恒安國際集團有限公司

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

China's Leading Domestic Corporation in Personal Hygiene Products

Interim Results 2004

Corporate Presentation

September 2004

Agenda

- Financial Highlights
- Business Review
- Outlook for 2H 2004
- Open Forum

Financial Highlights

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Financial Highlights

Six months ended 30 June

(HK$ '000)	***1H 2004***	***1H 2003***	***Change (%)***
Turnover	1,083,605	696,761	+55.5
Cost of Sales	(621,603)	(397,976)	+56.2
Gross Profit	462,002	298,785	+54.6
Operating Profit	187,423	145,532	+28.8
Profit Before Tax	178,618	143,443	+24.5
Net Profit	126,250	121,143	+4.2
Interim Dividend	10 cents	10 cents	-

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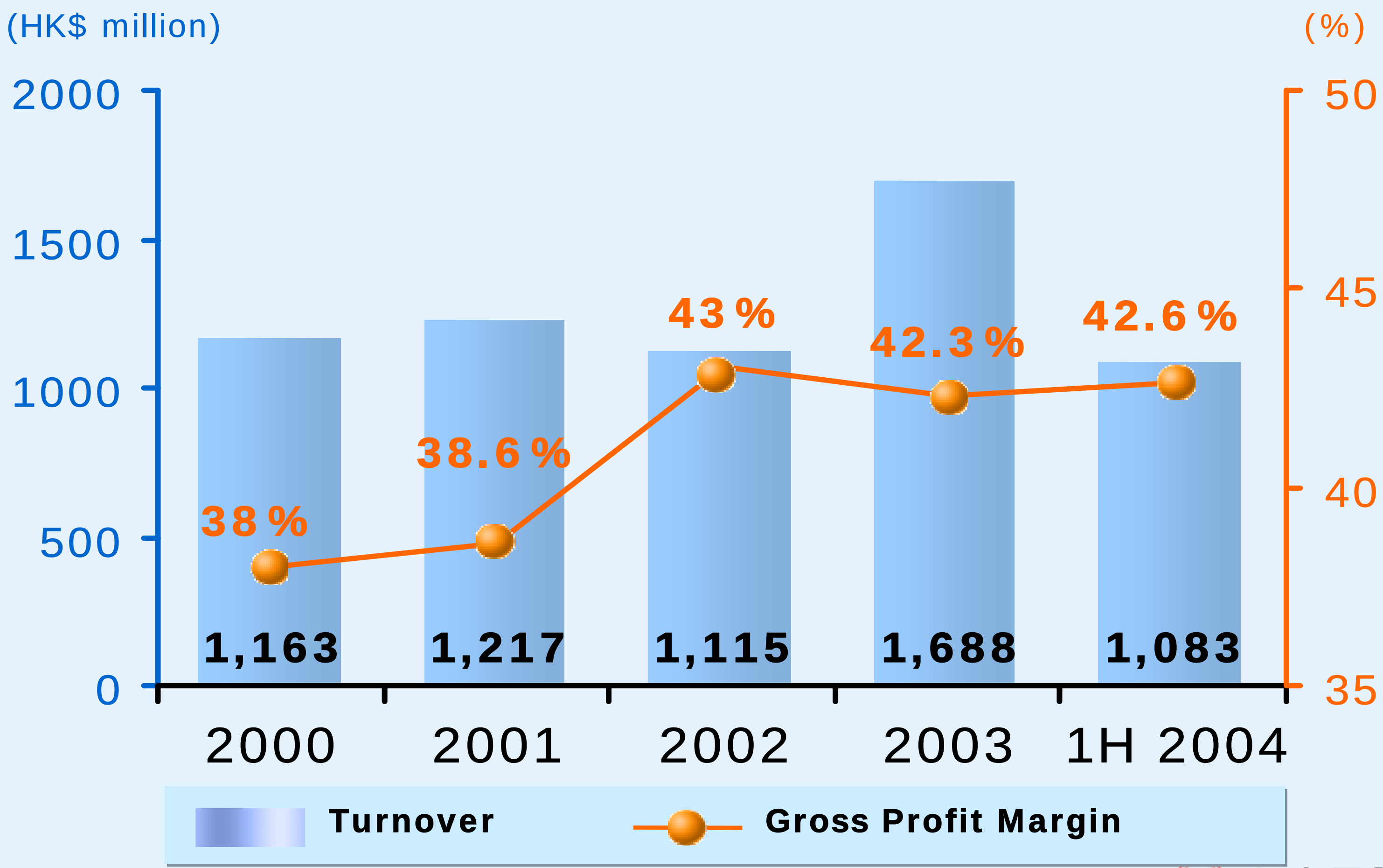
Impressive Turnover Growth

- Revenue growth mainly from tissue paper business
- Stable gross margin despite higher raw material costs



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New Revenue Stream

(HK$ million)	1H 2004	1H 2003	Change(%)
Sanitary Napkins	315	341	(7.6)
Pantiliners	85	79	+7.6
Baby Diapers	166	131	+26.7
Tissues	445	70	+635
Skincare	19	35	(45.7)
Others	55	39	+41

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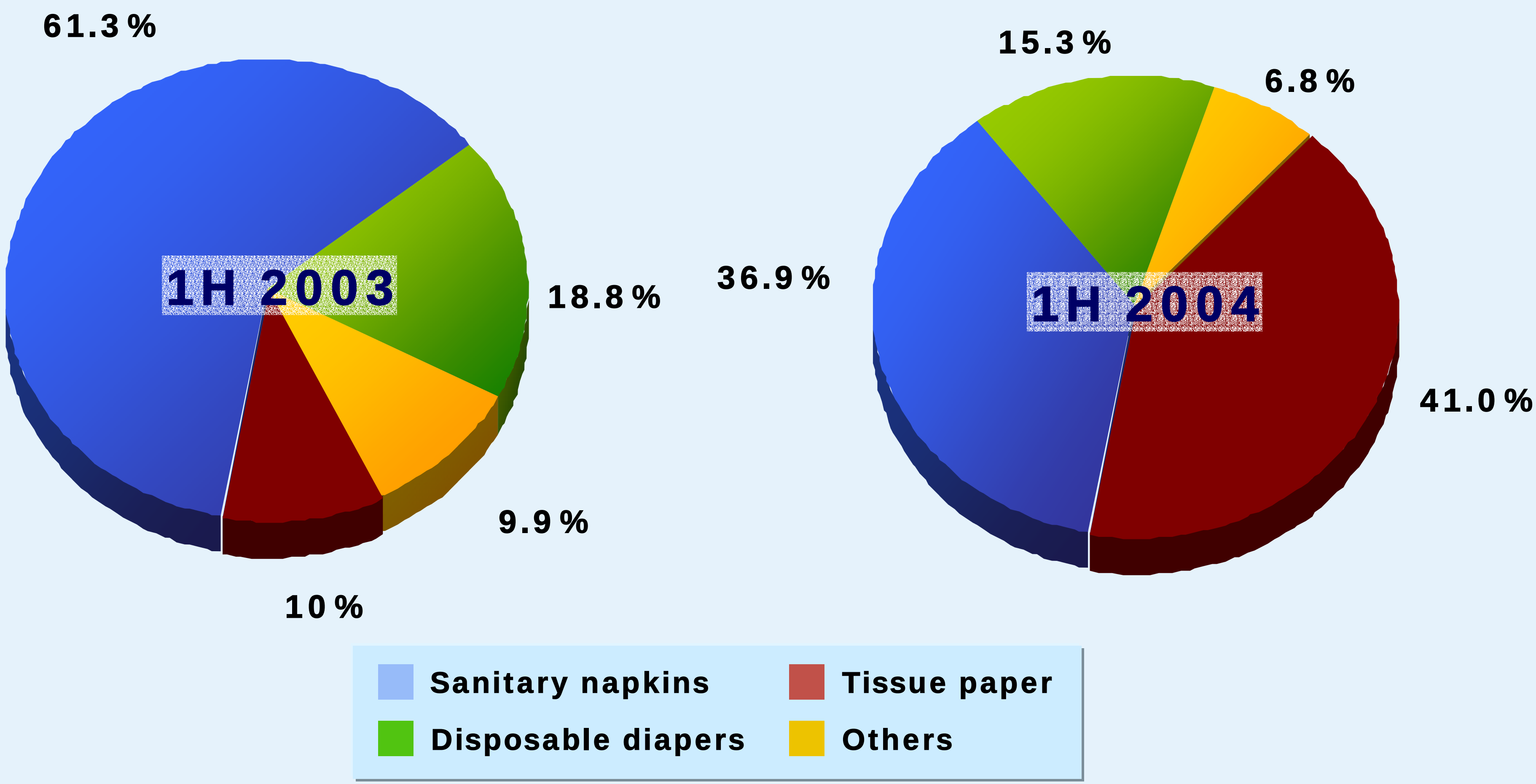
Diversified Revenue Streams



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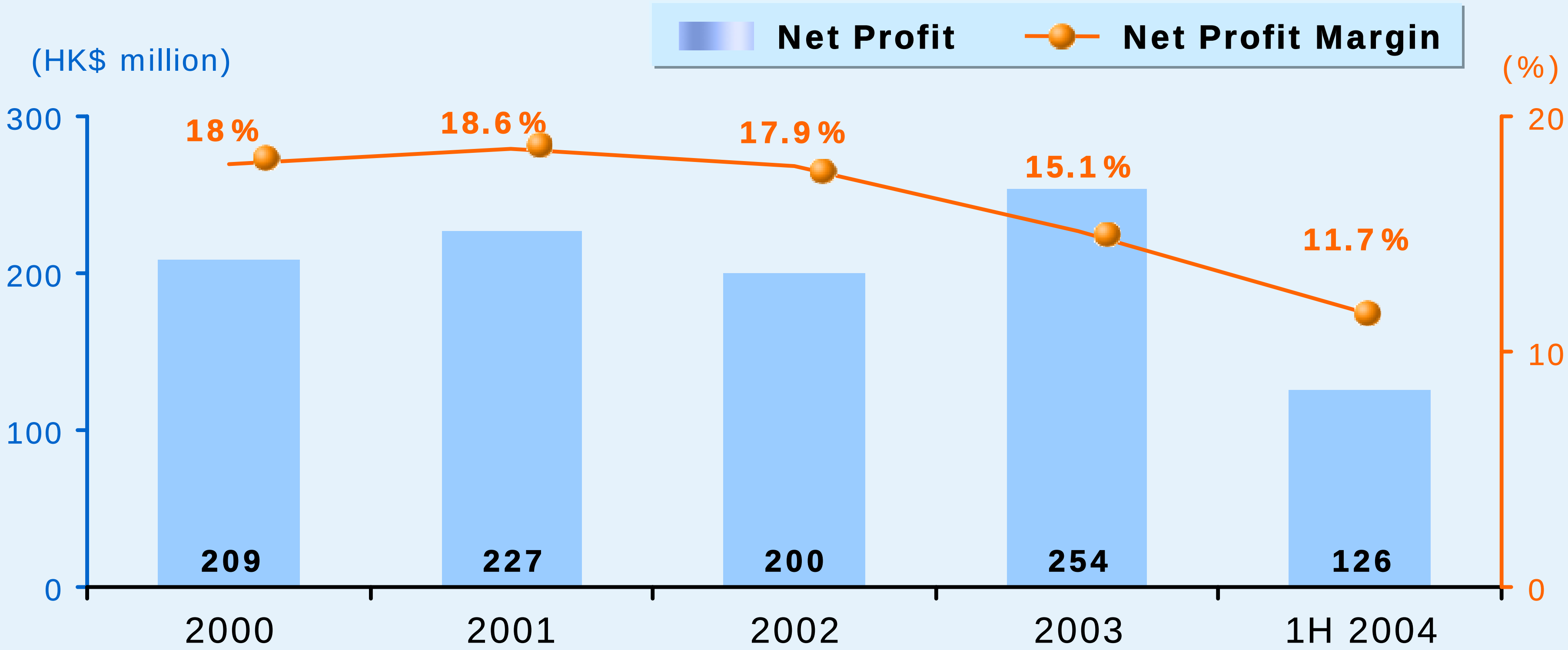
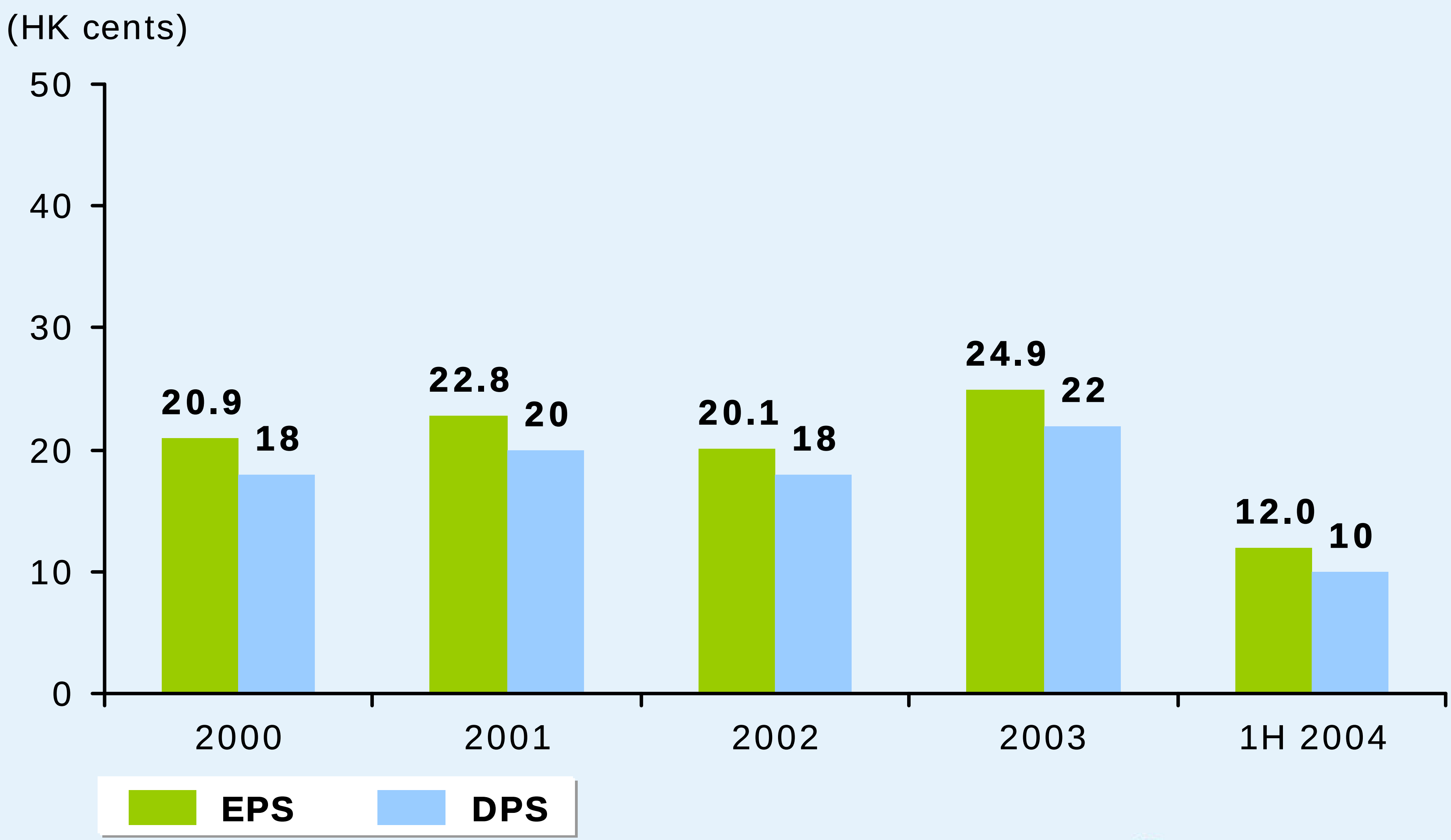
Stable Net Profit

- Surge in selling and promotion related expenses
- Increase in effective income tax rate
- Smaller other incomes



EPS & DPS



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Key Figures

(HK$)	1H 2004	1H 2003
Cash on Hand	512m	601m
Finished Goods Turnover	67 days	63 days
Accounts Receivable Turnover	45 days	46 days
Current Ratio	1.6 times	1.9 times
Net (debt) / Cash	(66m)	280m

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Business Review

Full Range of Family & Personal Hygiene Products

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100%	100%	100%	100%	70%	70%
Feminine Care - Napkins - Pantiliners	**Baby Diapers**	**Adult Diapers**	**Tissue Paper Products** - Facial Tissue - Pocket Handkerchief - Toilet Paper - Wet Tissues/Wipes	**Cleansing & Skin Care** - Facial Cream - Shower Gel - Soap	**Pharmaceutical Products** - Plasters - Enemas - First Aid Items






安樂 · ANERLE 安爾樂 · 安儿乐 Anerle · Elderjoy 安而康 · 相印 Mind Act Upon Mind · 柔影 Softclear · 美媛春 MISSMAY · Banitore® 便利妥® · Bandi® 便利通® Enema

Sanitary Napkins
-Leading market player

- Competition still fierce, no sign of market consolidation,big brands changing market strategies.
- Remain one of the leading players in the PRC market
- Multi brand names strategy with different grades of products for different customers so as to increase overall market share
- Sales (volume and value) of both "Anerle" and "Anle" products decreased due to competition though sales of top-end "Space 7" and improved "Anle" products seen improvements
- Sales (volume and value) of pantiliners under both "Anerle" and "Anle" brands continued to grow. Will launch pantiliner under the "Space 7" brand in the second half
- Overall feminine care napkins sales in the 2H expect to remain flat

Disposable Diapers
- Steady Growth

Baby diapers:

- Market demand continued to increase and so is competition
- Mid to high-end products performed better in the market place
- Sales of “Slim and comfort” series did well and equipment run at full capacity. Already ordered new machinery that expects to commence operation towards end of 2004
- Leading brands are competing for market share and little room for lifting prices

Adult diapers:

- Market in mainland China is still at nurturing stage
- Sales were mainly export business and will continue to develop

Tissue Paper Products - Key Growth Driver

- Robust growth of 48% over 1H and 30% over 2H of last year due to good marketing and branding
- Despite increase in raw material costs, GP remained at 40%+
- Acquisition of remaining interests in the tissue group completed in July 2004 implies higher profit contribution in 2H
- Own raw material processing capacity running at full capacity, further growth in 2H will be from outsourcing before the Shandong plant commence production in 2H 2005. The Fujian plant will follow suit before 2H2006
- Launched wet tissue products and received favorable response. Expect to contribute approx. 10% of total tissue revenue in 2004

Skin Care Products and Banitore

Skin Care:

- Revenue down by 46%, recorded operating loss of HK$1.8m
- Keen competition from local and international brands
- Products and brand name need to be improved and strengthened

Banitore:

- Acquired 70% in Hengan Pharmacare, HK based
- Plan to take the Banitore plasters to the mainland market
- Utilize the HK sales channels to distribute the group’s hygiene products in HK

Sales and Marketing Strategy

- Further develop and strengthen the modern sales channels
- Ensure a constant flow of new products to meet the market needs
- Enhance product quality and strengthen brand image
- Training to sales staff and better management of the sales force

Outlook for 2H

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Outlook for 2H

- Tissue and baby diapers remain the main growth drivers
- Raw material costs stay high implies pressure on GP
- SG&A will be monitored closely and tightened
- Optimize production flow process, including purchasing, inventory control, production cost and time
- Explore other M&A opportunities
- Look for new markets and income sources

Open Forum

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