tax expense

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current income tax		
— Current tax on profits for the year	1,350,340	1,042,369
— PRC withholding income tax	182,067	157,094
Deferred income tax, net	<u>(179,427)</u>	<u>(69,679)</u>
Income tax expense	<u><u>1,352,980</u></u>	<u><u>1,129,784</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 ("CIT") 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%.

Also, according to the Caishui (2011) No. 58 "The notice on the tax policies of further implementation of the western region development strategy" (財稅[2011]58號“關於深入實施西部大開發戰略有關稅收政策問題的通知”) issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, companies set up in the western region and falling into certain encouraged industry catalogue promulgated by the PRC government are entitled to a preferential tax rate of 15%. Some of the Group's subsidiaries in Mainland China were set up in the western development region and fall into the encouraged industry catalogue, and therefore they are entitled to the foresaid preferential tax rate.

- (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 income 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.

5. Earnings per share

(a) Basic

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

	2020	2019
Profit attributable to shareholders of the Company (RMB'000)	<u>4,594,815</u>	<u>3,907,723</u>
Weighted average number of shares outstanding (thousands)	<u>1,189,149</u>	<u>1,189,697</u>
Basic earnings per share (RMB)	<u><u>3.864</u></u>	<u><u>3.285</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.

For the year ended 31 December 2020 and 2019, share options is the only category of dilutive potential ordinary shares of the Company. The diluted earnings per share is the same as the basic earnings per share as the potential ordinary shares in respect of outstanding share options is anti-dilutive.

6. Dividends

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Interim, paid, RMB1.20 (2019: RMB1.00) per ordinary share (<i>Note</i>)	1,427,625	1,189,677
Final, proposed/paid, RMB1.30 (2019: RMB1.25) per ordinary share (<i>Note</i>)	<u>1,542,239</u>	<u>1,487,109</u>
	<u><u>2,969,864</u></u>	<u><u>2,676,786</u></u>

Note:

The dividends paid in 2020 amounted to RMB2,914,734,000(2020 interim: RMB1.20 per share, 2019 final: RMB1.25 per share). The dividends paid in 2019 amounted to RMB2,617,290,000 (2019 interim: RMB1.00 per share, 2018 final: RMB1.20 per share).

A final dividend in respect of the year ended 31 December 2020 of RMB1.30 per share, amounting to a total dividend of RMB1,542,239,000, was proposed by the Board of Directors at a meeting held on 19 March 2021, subject to the final approval by the shareholders of the Company at the Annual General Meeting to be held on 17 May 2021. 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 RMB1.30 per share equivalent to HK\$1.556197 per share using the exchange rate of HK\$ to RMB on 18 March 2021, which is 0.83537.

7. Trade and bills receivables

Part of the Group's sales are on open account with credit terms ranging from 30 days to 90 days. At 31 December 2020 and 2019, the ageing analysis of the trade and bills receivables based on invoice date was as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	1,557,041	1,483,539
31–180 days	1,687,797	2,017,526
181–365 days	106,096	119,287
Over 365 days	91,379	96,036
	<u>3,442,313</u>	<u>3,716,388</u>
Less: provision for impairment	<u>(67,164)</u>	<u>(65,164)</u>
Trade and bills receivables – net	<u><u>3,375,149</u></u>	<u><u>3,651,224</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 balance sheet date.

8. Trade and bills payables

At 31 December 2020 and 2019, the ageing analysis of trade and bills payables based on invoice date was as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 30 days	1,209,694	1,094,302
31–180 days	975,847	1,073,147
181–365 days	22,623	19,387
Over 365 days	36,041	37,058
	<u>2,244,205</u>	<u>2,223,894</u>

The carrying amounts of trade and bills payables are approximately their fair value as at the consolidated balance sheet date due to short-term maturity.

9. Borrowings

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current		
Long-term bank loans – unsecured	2,384,705	–
Long-term bank loans – secured	6,473	–
Other borrowings – unsecured	101,440	249,760
Corporate bonds (a)	–	997,232
	<u>2,492,618</u>	<u>1,246,992</u>
Current		
Short-term bank loans – unsecured	17,034,684	16,912,788
Corporate bonds (a)	998,938	2,997,242
Other borrowings – unsecured	190,000	50,000
Trust receipt bank loans	118,185	401,419
Short-term bank loans – secured	1,875	–
	<u>18,343,682</u>	<u>20,361,449</u>
Total borrowings	<u>20,836,300</u>	<u>21,608,441</u>

(a) Corporate bonds

In September 2016, Hengan (China) Investment Co., Ltd (“Hengan China Investment”), a wholly-owned subsidiary of the Group issued a corporate bond at a par value of RMB1,000,000,000, which was denominated 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.

In July 2018, Hengan China Investment issued a corporate bond at a par value of RMB3,000,000,000, which was denominated in RMB with a fixed interest of 4.58% per annum in first two years. At the end of the second year, the issuer has the option to adjust the coupon rate, while the bond holders have the option to demand early redemption from issuer. The value of the liability, net transaction cost of RMB9,600,000, were determined at issuance of the bonds. The corporate bond was fully redeemed in August 2020.

The fair value of the corporate bonds approximated its carrying amount as at 31 December 2020.

(b) Super short-term commercial papers

During 2020, following super short-term commercial papers were issued and matured:

	Interest rate	Expiration term	Mature date	Amount <i>RMB'000</i>
20恒安國際SCP001	2.85%	270 days	2020-11-24	1,000,000
20恒安國際SCP002	2.65%	270 days	2020-12-11	1,000,000
20恒安國際SCP003	2.60%	270 days	2020-12-14	500,000
20恒安國際SCP004	2.60%	270 days	2020-12-14	500,000
20恒安國際SCP005	2.10%	23 days	2020-12-30	350,000

BUSINESS REVIEW

In 2020, the outbreak of coronavirus (COVID-19) epidemic raged across the globe and has made a great impact on the global economy. In the first quarter, China recorded its first negative growth on its gross domestic product (“GDP”). However, as the epidemic was gradually brought under control in Mainland China, China’s economy has recovered steadily, the economic growth in the second quarter turned from negative to positive, and GDP in the fourth quarter increased 6.5% year-on-year, GDP in 2020 increased 2.3% year-on-year, exceeded RMB100.0 trillion and GDP per capita exceeded USD10,000. China is expected to be the only major economy in the world to achieve positive economic growth. In 2020, total retail sales of consumer goods fell 3.9% year-on-year, but retail sales from the daily necessities category increased by 7.5% year-on-year, indicating that the daily necessities category saw stronger growth than the overall economy.

National health awareness heightened significantly and demand for personal and household hygiene products was strong. The Group’s sales in the first quarter were dampened due to the inevitable impacts on logistics and resumption of work, and amidst the market recovery in the second half of the year, the Group stepped up its efforts in developing e-commerce and new retail channels, resulting in a substantial increase in the expenses of marketing and promotion, all of which put pressure on sales during the year. However, thanks to Hengan’s well-known brand quality assurance, agile “small sales team” and the Group’s effort to maintain production and supply levels to the greatest possible extent, the negative impacts were effectively mitigated. For the year ended 31 December 2020, the Group’s revenue was approximately RMB22,374,001,000 (2019: RMB22,492,845,000), similar to that in 2019.

During the year under review, wood pulp prices remained at a low level, which supported the substantial increase in the gross profit of the Group’s tissue paper business. Revenue of the high-margin sanitary napkin business improved remarkably thanks to the effective reformed sales channel, its sales contribution increased to approximately close to 30% of total sales (2019: 28.8%). Moreover, the market penetration rate of the newly launched premium sanitary napkin series, “Space 7” surged rapidly during the year, which drove the sales of the sanitary napkin business and further fuelled growth to the overall gross profit and gross profit margin of the Group. In 2020, the overall gross profit increased by approximately 8.8% to approximately RMB9,455,855,000 (2019: RMB8,688,957,000) and the overall gross profit margin further increased to approximately 42.3% (2019: 38.6%). Notwithstanding that the cost of wood pulp began to rise slowly in the second half of 2020, the Group has sufficient inventory of wood pulp and it is believed that the gross profit in the first half of 2021 will remain at a manageable level.

During the year, operating profit rose approximately 12.5% to approximately RMB6,392,388,000 (2019: RMB5,680,296,000). Benefiting from the low cost of wood pulp, an increase in the proportion of revenue from premium products, and exchange gains, profit attributable to shareholders of the Company amounted to approximately RMB4,594,815,000 (2019: RMB3,907,723,000), increased by about 17.6% year-on-year. Basic earnings per share was approximately RMB3.864 (2019: RMB3.285).

The Board of Directors declared a final dividend of RMB1.30 per share for the year ended 31 December 2020 (2019: RMB1.25), together with the interim dividend of RMB1.20 per share (2019 first half: RMB1.00) already paid, total dividend for the year amounted to RMB2.50 per share (2019: RMB2.25 per share).

Sanitary Napkin

China has the world's largest feminine care products market where competition is fierce and is highly saturated. The Group has been developing in the direction of product upgrades and the launch of premium products to cater to market demand and maintain its leading position. 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. During the year, the Group officially launched the new image of premium "Space 7" product. Leveraging on its high-quality products and brand image, the product was well-received by the market, thereby driving sales growth of the sanitary napkin segment.

In 2020, the sales of the sanitary napkin business returned to an upward trend and recorded an increase of close to 3.0% to approximately RMB6,654,711,000 (2019: RMB6,487,003,000), which was higher than the average market growth and sales of the sanitary napkin business accounted for approximately close to 30.0% (2019: 28.8%) of the overall revenue of the Group. During the year, benefitting from the rapid growth of the premium "Space 7" product with sales reaching close to RMB200 million, gross profit margin of the sanitary napkin business further expanded to approximately 71.4% (2019: 70.3%). The Group is steadily shifting to a strategy of developing the premium market, the premium "Space 7" product is expected to become a potential growth point in 2021 and in the future, enabling the Group to expand its market share in the sanitary napkin industry.

Launched during the year, the premium product "Space 7" which aimed at the mature white-collar market received enthusiastic response, giving the Group the confidence to further expand the premium market. Since signing Space 7 brand ambassador contract with Yang Chaoyue, a member from Rocket Girl 101 (火箭少女101), her girliness and healing power of spreading happiness greatly enhanced the brand image of "Space 7" and rejuvenated the brand with a sense of style. In addition, the Group signed a contract with the domestic new-generation girl group SNH48-7SENSES as the brand ambassador and star promoter of "Xiaohaisen" (小嗨森) and the "Xiaohaisen" family products, respectively in October 2020. Leveraging on the girl group's influence on young consumers, the Group reached out to more young consumers born after 1995 to further rejuvenate the brand.

Regarding other feminine care products, the Group's new feminine care brand "Origin and Prime" (若顏初) 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 sell the Group's sanitary napkin products to overseas markets.

Tissue Paper

The epidemic in China was gradually put under control, but national health awareness has not diminished. The Group has always provided a variety of high-quality products according to the different needs of the market. The Group expects that national demand for tissue paper will continue to rise and believes that there is still room for growth in the overall tissue paper market.

In the second half of the year, the Group invested more in the marketing of the tissue paper segment in response to the market recovery, especially in the fourth quarter, the Group put in additional effort and investment in the promotion in e-commerce and new retail channels, resulting in a substantial increase in advertising and promotion expenses. Hence, the Group's revenue was offset by these expenses under the accounting standards and led to a decline in revenue of the tissue paper segment. On the other hand, commercial and corporate activities in Mainland China were greatly affected by the epidemic, which in turn, reduced the demand for tissue paper. The sales of the tissue paper segment were down approximately 9.6% to approximately RMB10,382,758,000 (2019: RMB11,486,538,000), accounting for approximately 46.4% (2019: 51.1%) of the Group's overall revenue. Nevertheless, benefiting from the low cost of wood pulp, the gross profit margin of the tissue paper business increased significantly to approximately 33.5% (2019: 27.7%).

Against the backdrop of the epidemic, the upgraded wet wipes products continued to perform well. Thanks to the super mini wet wipes that have been well-loved by consumers, sales growth of wet wipes continued to outperform the market in 2020. Sales of wet wipes for the full year increased approximately 20.9% year-on-year to approximately RMB733,192,000 (2019: RMB606,663,000), accounting for approximately 7.1% of the sales of the tissue paper business (2019: 5.3%). In addition, the Group upgraded its wet wipes products during the year and continued to leverage on its advantage as a leader in the "Super Mini" (超迷你) series with a collaboration with "Little Duck Liu" (小劉鴨) to launch super mini wet tissue toilet paper, continued to increase its market share and consolidate its leading position in the wet tissue market.

In terms of other 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" (雲感柔膚) launched during the year was well-received by the market. It was made with the Group's original cloud-like three-dimensional embossing technology to form air cushions, providing enjoyable consumer 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. Paper handkerchiefs from the "Pino Black and White" series (品諾黑白系列) presented in black packaging and featured with the newly upgraded sensation of tissue paper with superb strength are precisely marketed towards business people and young consumers.

As the living habits of people change and the level of consumption continues to rise, the tissue paper market continues to expand and competition is gradually intensifying. The Group will develop more products that can accurately meet consumers' needs in order to continuously seize business opportunities to expand its market share in domestic wet tissue market and maintain its leading market position. The Group's annualised production capacity was approximately 1,420,000 tons during the year. The Group will actively consider expanding its production capacity according to the market conditions and sales performance in the future.

Disposable Diapers

There are still a lot of growth potentials in the domestic disposable diaper market. National consumption of adult care products is still very passive. In addition, national consumption upgrades will continue to be the driving force for the Group to continue to upgrade its products and launch premium products. The Group believes that the overall diaper market still has huge untapped potential. The Group has always stayed committed to developing and providing a series of baby and adult care products. During the year, the Group stepped up its effort to upgrade its premium "Q • MO" products and achieved good results, and the market penetration rate of adult diapers "ElderJoy" (安而康) has gradually increased as well.

In 2020, thanks to the Group's additional effort in e-commerce and maternal sales, the proportion of sales through e-commerce and maternal channels has increased to over 40.0% and close to 15.0% respectively. On top of that, the proportion of premium baby and adult diapers products increased, sales of the diaper segment amounted to approximately RMB1,425,567,000 (2019: RMB1,439,087,000) and the decline greatly narrowed to approximately 0.9% (2019: a decrease of 6.3%), accounting for approximately 6.4% of the Group's overall revenue (2019: 6.4%). Among them, sales growth of premium "Q • MO" products exceeded approximately 70.0%, accounting for approximately 18.9% of the overall diaper sales. In terms of gross profit margin, the proportion of premium products has increased which was offset by the cost of petrochemical raw materials used in disposable diapers rose due to the tight supply affected by the epidemic. Hence, the gross profit of the diaper business dropped slightly to approximately 39.6% (2019: 40.5%).

During the year, the Group seized the opportunity to further develop the premium product market and rationalize its product portfolio. The "Q • MO" magic breathing diapers have 3.6 times more vents than traditional diapers and are very well-loved by the market. Anerle's (安兒樂) "Soft and Thin" (小輕芯) diapers feature an ultra-thin absorbent core, allowing babies to wear without discomfort. Many parents are very satisfied with the quality of Anerle's "Soft and Thin" diapers. In addition, as the nation puts more emphasis on the development of the elderly care industry, there will be more market potential 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.

The Group will continue to develop the baby care market and the adult care market in parallel. In addition to e-commerce sales channels, the Group will also increase cooperation with maternal stores, nursing homes and hospitals. On the one hand, it will promote the Group's high-quality products. On the other hand, through the cooperation with maternal stores, nursing homes and hospitals, it will expand the Group's customer base and provide an one-stop product sales chain, refuel growth momentum for the diaper business, help the Group to develop the adult health care business in the long term and continue to tap the growth potential of the adult health care market.

Other Income and Household Products

Regarding other income, revenue during the year grew approximately 27.0% year-on-year to approximately RMB3,910,965,000 (2019: RMB3,080,217,000), including revenue from surgical masks and other medical-related products in response to the epidemic. The sales of surgical masks were remarkable with a revenue contribution of approximately RMB260 million in 2020.

In 2020, revenue from the Group's household products segment was approximately RMB400,232,000 (2019: RMB376,874,000), including revenue from Sunway Kordis Holding Limited ("Sunway Kordis"), which amounted to approximately RMB277,265,000 (2019: RMB243,962,000). The household products business accounted for approximately 1.8% (2019: 1.7%) of the Group's revenue.

In 2020, the Group continued to expand its household products business to increase its presence in the sector. 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's overseas sales network to bring Hengan's products to overseas market.

Looking ahead, the Group believes that the growth potential in the business of surgical masks and other medical 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 high-quality medical 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 42 countries and regions, with 68 direct partnerships with major clients or distributors. Turnover of overseas business (including Wang-Zhang Group business) for the full year was approximately RMB2,166,847,000 (2019: RMB2,048,125,000), accounting for approximately 9.7% of the Group's overall sales (2019: 9.1%).

Affected by the city's lockdown due to the epidemic, the Group's Wang-Zheng Group in Malaysia recorded a turnover of approximately RMB398,384,000 (2019: RMB446,551,000), accounting for approximately 1.8% of the Group's overall sales (2019: 2.0%). 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 epidemic has prompted the rapid maturation of the domestic online shopping market and bolstered the development of new retail channels (including community group-buying) and mainstream e-commerce platforms. As a convenient way of shopping, online shopping has become part of the daily life of domestic consumers. Under the influence of the global epidemic, the growth of e-commerce has far exceeded expectations. It did not only provide profit to e-commerce companies, but also accelerated retailers' investment on e-commerce operations. Since the Group's product launched on various domestic e-commerce platforms, e-commerce channel has become one of the Group's key sales channels.

In 2020, sales revenue of the Group's e-commerce channels (including Retail Integrated ("零售通") and New Channel ("新通路")) was approximately RMB4.3 billion (2019: over RMB4.4 billion), accounting for approximately 19.1% (2019: 19.8%) of the Group's overall sales. In the first half of the year, logistics was clogged due to the impact of the epidemic and e-commerce sales were affected by the optimisation and integration of e-commerce channels. With the increasing sales of directly-managed online stores, e-commerce channels have resumed normal development in the fourth quarter, driving e-commerce sales. The Group will review its e-commerce sales strategy from time to time, reiterate the e-commerce rules and strengthen the sales and promotion of directly-managed online stores to achieve rapid growth in the future.

In response to the rapid development and fierce competition in the e-commerce market, the Group adopted the sales strategy of live streaming with brand ambassadors and fans for its brands to leverage on the reputation of brand ambassadors, thereby permeating the Group's products into the fan base, in particular, the live broadcast of "Space 7" with popular idols Liu Tao and Yang Chaoyue on Double Eleven Single's Day drove robust sales to the product.

During the year, the Group signed a data analysis (data centralisation platform) cooperation agreement with Alibaba. In the future, the Group will use the platform to analyse data from end customers, precisely allocate expenses and design related sales strategies. Alibaba will assist Hengan group in upgrading its digital intelligence strategy, business, organisation and technology, and form a comprehensive and unified platform operation for members, products and channels etc., enabling the Group to achieve its strategic goal of becoming the "world's top-tier enterprise of daily necessities".

In addition, with the rising popularity of community group-buying and online and offline (O2O) sales, almost all top platforms have stepped up their effort in this field. The Group will also allocate more resources in this area and leverage on the frequent shopping festivals on e-commerce platforms to attract consumers with exclusive products, thereby increasing the Group's market share in e-commerce and new retail channels and fostering e-commerce and new retail channels as the main growth drivers for overall sales in the future.

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 post-epidemic opportunities as the economy recovers, put forward effective sales strategies and conduct data analysis with its data centralisation platform, continue precise positioning and optimise the product portfolio to bring considerable return for shareholders. The selling and administrative expenses of the Group this year accounted for approximately 21.6% of the overall revenue (2019: 20.0%), which was mainly attributed to the Group's additional efforts and expenses in the promotion of e-commerce and new retail channels in the second half of the year and the increase in expenses related to logistics during the year. With the gradual control of the epidemic in the coming year and 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 year, the Group recorded an operating exchange gain of approximately RMB249,214,000 (2019: exchange loss of RMB89,331,000) as a result from the strengthening of the Chinese Renminbi in the second half of the year.

As at 31 December 2020, apart from certain foreign currency swap contracts and interest rate swap contracts entered into with certain large commercial banks, the Group had not issued any significant financial instruments or entered into any significant contracts for foreign currency hedging purposes.

Liquidity, Financial Resources and Bank Loans

The Group has always maintained a solid financial position. As at 31 December 2020, the Group's cash and bank balances, long-term bank time deposits and restricted bank deposits totally amounted to approximately RMB23,970,698,000 (31 December 2019: RMB22,977,561,000); domestic corporate bonds amounted to approximately RMB998,938,000 (31 December 2019: RMB3,994,474,000); and bank borrowings and other borrowings amounted to approximately RMB19,837,362,000 (31 December 2019: RMB17,613,967,000).

In December 2019, the Group successfully registered for the proposed issue of RMB3.0 billion super short-term commercial papers. From February to December 2020, the Group issued super short-term commercial papers in five batches of RMB3.35 billion in total (after the repayment of the super short-term commercial papers of RMB3.0 billion in the second half of the year, the Group issued another batch of super short-term commercial papers of 0.35 billion in December), the coupon rates are between 2.10% to 2.85% per annum. The five batches of super short-term commercial papers will mature in 23 to 270 days from the respective issue date. As at 31 December 2020, the Group has no outstanding super short term commercial papers. In addition, the Group applied for the registration for the proposed issue of short-term commercial papers of RMB6.0 billion in two tranches in June 2020, each tranche of the short-term commercial papers will have a term of not more than one year. Moreover, the Group successfully registered for the proposed issue of RMB5.0 billion domestic bonds in 2021, each tranche of the domestic bonds will have a term of not more than five years.

The bank borrowings and other borrowings were subject to floating annual interest rates ranging from approximately 0.54% to 4.30% (2019: from 1.97% to 4.80%).

As at 31 December 2020, 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) decreased to approximately 107.3% (31 December 2019: 120.9%) mainly due to the repayment of corporate bonds and super short-term commercial papers during the year. 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 16.1% (31 December 2019: negative 7.6%) as the Group was in a net cash position.

During the year, the Group's capital expenditure amounted to approximately RMB586,651,000. As at 31 December 2020, the Group had no material contingent liabilities.

Latest Awards

In 2020, awards and honours won by the Group were as follows:

Awards/Honors	Organisation
All-Asia Executive Team 2020 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)
The 6th Investor Relations Awards 2020 Best IR Company (Large Cap), Best IR (Chairman/CEO) Mr. Hui Lin Chit and Best IR (CFO) Mr. Li Wai Leung	Hong Kong Investor Relations Association

Awards/Honors	Organisation
Ranked 1st on the list of daily necessities listed companies	Shanghai Oriental Century Consumer Goods Development & Promotion Centre
Ranked 6th in the light industry	China Brand Evaluation
Junichi was honoured at the German Design Award 2020	German Design Council
Mr. Hui Lin Chit was awarded the honour of Advanced Individual in the Fight Against COVID-19	National Commendation Conference for Fighting COVID-19

Products and Raw Materials Research and Development

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”. Adhering to the “consumer-oriented” market principle, 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 31 December 2020, the Group employed approximately 25,000 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 GOVERNANCE

Epidemic 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”, continues to uphold corporate social responsibility and fully supports the disease control and prevention works across the nation. At the beginning of the epidemic, the Group quickly set up surgical mask production lines and started production in February 2020 to help alleviate the shortage of surgical masks. Looking back on 2020, the Group has donated over RMB23.0 million worth of supplies and cash and delivered products including sanitary napkins, medical protective suits, disinfectant wet wipes, hand sanitizers, adult disposable diapers, baby diapers and tissue paper to disease control centres and hospitals at various locations. On 22 January 2021, Mr. Hui Lin Chit, Chief Executive Officer of the Group was awarded the honour of Advanced Individual in the Fight Against COVID-19 for his benevolent dedication and generosity during the epidemic.

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. In 2020, Hengan’s greenhouse gas emissions intensity was 1.19 tonnes of carbon dioxide emissions per revenue in RMB10,000; the energy consumption per unit product of the papermaking sector of the Group was 0.37 ton standard coal per ton, which was much lower than the advanced value requirement of the Energy Consumption Per Unit Product of Pulp and Papermaking (“製漿造紙單位產品能源消耗限額”) (GB31825-2015) of 0.42 ton standard coal per ton; the recycling of wastewater from paper production was more than 99% ton the water consumption per unit of the paper making sector of the Group was 6.1 ton water per ton, 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”(“取水定額第5部分：造紙產品”).

Sustainable Supply Chain

Hengan also promotes value chain management of sustainable development. In 2020, Hengan, as the sole enterprise to be invited to the preparatory launching ceremony of the Belt and Road Initiative International Green Supply Chain Alliance, received the honour of the Belt and Road Initiative Green Supply Chain Demonstration Enterprise; held an Engineers Conference to discuss and share technological innovation and applied research on sustainable development topics such as biodegradable materials and sustainable soft packaging materials. 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. In 2020, 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 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.

As of the end of 2020, Hengan had a total of approximately 25,000 employees, the total number of employee training hours exceeded 200,000 hours, the number of management positions promoted was 192, and the percentage of employees joining the labour union was 100%.

Health and Safety

Hengan cares about 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. In 2020, there were no work-related fatalities and no occupational disease cases in the Group and the number of lost days due to work injury was 3,147 days.

During the epidemic, Hengan implemented various measures to improve the Group's epidemic prevention and control work, standardized and carried out employee health management. Hence, there were no cases of COVID-19 infections among over 20,000 employees during the epidemic.

Outlook

Looking ahead to 2021, the epidemic in most regions in China will basically be put under control, the consumer market will gradually regain vitality and consumer demand will continue to be released. It is believed that domestic sales will continue to support the steady growth of the economy in China. However, changes in the external political and economic environment and fluctuation of the epidemic will bring a series of uncertainties across the globe. The Group will continue to pay close attention to the development of the domestic and international epidemic and changes in the markets to agilely respond and take appropriate actions.

The rapid increase in national health awareness due to the epidemic and the on-going trend of domestic consumption upgrades are beneficial to the refinement and high-quality development of the personal hygiene products market in the long run. The epidemic has changed people's living habits. The Group expects that national demand for personal and household hygiene products will continue to be maintained even after the epidemic, and people will continue to pursue high-quality products. In order to meet the increasingly high-end consumer demand of end customers, the Group will actively respond to and seize market opportunities brought by consumption upgrades, flexibly cope with changes in consumer demand, continue to actively optimise the product portfolio and upgrade the packaging, materials and functions of the products to promote the sales of high-end products and inject growth momentum into the Group.

Regarding sales channels, the epidemic has accelerated the shift of the consumption patterns to online. Taking advantage of the Group's omni-channel retail network, the Group will step up its efforts to increase the coverage of e-commerce and new retail, with an aim to drive e-commerce and new retail sales of tissue paper, sanitary napkins, and disposable diapers up to the market average in the foreseeable future. At the same time, the Group will leverage on 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. In order to meet the different needs of consumers, the Group will integrate online and offline retail models and actively develop new retail channels (including community group-buying) to increase the market penetration rate of the Group's products and further expand the Group's market share.

Affected by the epidemic, the Group has developed the business of preventive medical supplies, such as the manufacturing and selling of surgical masks to provide consumers with high-quality and reliable epidemic prevention products. Although the global epidemic will gradually be brought under control, national health awareness is still rising day by day. The Group believes that there is huge potential in the medical supplies market. With the medical device production license obtained in 2020, the Group will continue to adhere to the mission of "Growing with You for a Better Life", closely monitor the changes in market demand, conduct market research and vigorously explore the feasibility of the launch of various medical supplies.

As a leading enterprise in the personal and household hygiene products industry in China, Hengan is committed to providing high-quality personal and household hygiene products to its consumers and will continue to forge ahead with industrial expansion as the long-term development target, actively expand industries with high growth potential, namely feminine care, infant child care, elderly care and epidemic prevention medical care, gradually promote international development of Hengan's brand, continue to improve its overall competitiveness and profitability in order to generate sustainable returns for shareholders.

PROPOSED FINAL DIVIDEND

The directors have resolved to recommend the payment of a dividend of RMB1.30 (2019: RMB1.25) per share to shareholders, whose names appear in the register of members of the Company on Tuesday, 25 May 2021 (the “Proposed Final Dividend”). Subject to the passing of the necessary resolution at the forthcoming annual general meeting to be held on Monday, 17 May 2021 (the “2021 AGM”), the Proposed Final Dividend will be payable on Thursday, 3 June 2021.

CLOSURE OF THE REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the 2021 AGM

The 2021 AGM is scheduled to be held on Monday, 17 May 2021. For determining the entitlement to attend and vote at 2021 AGM, the register of members of the Company will be closed from Wednesday, 12 May 2021 to Monday, 17 May 2021, 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 2021 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 Abacus Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 11 May 2021.

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

The Proposed Final Dividend is subject to the approval of shareholders at the 2021 AGM. For determining the entitlement to the Proposed Final Dividend for the year ended 31 December 2020, the register of members of the Company will also be closed from Monday, 24 May 2021 to Tuesday, 25 May 2021, 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 Abacus Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 21 May 2021.

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 management and reviewed the consolidated financial statements for the year ended 31 December 2020. The figures contained in the financial statements set out in page 2 to 17 of this announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year as approved by the Board. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

During the year ended 31 December 2020, the Company repurchased a total of 3,350,000 ordinary shares on the Stock Exchange at an aggregate consideration of approximately HK\$178,976,420 (excluding expenses) for enhancing its per share net asset value and earnings. Details of the repurchase of shares are summarized as follows:

Date of repurchase	Number of shares repurchased	Highest price paid HK\$	Lowest price paid HK\$
29 October 2020	550,000	53.45	51.45
30 October 2020	500,000	54.80	53.45
2 November 2020	800,000	53.55	52.25
3 November 2020	500,000	53.90	53.25
4 November 2020	500,000	54.70	53.60
10 November 2020	500,000	54.10	53.30
	<u>3,350,000</u>		

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 year ended 31 December 2020.

CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance. The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31 December 2020.

ACKNOWLEDGEMENT

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

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Sze Man Bok, Mr. Hui Lin Chit, Mr. 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.

By order of the Board
Sze Man Bok
Chairman

Hong Kong, 19 March, 2021