



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

***China's Leading Domestic Corporation in
Personal Hygiene Products***



Annual Results 2004 Corporate Presentation

March 2005

- Financial Highlights
- Business Review
- Future Outlook
- Open Forum





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Financial Highlights

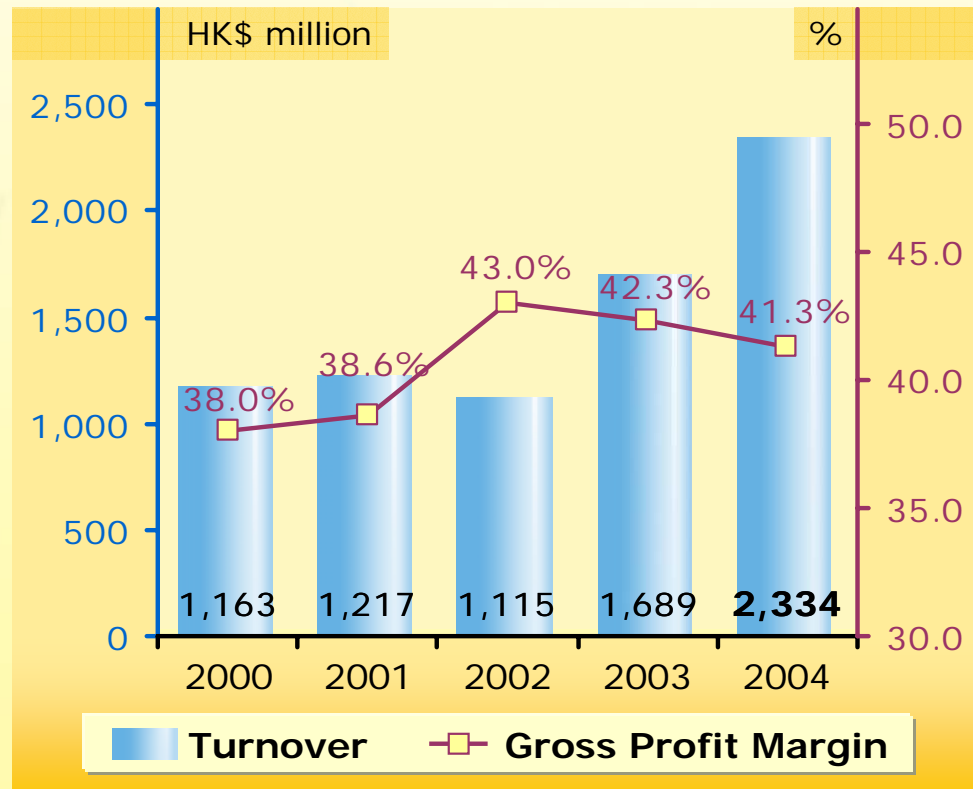
Financial Highlights

(HK\$ '000)	2004	2003	Change (%)
Turnover	2,334,293	1,688,512	+38.2
Cost of Sales	(1,369,181)	(974,608)	+40.5
Gross Profit	965,112	713,904	+35.2
Operating Profit	391,082	334,753	+16.8
Net Profit	297,930	254,988	+16.8
Earnings per share	HK28 cents	HK24.9 cents	+12.4
Dividend			
- Interim	HK10 cents	HK10 cents	-
- Final	HK12 cents	HK12 cents	-

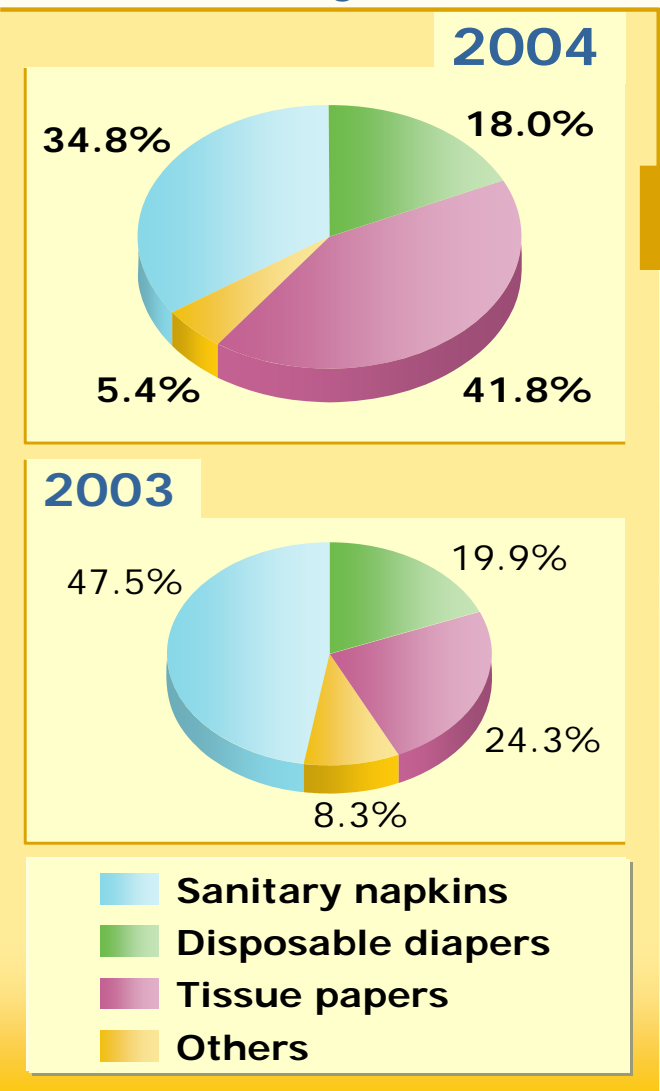


Strong Turnover Growth

- Tissue paper business became the major source of revenue, followed by sanitary napkin (including pantliners) and disposal diaper businesses



Turnover by Products



Solid Revenue Streams

Year ended 31 December

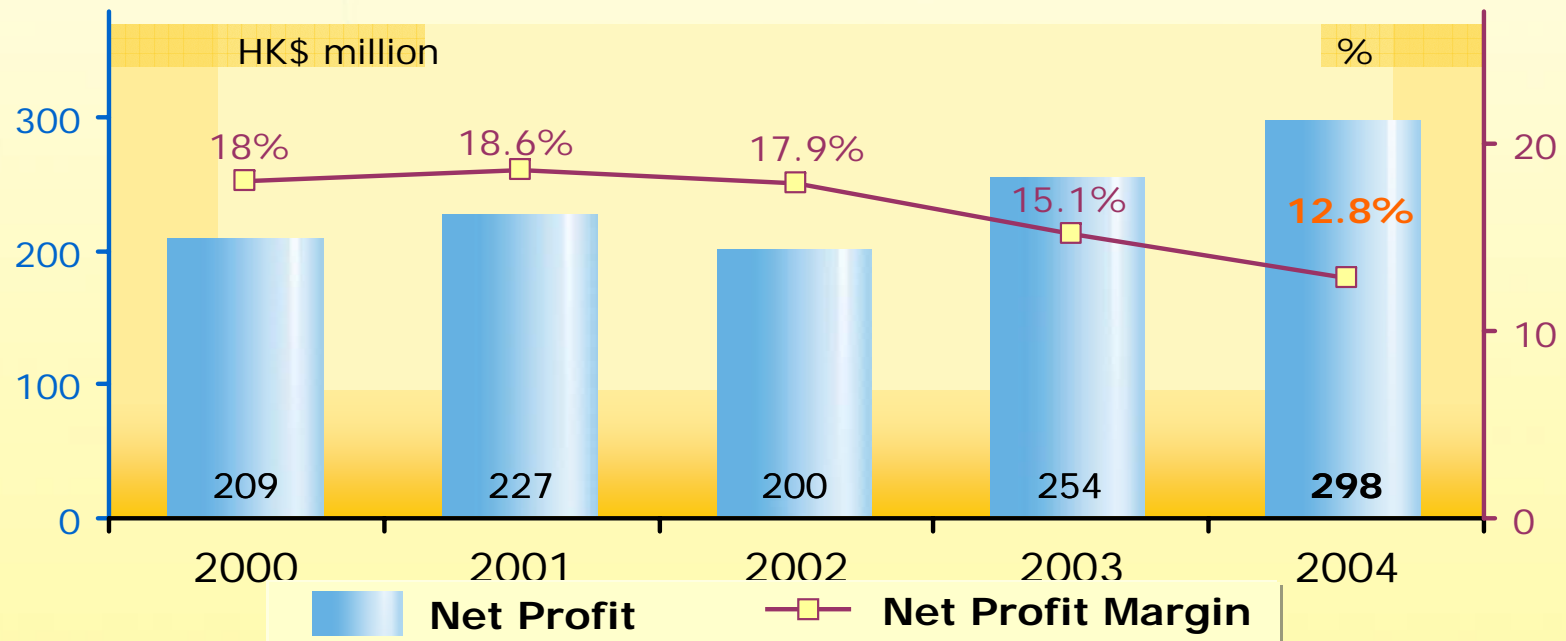
(HK\$ million)	2004	2003	Change (%)
Tissues	976	410	+138.1
Feminine Care	813	802	+1.4
Disposable Diapers	419	336	+24.9
Others	126	140	-10.0



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Continual Net Profit Growth

- Continual profit growth mainly due to:
 - Effective marketing strategies leading to surge in turnover
 - Product mix enhancement
 - Stringent cost control



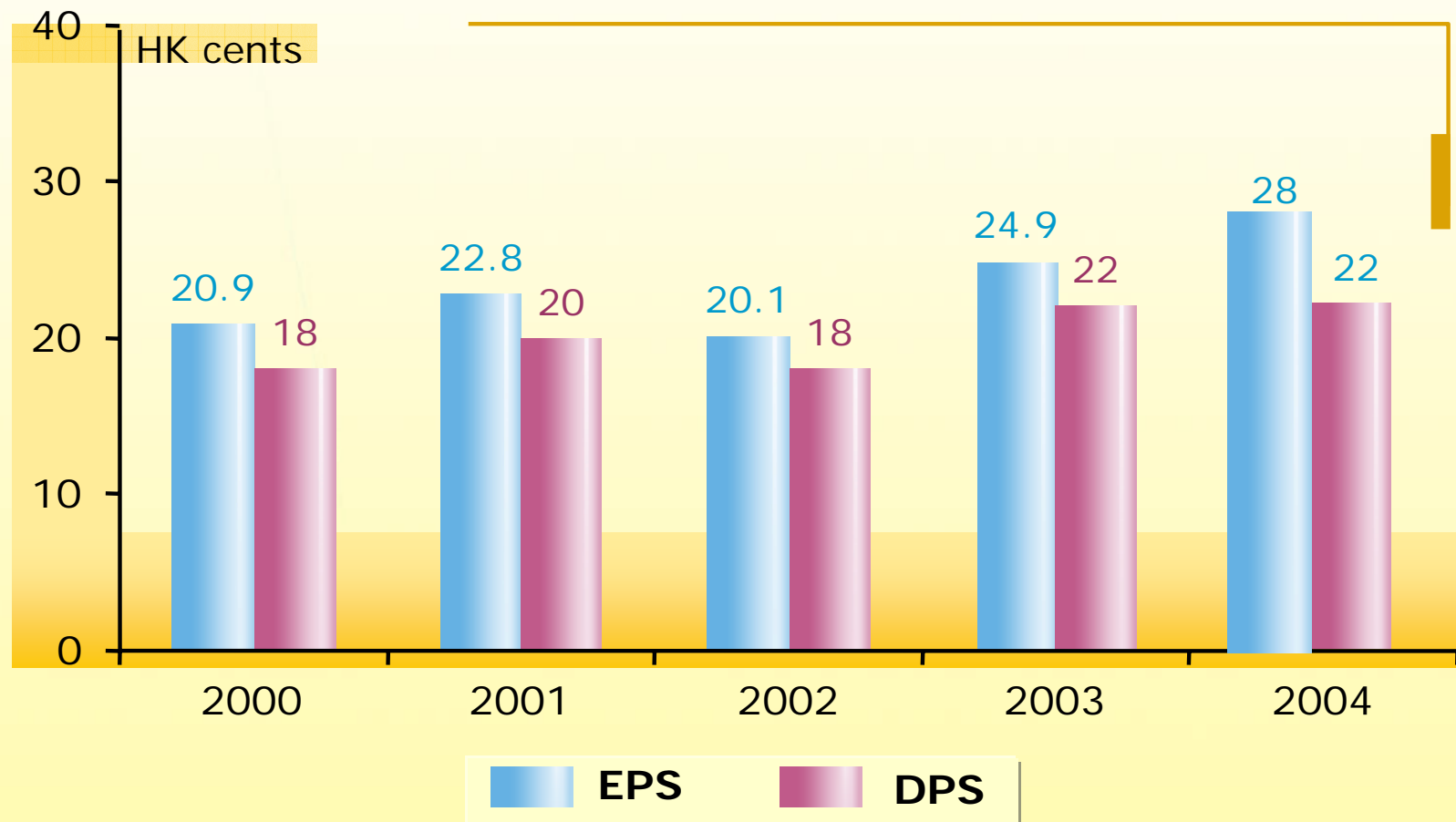
Continual Net Profit Growth

- Decrease in net profit margin resulting from:
 - Mild drop in gross profit margin to approximately 41.3% in 2004 (2003: 42.3%)
 - Loss on disposal of fixed assets of approximately HK\$5 million (2003: profit of approximately HK\$22 million)
 - Increase in distribution expenses from 18.9% to 19.9% (as a percentage of turnover)
 - Increase in effective tax rate to approximately 14.9% in 2004 (2003: 11.7%)



EPS & DPS

Dividend payout in 2004: 80%



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Key Financial Indicators

(HK\$)	2004	2003
Cash on Hand	544m	644m
Finished Goods Turnover	72 days	63 days
Accounts Receivable Turnover	33 days	30 days
Current Ratio	1.8 times	2.0 times
Gross Gearing Ratio	37.2%	19.0%
Net Gearing Ratio	11.2%	N/A





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Business Review

Full Range of Family & Personal Hygiene Products



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100%

Feminine Care

- Napkins
- Pantliners



100%

Disposable Diapers

- Baby Diapers
- Adult Diapers



100%

Tissue Paper Products

- Facial Tissue
- Pocket Handkerchief
- Toilet Paper
- Wet Tissues/Wipes



70%

Others

- Cleansing & Skin Care Products
- Pharmaceutical Products



MISSMAY

Banitore®

便利妥®

Bandi® 便利通®
Enema



Tissue Paper Products – A Key Growth Driver

- The Group acquired 68.9% equity interest in April 2003. The Group completed the acquisition of 20.6% and 10.5% equity interests in the tissue business in April and July 2004 respectively, turning it into a wholly owned subsidiary
- The Group's major source of revenue, accounting for approximately 41.8% of the Group's total turnover
- Increase in sales by approximately 1.4 times.





Tissue Paper Products – A Key Growth Driver

- More focus on high-end products with high margin such as “Wet tissues”, “Lavender series” and “Jimmy series”, which received favorable market response
- Manufacturing plants operating at its full capacity, additional capacity supplemented by outsourcing
- Shandong plant will commence production by August 2005, followed by Fujian plant in 2H 2006
- Improvement in production efficiency, sales of high-margin products and discount obtained through bulk purchase of wood pulp outweighed the impact of increase in raw material costs, resulting in mild improvement in gross profit ratio to 41% (2003: 39.4%)

Sanitary Napkins – A Leading Market Player

Business Environment

- High penetration of sanitary napkins in China, with increasingly intense price competition, particularly in the low-end market
- Selling prices for low-end products were under pressure



Business Strategies

- Enhanced product mix by increasing the sale of mid-to-high end products
- Actively promoted pantliners
- Launched the new “Young Ladies” series to expand product portfolio
- Implement stringent cost control measures to minimize the impact of increase in raw material costs



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Sanitary Napkins

– A Leading Market Player

Performance

- While there was only a mild increase in sanitary napkins revenue as a whole, high-end products sales revenue increased by approximately 7.7% to approximately HK\$576 million, mitigating the sales decline of the low-end products
- The high-end “Young Ladies” and “Space 7” series received favourable market response
- Sales of pantliners posted an impressive growth of approximately 10.3% to approximately HK\$169 million



Disposable Diapers

– Steady Growth

Business Environment

- China is a growing market with strong market demand
- The market for diapers was still at a development stage, with a low penetration of approximately 8% in the market

Strategies and Performances

- Baby diapers and adult diapers accounted for approximately 94.0% and 6.0% respectively of the disposal diapers business
- More focus on mid-to-high products such as the “Slim and comfort” series
- New production lines installed to enrich product categories
- Continue to tap opportunities in overseas markets





Skin Care Products and Banitore

Skin Care Products

- Revenue down by approximately 45.6%, leading to an operating loss of approximately HK\$3m
- Keen competition from local and international brands
- Products to be improved and repackaged to capture the market

Pharmaceutical Products

- Acquired 70% equity interest in HK-based Hengan Pharmacare at a consideration of HK\$14 million
- Plan to introduce Banitore plasters to the mainland market in 2005
- Plan to leverage HK and South East Asia sales channels to distribute the Group's hygiene products in HK



Effective Sales and Marketing Strategies Via Different Channels

Further developed and strengthened the modern sales channels



Established sample stores to market corporate images



Training provided to frontline sales staff



Employed staff specializing in promotions to promote products at sales points



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Future Outlook



Future Outlook

Market Outlook

- Market competition expected to remain keen in 2005
- Strong economic growth will continue, leading to stable growth in demand for personal hygiene products

Plans and Strategies

- Paper tissues and disposable diapers expected to be the key growth drivers
- New paper tissue product lines in Shandong and Fujian to commence operations by August 2005 and mid 2006, trebling the existing production capacities to meet market demand
- Continue to increase competitiveness by enhancing product mix, increasing the percentage of high-end product sales in the total turnover
- Optimize production flow process, including purchasing, inventory control, production cost and time
- Look for new markets and revenue streams





Mission

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



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