



恒安國際集團有限公司

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

Annual Results 2005



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

March 2006

Agenda



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



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Financial Highlights



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

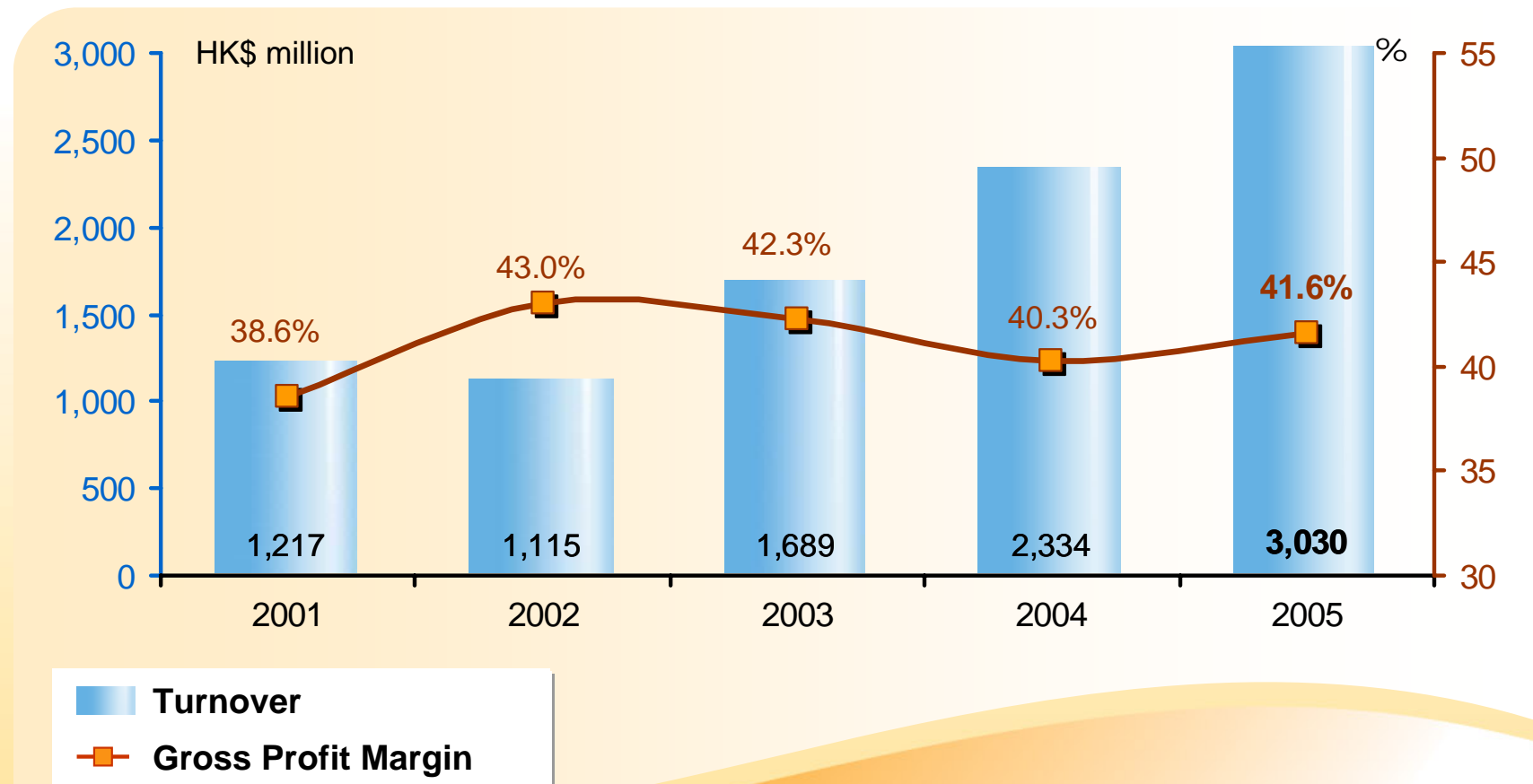
Financial Highlights

(HK\$ '000)	2005	2004 (Restated)	Change (%)
Turnover	3,030,122	2,293,547	↑ 32.1
Cost of Sales	(1,770,798)	(1,369,181)	↑ 29.3
Gross Profit	1,259,324	924,366	↑ 36.2
Operating Profit	564,272	391,178	↑ 44.2
Net Profit	450,291	298,026	↑ 51.1
Earnings per share	HK 41.7 cents	HK 28 cents	↑ 48.9
Dividend			
– Interim	HK 12 cents	HK 10 cents	↑ 20
– Final	HK 16 cents	HK 12 cents	↑ 33.3



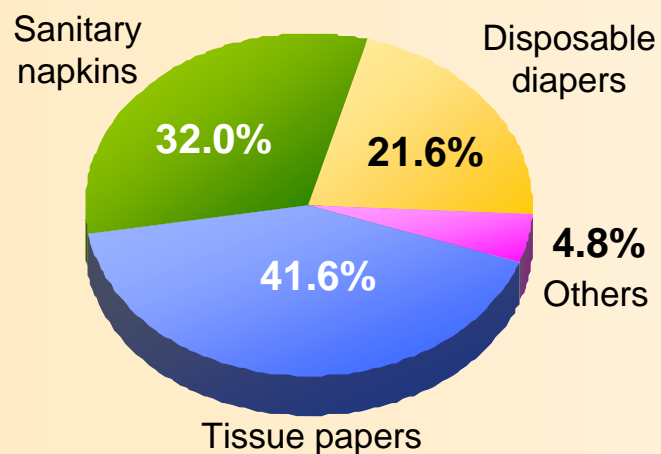
Turnover Reached a New Height

- 🇮🇸 Growth in sales of the tissue paper and diaper boosted the turnover

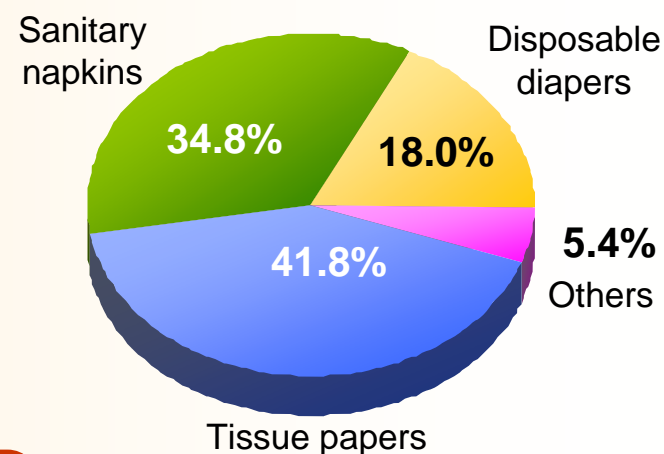


Solid Revenue Base

2005



2004



(HK\$ '000)

	2005	2004 (Restated)	Change (%)
Tissue papers	1,259,700	958,680	↑ 31.4%
Sanitary napkins (including pantliners)	971,315	798,895	↑ 21.6%
Disposable diapers	654,216	411,807	↑ 58.9%
Others	144,891	124,165	↑ 16.7%







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Profit Margin Overview – By Business Segment


(HK\$ '000)	2005	2004 (Restated)
Tissue papers	38.6%	39.9%
Sanitary napkins (including pantilliners)	52.5%	46.4%
Disposable diapers	31.2%	30.9%
Overall	41.6%	40.3%

Factors affecting gross profit margin:


Overall

-  Increase in costs of raw materials
e.g. wood pulp and petrochemical materials
-  Economies of scale
-  Improvement of production and management efficiency
-  RMB appreciation

Tissue business

-  Increase in subcontracting fee

Sanitary napkins

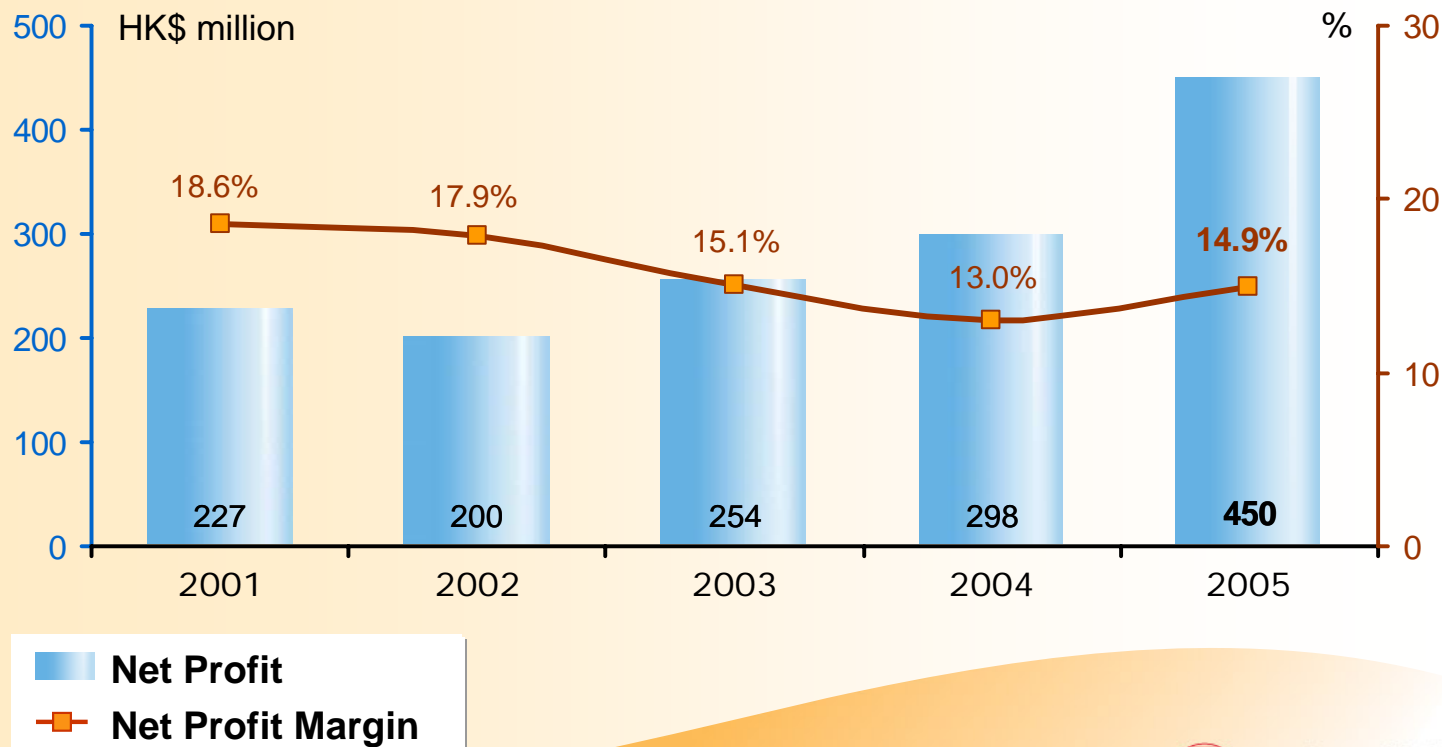
-  Change of sales mix – increase in sales of higher end “Anerle” products which represents 76.3% segmental sales (2004: 70.9%)



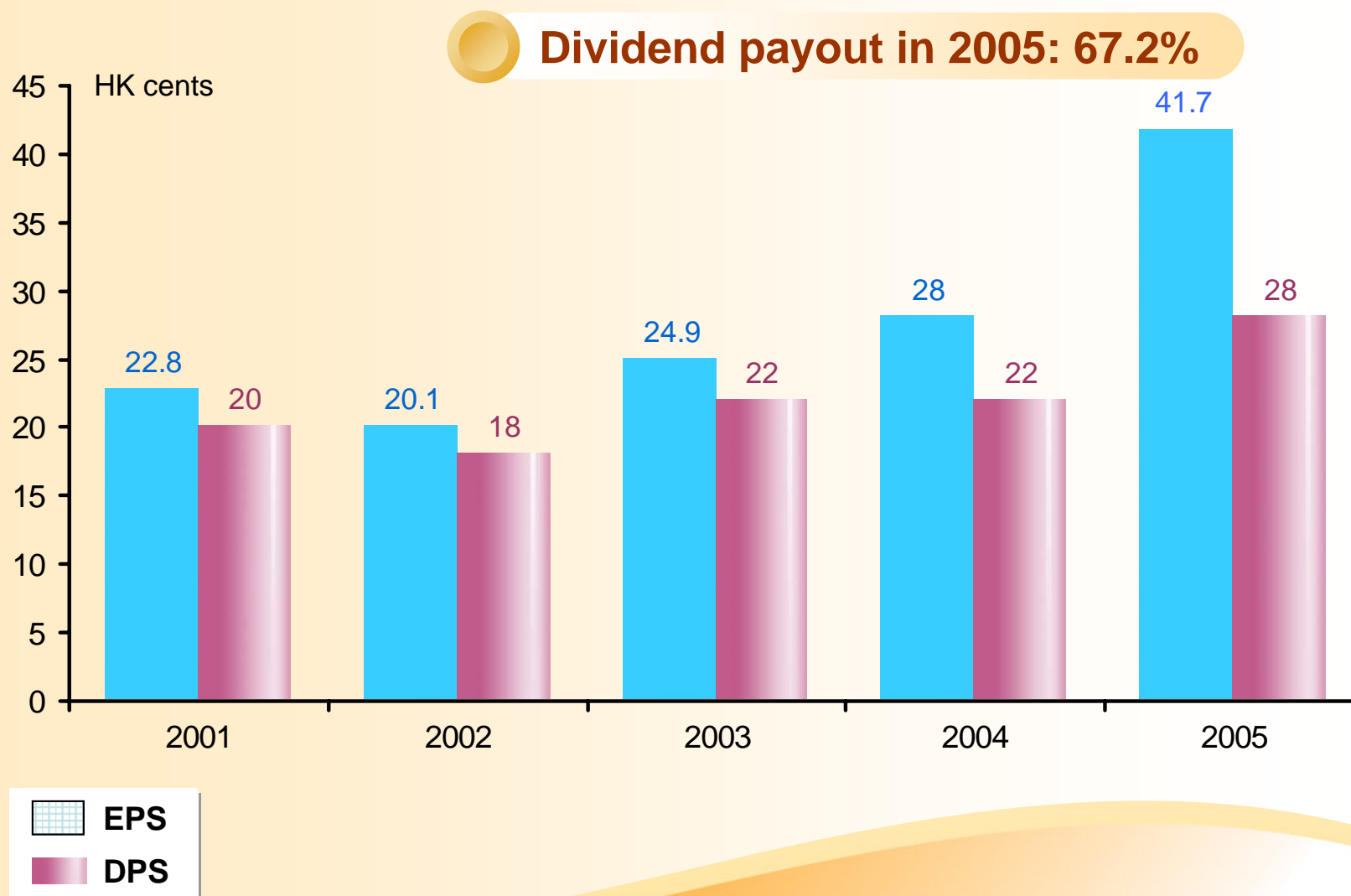
Sustainable Net Profit Growth

Improvement in net profit margin:

- Effective cost controls, economies of scale and RMB appreciation
- Fully acquired tissue business in 2004 → drop in minority interests
- No need to amortize goodwill under new accounting standards (2004: HK\$18.5 million)



EPS & DPS



Key Financial Indicators

	2005	2004
Cash on Hand (HK\$ '000)	499,937	543,807
Finished Goods Turnover	62 days	73 days
Accounts Receivable Turnover	28 days	34 days
Current Ratio	1.3 times	1.8 times
Gross Gearing Ratio	41.0%	37.3%
Net Gearing Ratio	19.6%	11.2%



2 Business Review

七度空间
SPACE 7

恒安集团
HENGAN

独有『真扇尾』
长夜我怕谁

七度空间
SPACE 7
超长夜用 338mm
8片装

我有超长夜用 338



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Tissue Papers Fuel the Growth

Market conditions:

- Demand continues to exceed supply
- “Heartex” brand accredited the “China Top Brand”

Performance

- Sales revenue rose by 31.4% to HK\$1.26 billion, representing 41.6% of total sales
- Improve production efficiency against the effect of increasing raw materials costs and production outsourcing → gross profit margin dropped from 39.9% to 38.6%
- Phase one plant of Shandong production base commenced production in late August 2005, contributing approximately 10,000 tons products, but still cannot meet the strong market demand



Sanitary Napkins – A Leading Giant

Market conditions:

- Many small and medium-sized manufacturers ceased production and closed down their companies
- Consumers demanded for quality feminine hygiene products

Performance

- Sales revenue increased by 21.6% to HK\$971 million, representing 32.0% of the total revenue
- Gross profit margin rose from 46.4% to 52.5%:
- “Space 7” under “Anerle” brand well received by the market
- Favourable sales of Pantiliners
- Focus on producing and promoting mid-to-high-end products with higher gross profit margin



Disposable Diapers – Uprising Business

Market conditions:

- ❶ Low penetration rate
- ❷ People living in 3rd and 4th tier cities, towns and villages demand for more disposable diapers
- ❸ Sales revenue rose by 58.9% to HK\$654 million, contributing 21.6% of the total revenue
- ❹ Cost control measures, economies of scale and appreciation of RMB partly offset the impact of escalating raw material costs → gross profit margin increased slightly from 30.9% to 31.2%
- ❺ Focus on quality products and launch more new diaper products in the future



Nationwide Sales and Marketing Channels

- Further enhance sales channels in 3rd and 4th tier cities, towns and villages
- Strengthened the collaboration with various large supermarkets
- Employ numerous sales and marketing professionals to promote products



3 Future Outlook

安儿乐
anierle

宝宝的選擇

小小心意 谢妈妈

涓涓母爱 朵朵真情

今天我会乖乖的,因为有了安儿乐纸尿裤的陪伴
我一定会清清爽爽的,您也可以轻轻松松地过节啦

www.anierle-baby.com

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Future Outlook

Market outlook:

- ❶ Optimistic towards the prospects of mainland China personal hygiene and care products market
- ❷ Robust growth in tissue paper and disposable diaper businesses while sanitary napkins market has entered into a consolidation stage
- ❸ The 11th Five-Year Plan to be implemented by the China central government on towns, villages and agricultural areas provide further business opportunities to the Group



Future Outlook

Plans and Strategies

Tissue papers



-  Develop more diversified product series to meet the growing market demand
-  New production base in Fujian and phase two of Shandong production base will commence operation in July 2006 and June of 2007 respectively

Diapers



-  Technical upgrading on existing production lines and increase new production lines

Sanitary napkins



-  Continue to focus on mid-to-high-end products with higher profit margin

