



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 2005 Corporate Presentation

September 2005



Agenda

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



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Financial Highlights

Financial Highlights

Six months ended 30 June

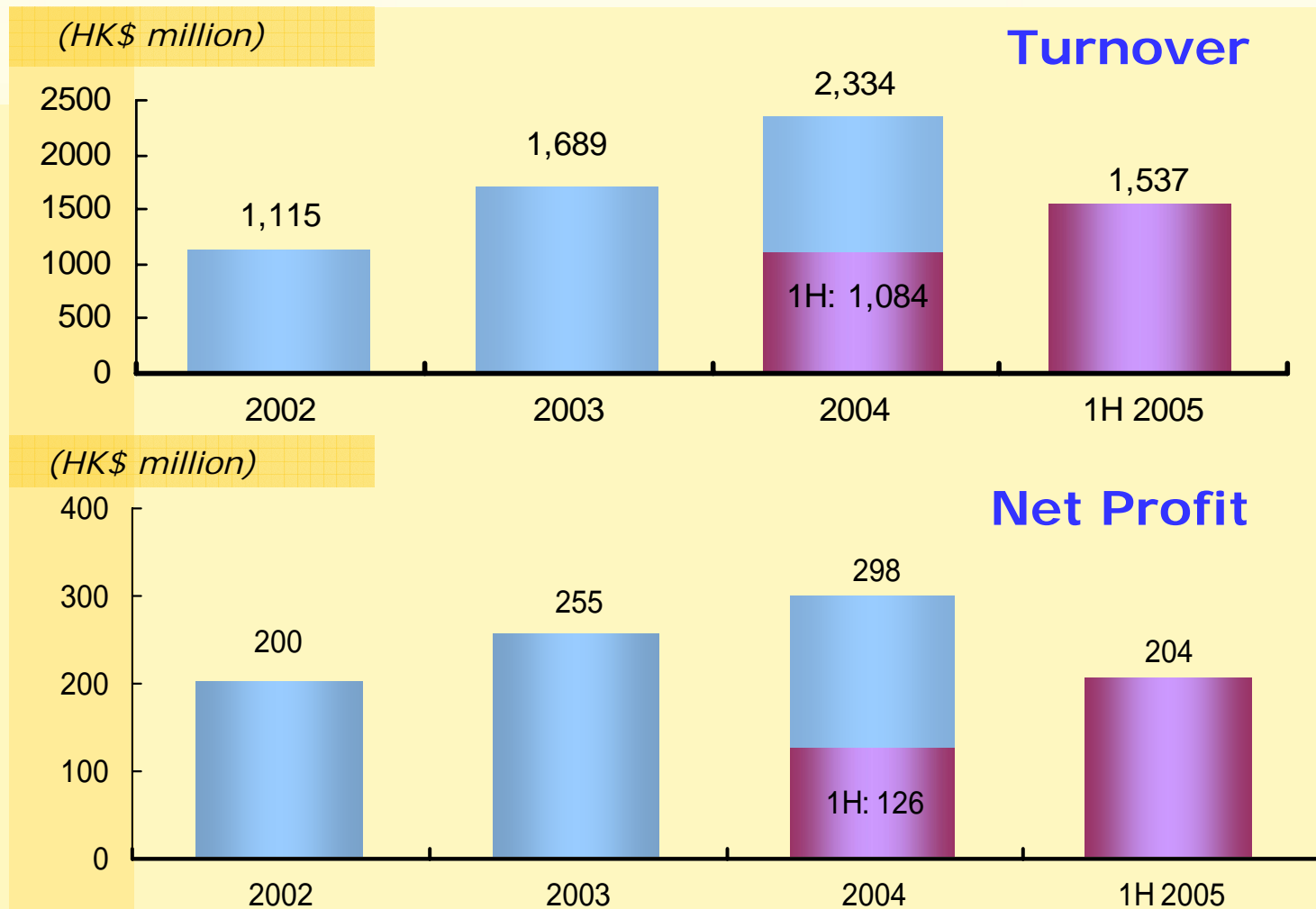
<i>(HK\$ '000)</i>	1H 2005	1H 2004	Change (%)
Turnover	1,537,328	1,083,605	+41.9
Gross Profit	629,183	462,002	+36.2
Operating Profit	252,990	187,471	+35.0
Profit Before Tax	245,752	178,666	+37.6
Net Profit	204,072	126,298	+61.7
Basic EPS (HK cents)	18.88 cents	12.03 cents	+56.9
Interim Dividend Per Share (HK cents)	12 cents	10 cents	+20



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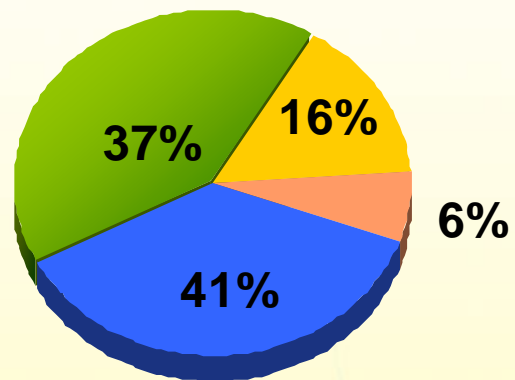
Sustainable Turnover and Profit Growth

- Strong period-on-period growth in 1H2005 fuelled by encouraging growth from tissue papers and diapers businesses, while sanitary napkins business also saw satisfactory performance

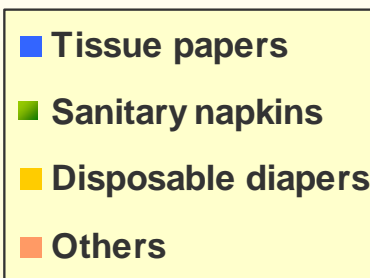
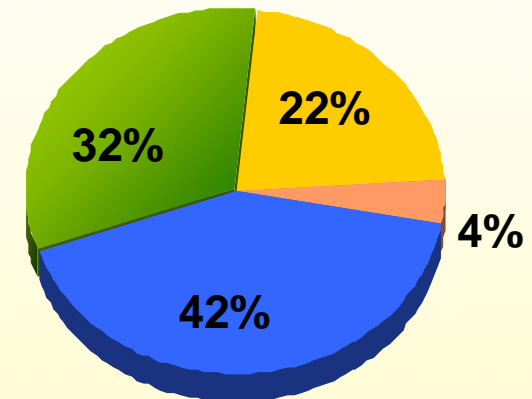


Solid Revenue Base

1H 2004



1H 2005



(HK\$ '000)

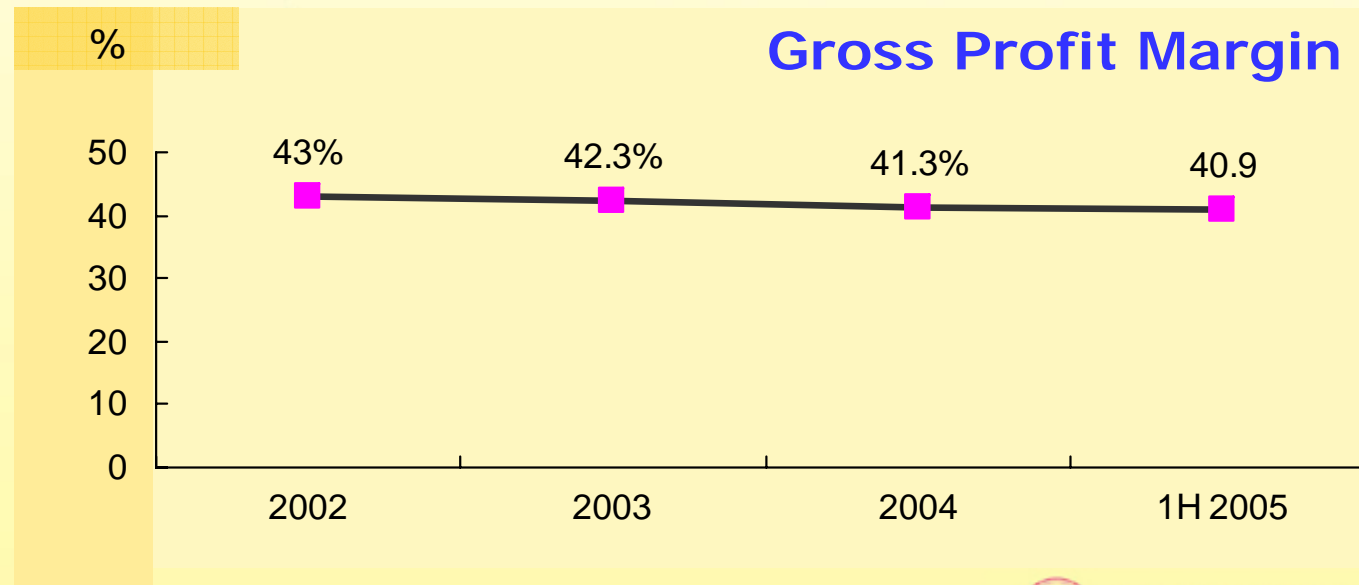
	1H 2005	1H 2004	Change (%)
Tissue papers	649	445	+45.8
Sanitary napkins (including pantliners)	486	400	+21.5
Disposable diapers	345	177	+95.1
Others	58	61	-5.5



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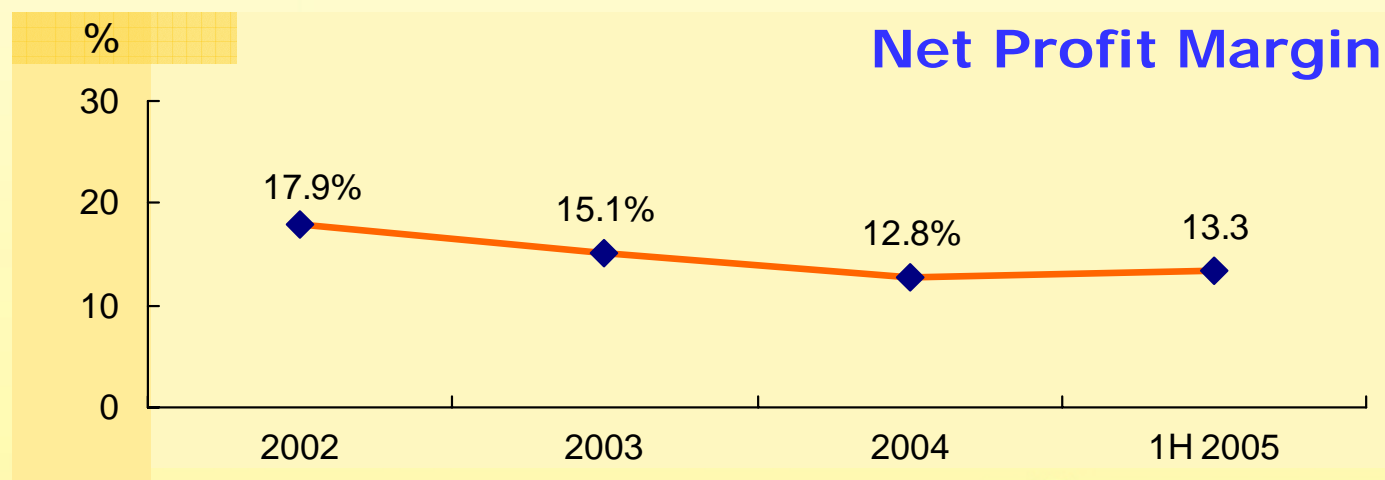
Gross Profit Margin Overview

- Increase in raw material costs and change in product mix (more tissue papers and diapers sales) led to decline in overall gross margin
- Economies of scale benefits, adoption of effective cost control measures, improvement of production and management efficiency mitigated the negative impact of the increase in raw material costs



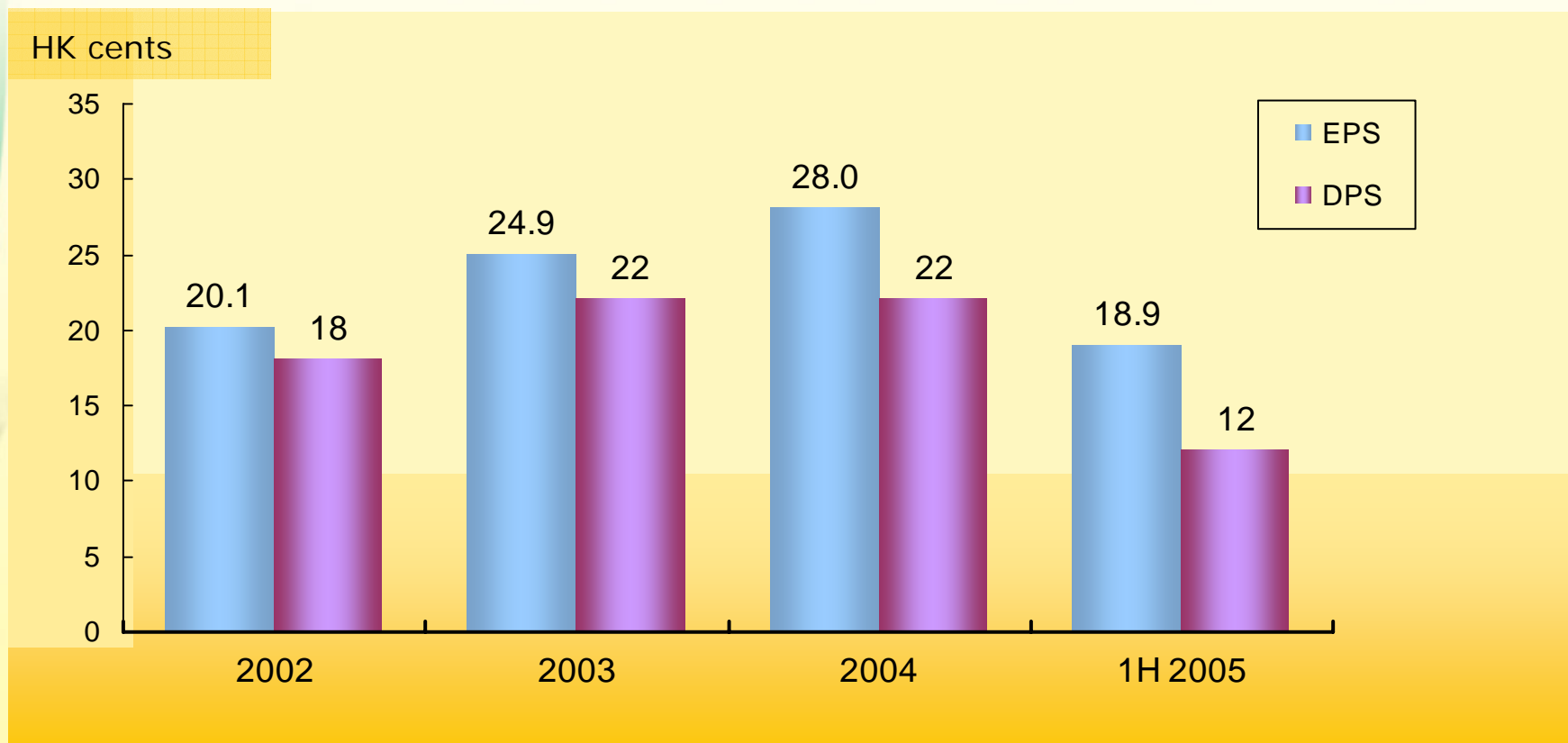
Net Profit Margin Overview

- Improvement in net profit margin by 1.6 percentage points despite drop in gross profit margin
- Economies of scale effect: selling and administrative expense as a percentage of turnover decreased by around 1.3 percentage points
- Minority interests dropped significantly by HK\$15.6 million after acquisition of tissue business in mid 2004



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EPS & DPS



Key Indicators

Finished Goods Turnover Ratio

1H 2005

66 days

1H 2004

67 days

**Turnover Accounts Receivable
Turnover Ratio**

31 days

45 days

Current Ratio

1H 2005

1.7 times

As at 31 Dec 2004

1.8 times

Net Gearing Ratio

17.3%

11.2%



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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 Tissues
- Pocket Handkerchief
- Toilet Rolls
- Wet Tissues



70%

Others

- Cleansing & Skin Care Products
- Pharmaceutical Products



Tissue Paper Products

– Reaching New Heights

- Improvement of income and living standard of domestic consumers increases the need for high-end quality tissue papers
 - ➔ **Sales increased by 45.8%**
- Effect of increase in raw materials costs was substantially offset by strengthening the marketing of higher margin products and economic of scale effect
 - ➔ **Gross margin declined by 3.6 percentage points to 38.8%**
- Manufacturing plants operating at full capacities, additional capacity supplemented by outsourcing
 - ➔ **Shangdong and Fujian production bases available on 28 August 2005 and mid 2006 respectively**



Sanitary Napkins -

– Continual Product Mix Enhancement

- Low entry barrier for low-end products affecting the mid-to-low end “Anle” products
- Improvement in living standard increases demand for mid-to-high end “Anlerle” products, such as the Young Lady series
- Enhanced product mix to increase the proportion of high-end “Anerle” products
 - ➔ Sales increased by 21.5%
 - ➔ Sales from high-end “Anerle” products accounted for 75.7% of the total sanitary napkin sales
 - ➔ Gross margin increased by 4 percentage points to 50.7%



Disposable Diapers

- Increasing Market Penetration

- Growing market demand for baby diapers as GDP increases to a certain level
 - ➔ Sales increased by 95.1%
 - ➔ Strengthened distribution network in these areas to capture the immense market opportunities
 - ➔ Robust sales growth
- Implemented cost control measures and benefited from economies of scale, both help to mitigate the adverse impact of rise in raw materials cost
 - ➔ Gross profit margin decreased by 1.1 percentage points to 33.2%

Effective Sales and Marketing Strategies Via Different Channels

Further developed and strengthened the modern sales channels



Established sample stores to market corporate images



Deepened network coverage to increase penetration rate



Training provided to frontline sales staff

Employed staff specializing in promotions to market our products at sales points



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Future Outlook



Future Outlook

- Paper tissues and disposable diapers will continue to be the key growth drivers
- Paper tissue products
 - New paper tissue product lines in Shandong and Fujian available in August 2005 and mid 2006 to increase production capacity significantly to meet market demand
- Disposable diapers
 - Plans to install new production lines in this year and to renovate and upgrade the existing facilities



Future Outlook

- Continue to increase competitiveness by launching new products, improving quality of products and enhancing product mix
- Optimize production flow process, including controls over purchasing, inventory management and production management
- Plans to develop new markets to increase the Group's turnover and profit



Mission

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



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Open Forum