



恒安國際集團有限公司

HENGAN INTERNATIONAL GROUP COMPANY LIMITED



Annual Results 2006

Corporate Presentation

March 2007

Agenda



恒安國際集團有限公司
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- Financial Highlights
- Business Review
- Outlook
- Open Forum





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Financial Highlights



Financial Highlights



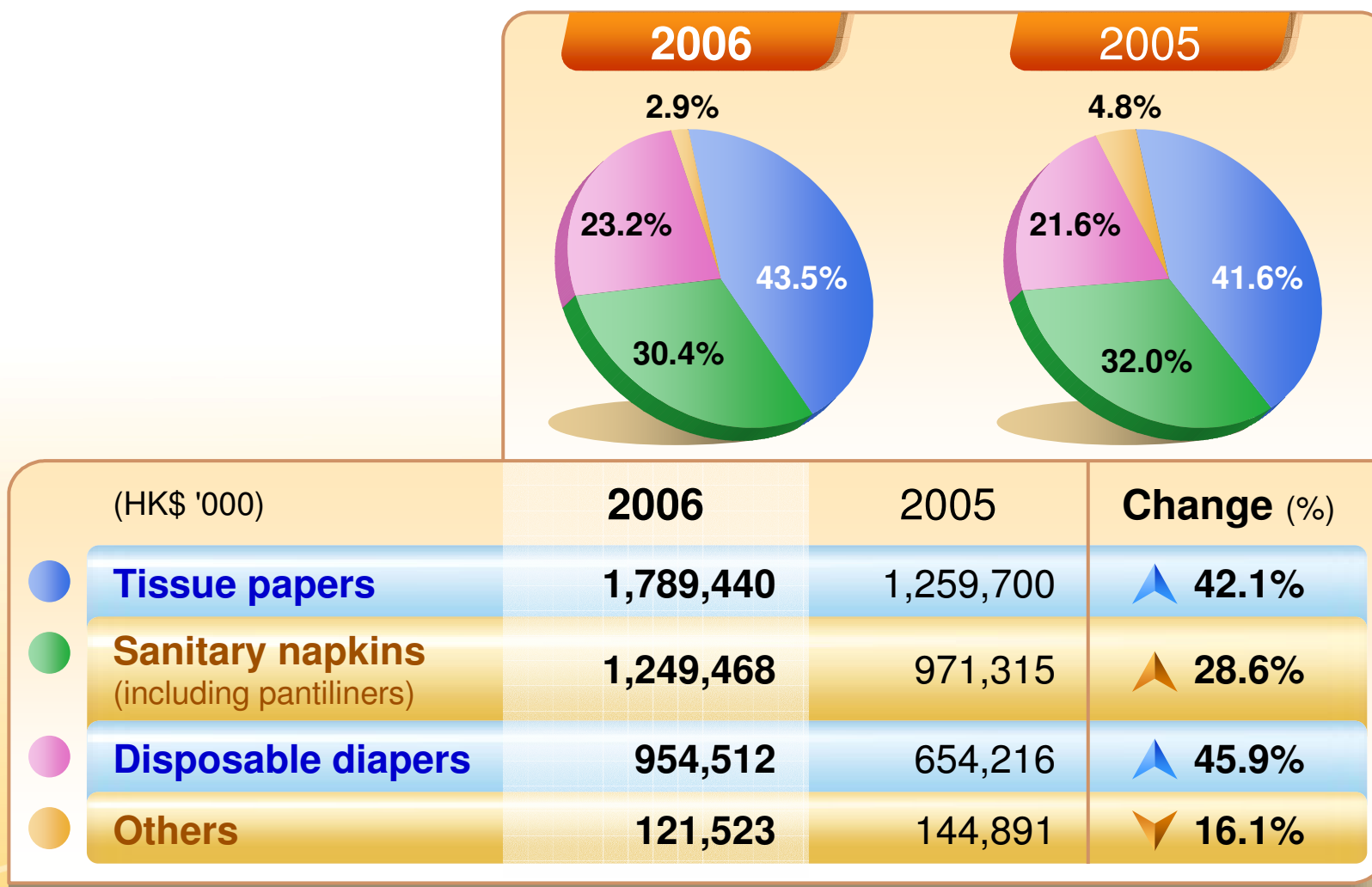
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(HK\$ '000)	2006	2005	Change (%)
Turnover	4,114,943	3,030,122	▲ 35.8%
Cost of sales	(2,394,256)	(1,770,798)	▲ 35.2%
Gross profit	1,720,687	1,259,324	▲ 36.6%
Operating profit	932,681	564,272	▲ 65.3%
Net profit	696,624	450,291	▲ 54.7%
Earnings per share	HK 64.5 cents	HK 41.7 cents	▲ 54.7%
Dividend per share			
– Interim	18 HK cents	12 HK cents	
– Final	25 HK cents	16 HK cents	

Solid Revenue Base



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Gross Profit Margin Overview

– By Business Segment



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Gross Profit Margins	2006	2005
Tissue papers	35.6%	38.6%
Sanitary napkins (including pantliners)	55.3%	52.5%
Disposable diapers	32.9%	31.2%
Overall	41.8%	41.6%

Factors affecting gross profit margin:

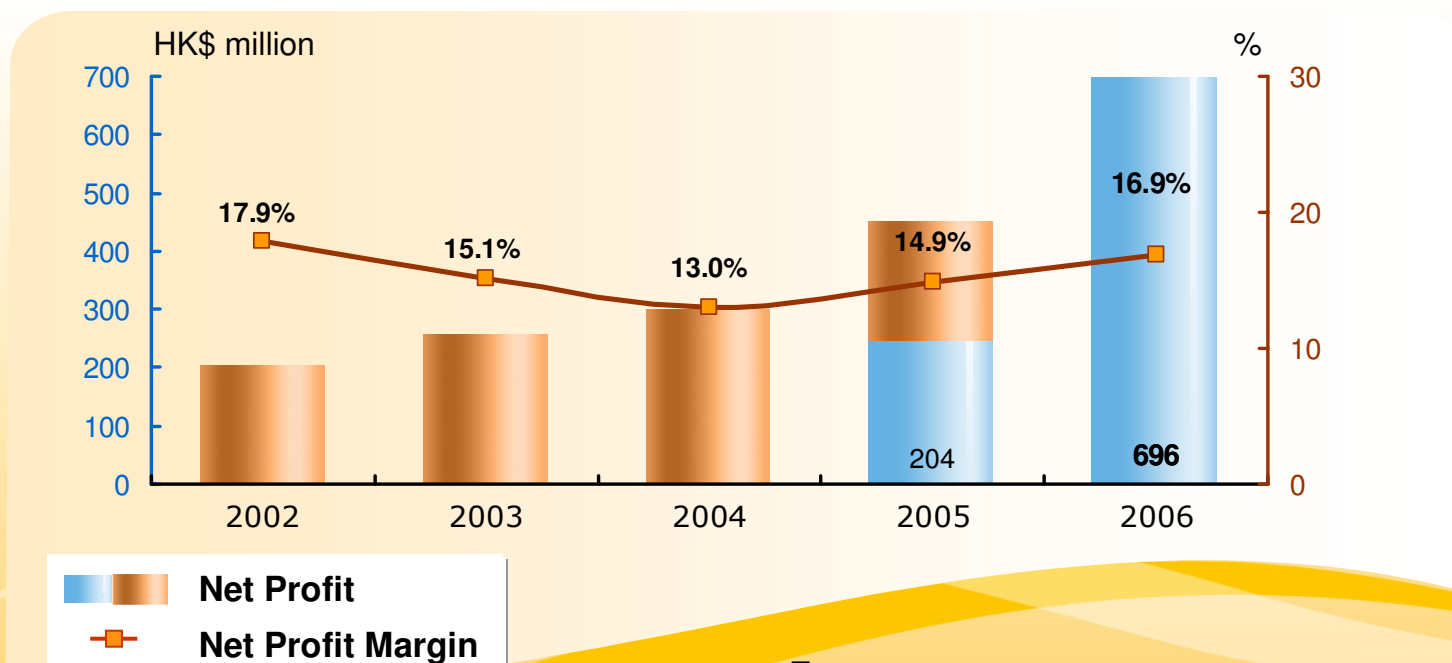
Tissue papers	<ul style="list-style-type: none"> Increase in major raw material price, especially wood pulp Increase in proportion of toilet rolls to approximately 29% (2005: 26%)
Sanitary napkins	<ul style="list-style-type: none"> Increase in sales of mid-to-high-end “Anerle” products (including the “Space 7” series, which account for approximately 80.3% of segmental sales (2005: 76.3%))
Disposable diapers	<ul style="list-style-type: none"> Decrease in price of petrochemical raw materials Strengthened internal controls Economies of scale

Sustainable Net Profit Margin



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- Effective cost controls and economies of scale lowered the percentage of distribution costs and administrative expenses to approximately 21.3% of total turnover (2005: 23.2%)
- Gain on disposal of investment in Shanghai Jahwa (net of tax) – approximately HK\$22 million (before tax: HK\$30 million)
- Government grant - refund of income tax and value-added tax totalling approximately HK\$30 million

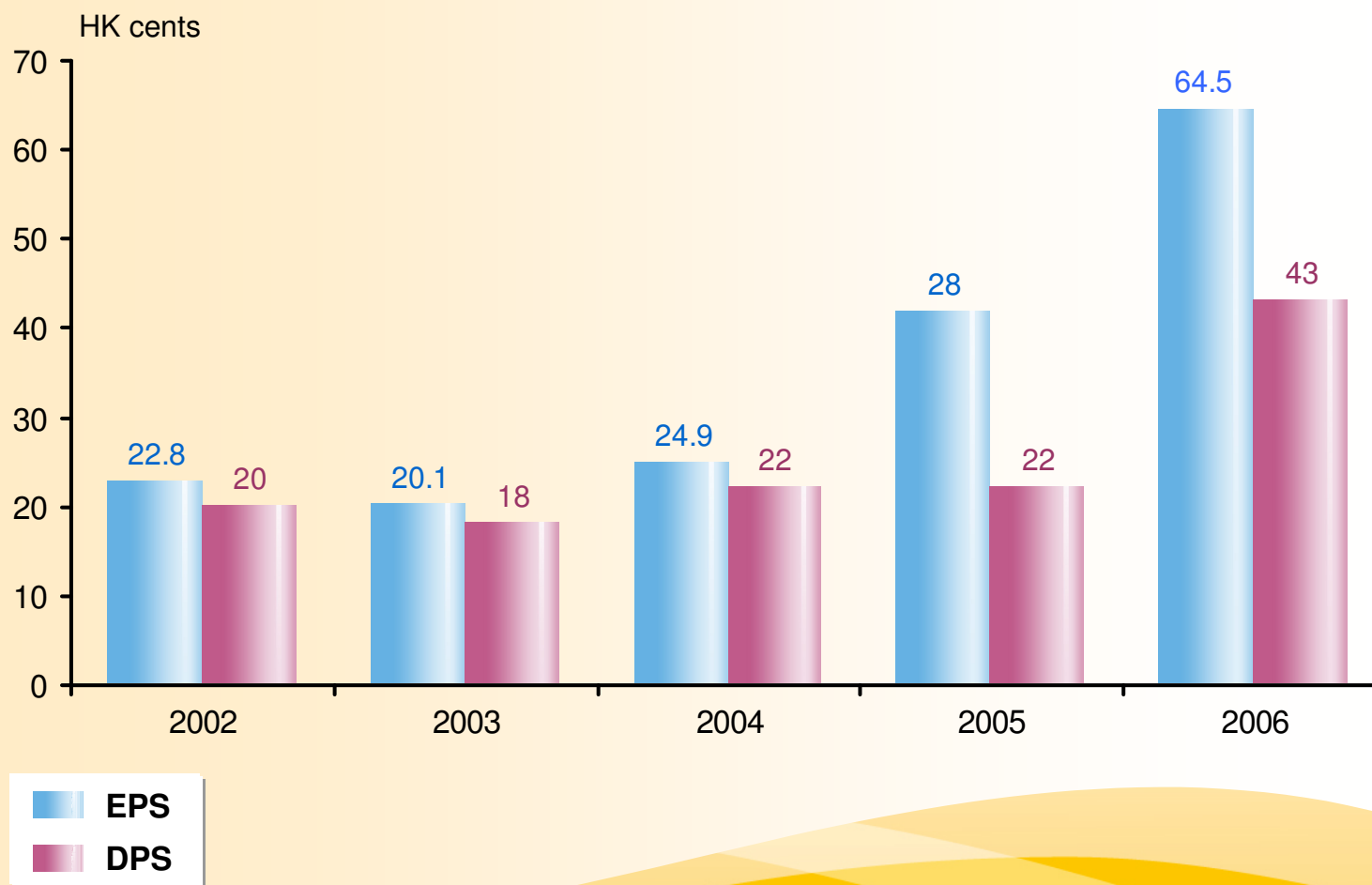


EPS & DPS



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Dividend pay out ratio: 67%



Key Financial Indicators



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	2006	2005
Cash on hand (HK\$ '000)	1,020,669	499,937
Finished goods turnover	71 days	73 days
Accounts receivable turnover	29 days	28 days
Accounts payable turnover	61 days	58 days
Current ratio	2.5 times	1.3 times
Gross gearing ratio	63.4%	41.0%
Net gearing ratio	26.9%	19.6%

Other Financial Information



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 Issued convertible bonds of approximately HK\$1.5 billion during 2006

 Capex on acquisition and installation of production facilities was approximately HK\$558 million (2005: HK\$610 million), prepayment for capex amounted to approximately HK\$175 million (2005: HK\$64 million)

 Effective tax rate: 19.8% (2005:16.9%)



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Business Review



Tissue Papers



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Market overview:

- Domestic demand for quality tissue paper products increased with growth in income per capita in the PRC
- Shift from using lower quality products to branded quality products
- “Hearttex” brand gained popularity and became a household brand

Business performance:

- Sales increased approximately by 42.1% to approximately HK\$1,789 million
- Gross margin decreased to approximately 35.6% (2005: 38.6%) mainly due to the following reasons:
 - Price of wood pulp, the major raw material of tissue paper, continued to surge
 - Increase in production of toilet rolls to approximately 29% (2005:23%)
- Fujian production base Phase I has commenced operation in July 2006
 - Annual production capacity increased to approximately 180,000 tons
- Diversified tissue paper products to cater for customers' need
 - “Green Tea” tissue paper products

Sanitary Napkins



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Market overview:

- Continued increase in demand for branded quality feminine hygiene products
- Market consolidation - small to medium-sized manufacturers faced tremendous pressure brought by high raw material price
- Large-scale manufacturers benefited from economies of scale

Business performance:

- Sales revenue increased by approximately 28.6% to HK\$1,249 million
- Increased effort to develop new products, improved quality of products and focused more on mid-to-high-end products
- Sales of “Anerle” (including “Space 7 Series”) accounted for approximately 80.3% (2005: 76.3%) of total sales in sanitary napkins
- Gross profit margin further increased from approximately 52.5% to approximately 55.3%, mainly due to increase in sales of high-end products

Disposable Diapers



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Market overview:

- Low penetration rate together with increased income per capita in the PRC led to strong growth in demand for disposable diapers products

Business performance:

- Established nation-wide distribution network
- Sales revenue surged by approximately 45.9% to approximately HK\$955 million
- Benefited from strengthened internal controls, economies of scale and decrease in price of petrochemical raw materials
 - gross profit margin increased to approximately 32.9%

Distribution and Marketing Channels



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- ① Expanded traditional sales channels, including local convenient stores and small shops
- ① Strengthened collaboration with large supermarkets
- ① Negotiated with large-scale supermarkets to secure satisfactory terms on cooperation
- ① Increased the number of sales and marketing professionals to promote products in different supermarkets and hypermarkets





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Outlook



Outlook



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Plans and strategies

Tissue papers



- ① Increase annual production capacity to approximately 240,000 tons upon completion of Shandong production base Phase II by the end of June 2007
- ① Optimise production process and strengthen cost controls
- ① Diversify product range to include kitchen paper products

Diapers



- ① Launch “Free to Grow” series in the second half of this year, and develop mid-to-high-end products
- ① New production bases in appropriate areas
- ① Increase and revamp production lines

Sanitary napkins



- ① Focus on mid-to-high-end products with higher gross profit margin
- ① Enhance product portfolio and diversify product range



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Open Forum

