



***Interim Results 2003***

***Corporate  
Presentation***



**恒安國際集團有限公司**  
HENGAN INTERNATIONAL GROUP COMPANY LIMITED

***September 2003***

# Agenda

- Interim Results Highlights
- Business Review
- Outlook for 2H
- Open Forum

**Hengan is ...**

**China's leading domestic  
corporation in personal  
hygiene products**



# **Interim Results Highlights**

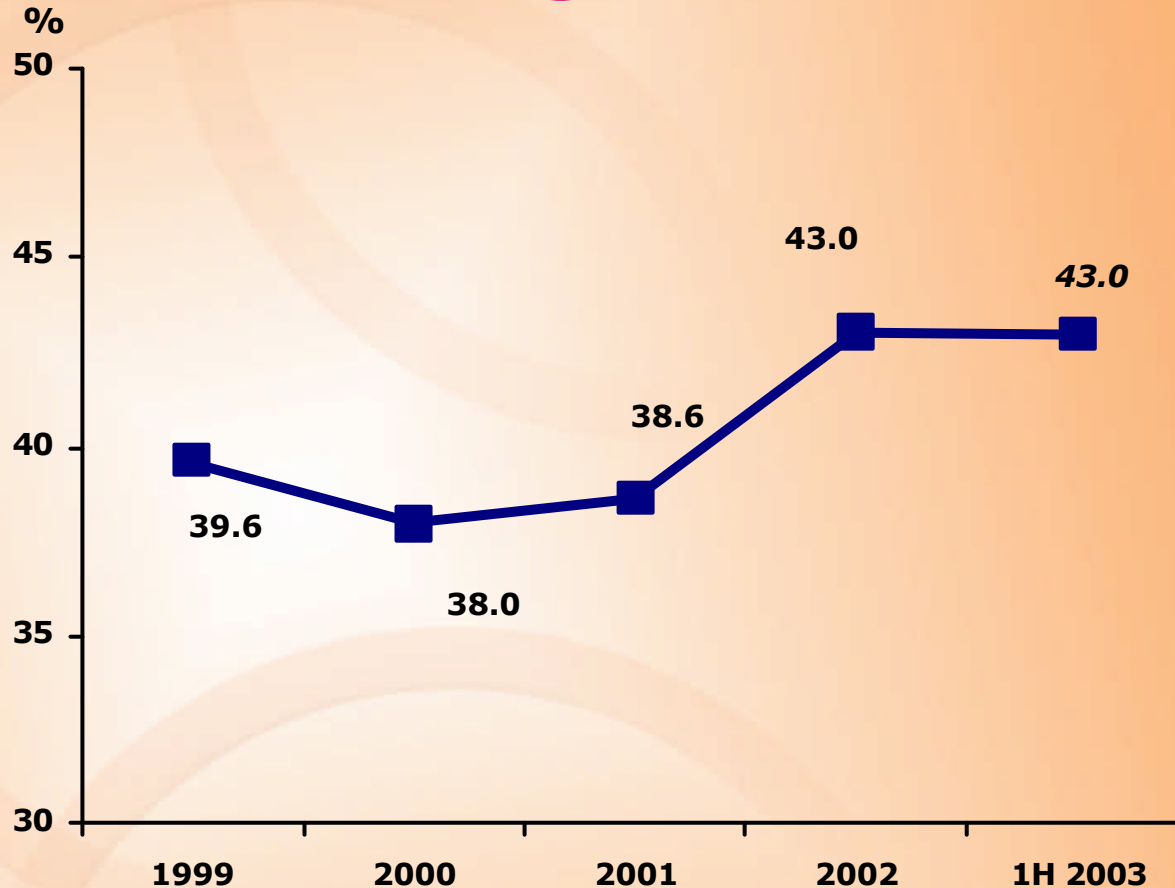
# A Landmark Year for Long-term Success

Six months ended 30 June (HK\$'000)	2003		2002	Change (%)	
	Paper Business Inclusive	Existing Business		Paper Business Inclusive	Existing Business
Turnover	696,761	625,748	548,440	+27%	+14%
Profit attributable to shareholders	121,143	113,983	89,864	+35%	+27%
Earnings per share (HK cents)	12.03	11.45	9.03	+33%	+27%
Interim dividend (HK cents)	10	-	8	+25%	-

# Turnover Breakdown by Products

<i>For the six months ended 30 June (HK\$M)</i>	2003	2002	Change(%)
<b>Sanitary Napkins</b>	<b>348</b>	<b>341</b>	<b>+2%</b>
<b>Pantiliners</b>	<b>79</b>	<b>71</b>	<b>+11%</b>
<b>Baby Diapers</b>	<b>131</b>	<b>109</b>	<b>+20%</b>
<b>Skin Care Products</b>	<b>35</b>	<b>-</b>	<b>N/A</b>
<b>Tissue Paper</b>	<b>70</b>	<b>-</b>	<b>N/A</b>
<b>Others</b>	<b>34</b>	<b>27</b>	<b>+26%</b>

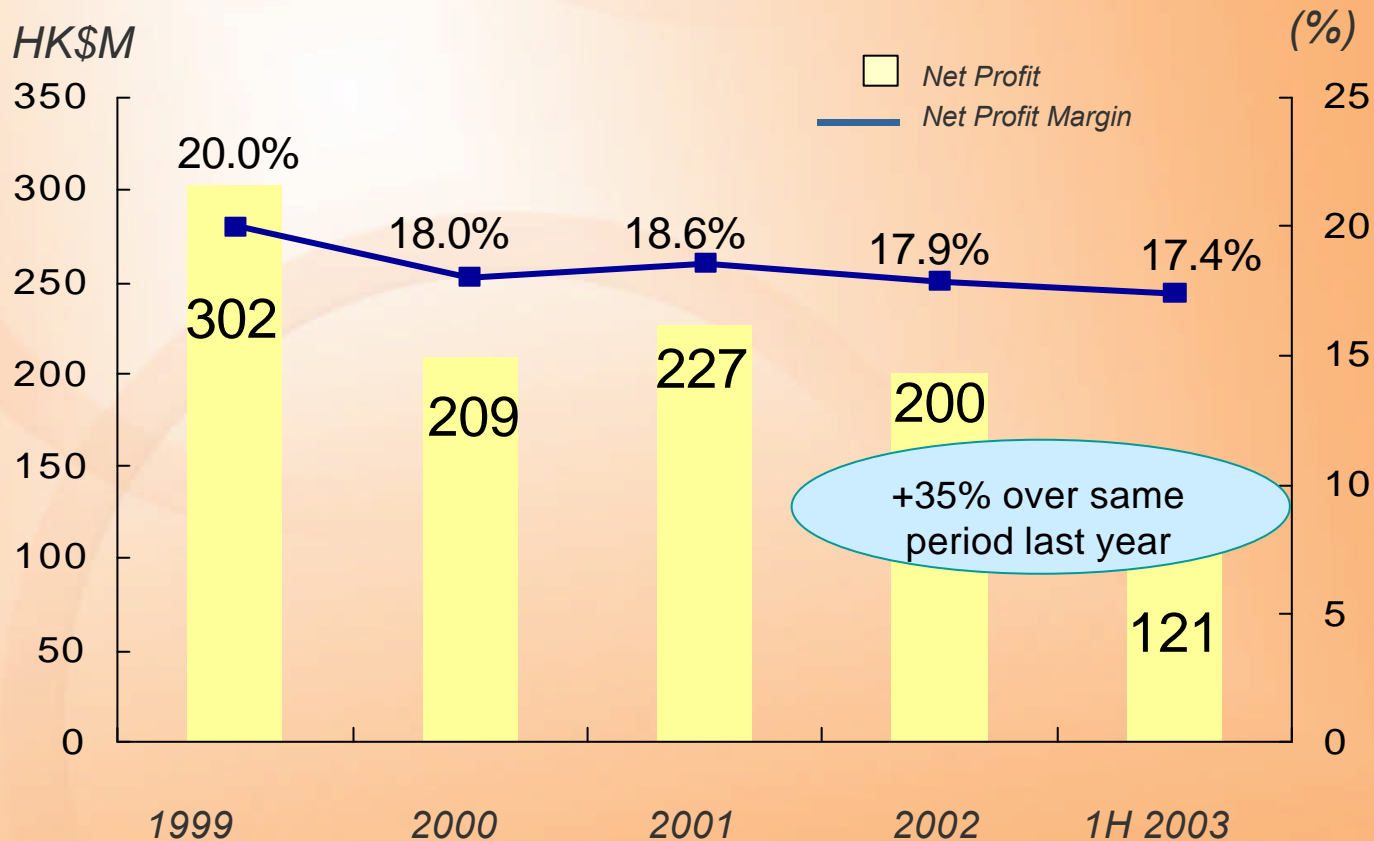
# Gross Profit Margin



- Maintained stable gross margin because of:
  - Stable raw materials price
  - Stringent cost controls
  - Change in product mix to products of higher gross margins to offset the reduction in selling prices of certain products

# Net Profit

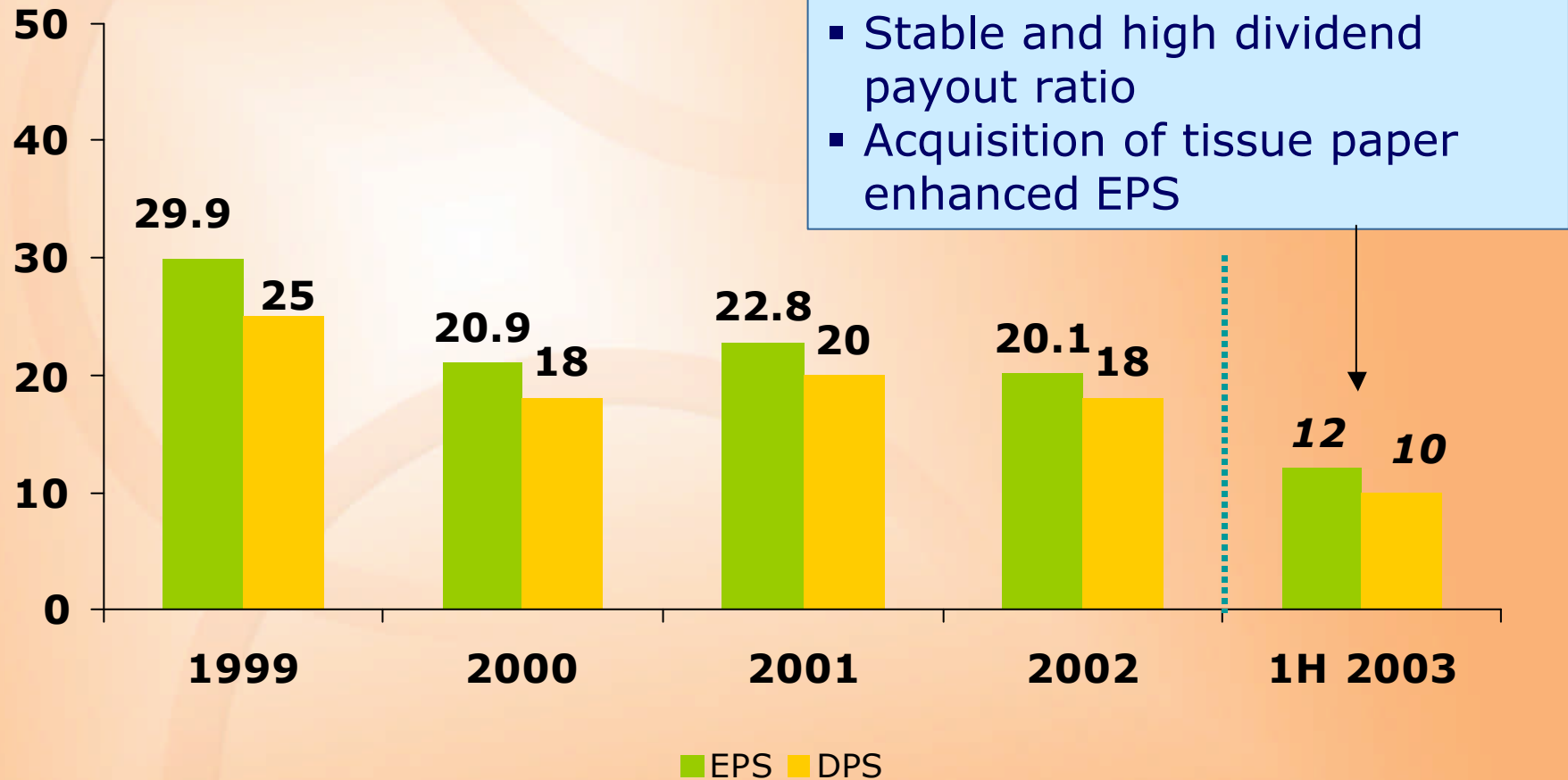
- Net profit increased as sales went up
- Sustained stable gross profit margin
- Selling and distribution expenses increased as more investments were made to enhance modern channels distribution
- Administration expenses decreased as less consultation fee was paid





# EPS & DPS

HK cents



# Key Figures

	1H 2003	1H 2002
<b>Cash on Hand</b>	<b>HK\$601M</b>	<b>HK\$588M</b>
<b>Finished Goods Turnover</b>	<b>63 days</b>	<b>65 days</b>
<b>Accounts Receivable Turnover</b>	<b>36 days</b>	<b>28 days</b>
<b>Current Ratio</b>	<b>1.9 times</b>	<b>7.5 times</b>
<b>Gearing Ratio</b>	<b>17.7%</b>	<b>Nil</b>

The background of the slide features a warm orange-to-yellow gradient. Overlaid on this gradient are several large, semi-transparent, overlapping circles in a lighter shade of orange, creating a layered, abstract effect.

# **Business Review**

# Clear Business Structure

- Hengan's comprehensive products marketed under renowned brandnames



# Multi Brandnames Strategies

Sanitary  
Napkins



Disposable  
Diapers



Tissue  
Paper



Cleansing  
Products



Nationwide  
Distribution  
Network

Customers  
of all walks  
of life

# Sanitary Napkins

Market penetration is around 52%, market continues to grow

- Implement more aggressive strategies to ensure the leading positions in the market place of the following brands:



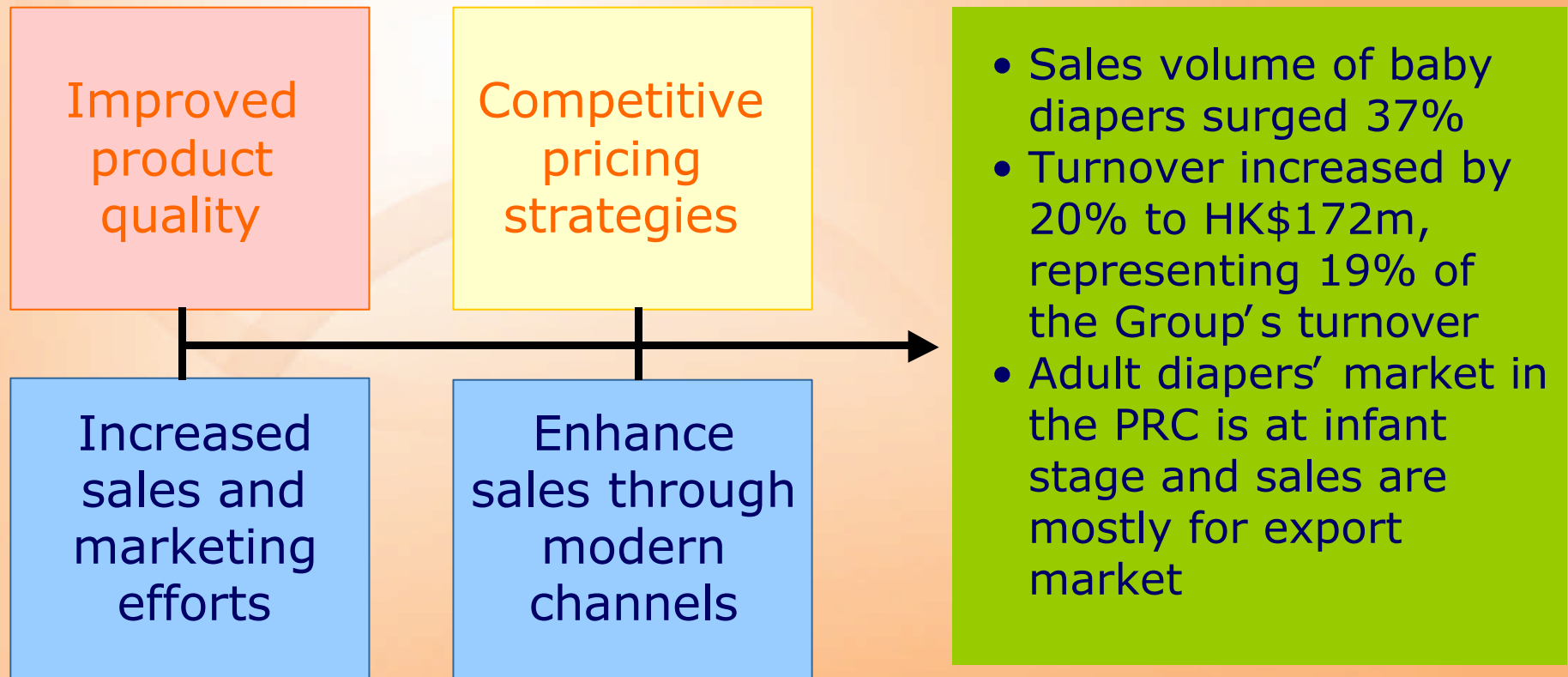
- Launched “嬌適安心” and “Anle” pantliners to target mid-end market
- Further enhance products quality
- Competitive pricing strategies
- Strengthen A&P
- Broaden existing sales network, especially in chain stores



- Turnover increased by 3.6% to HK\$427M, representing 61% of the Group's turnover

# Disposable Diapers

- Untapped market with ample growth potential, sales volume is growing at over 20% p.a.
- Young couples with growing disposable income are spending more on their children
- Well positioned to capture the future upside in the adult diaper market



# Tissue Papers

- Acquisition completed on 16 May 2003
- Renowned brandname "Hearttex" (心相印), with market share of 17% and ranked No.1 in China since 2001
- Under-penetrated market with high growth potential, per capita tissue paper consumption in the PRC is 28%, below global average and 10% of the US

- High product quality
- Widely recognized brand name
- Effective promotion strategies
- Competitive pricing



- Sales surged 40% as compared to same period last year
- Profit guarantee will be met



# Others – Skin Care & Cleansing Products

Established the Joint Venture in 2002

- Leveraging our nationwide distribution network, sales has started to grow
- Sales for the six months amounted to HK\$35,000,000 which doubled that of last year
- More antiseptic washing lotion/soap were sold during the SARS period
- Products are new to the market and more marketing efforts are required to enhance brand awareness
- Leverage on our distribution network and experience, the Group will build the regional brandname to a nationwide one



# **Outlook for 2H**

# Outlook for 2H

- Sales of sanitary napkin continue to be flat
- Baby diapers continue to grow strongly
- Tissue paper business as a new growth driver

- Continue to enhance product image and build up brand loyalty for skin care products
- Continue to reinforce sales channels and work closely with distributors
- Continue to improve efficiency, control costs and expenses



**IMPROVED TURNOVER AND NET PROFIT**

# Brand Building



**Celebrities marketing to  
enhance Hengan's corporate image**

# Corporate Mission & Goal

**“Growing with you for a better life”** has always been the mission of Hengan Int’l

Our goal is **“to build an effective corporate management and to develop a quality, ethical and enthusiastic staff team”**

To become **China’s leading corporation in feminine hygiene products, diapers and family hygiene products**



# **Open Forum**