



恒安國際集團有限公司

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

STOCK CODE: 1044



Annual Results 2007

Corporate Presentation

March 2008



Agenda

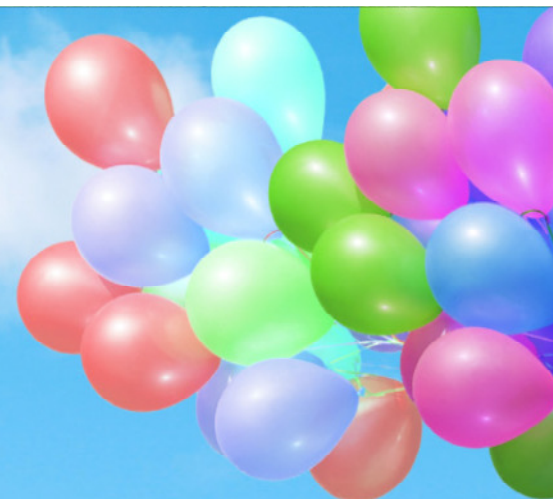
- ① Financial Highlights
- ① Business Review
- ① Outlook
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Financial Highlights



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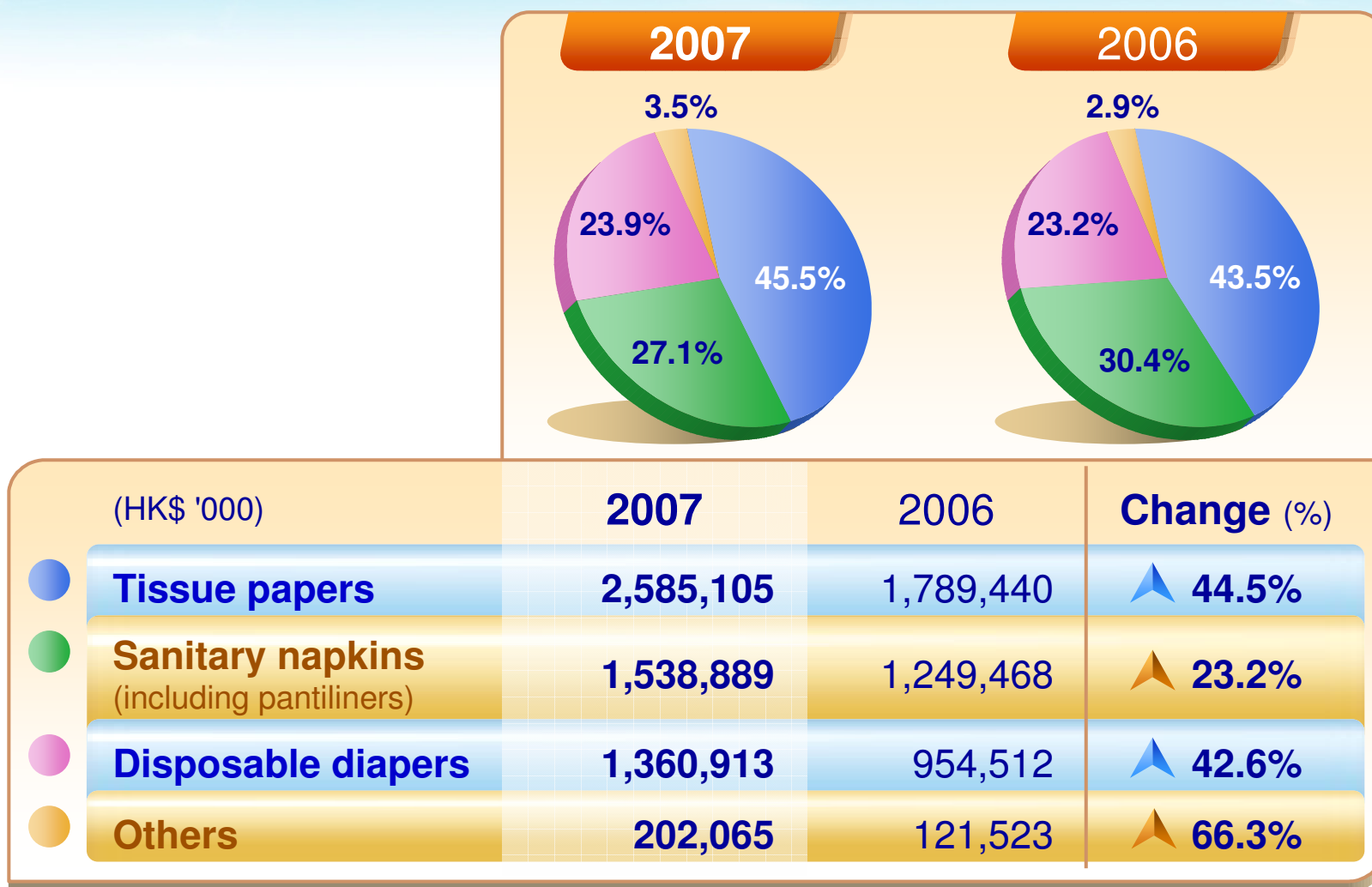
Financial Highlights

(HK\$ '000)	2007	2006	Change (%)
Revenue	5,686,972	4,114,943	 38.2%
Cost of sales	(3,410,728)	(2,394,256)	 42.5%
Gross profit	2,276,244	1,720,687	 32.3%
Operating profit	1,255,805	918,122	 36.8%
Net profit	1,005,939	696,624	 44.4%
Earnings per share	HK 92.2 cents	HK 64.5 cents	 42.9%
Dividend per share			
– Interim	28 HK cents	18 HK cents	
– Final	32 HK cents	25 HK cents	



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Solid Revenue Base



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Gross Profit Margin Overview

– By Business Segment

Gross profit margins	2007	2006
Tissue papers	31.5%	35.6%
Sanitary napkins (including pantliners)	56.9%	55.3%
Disposable diapers	33.3%	32.9%
Overall	40.0%	41.8%

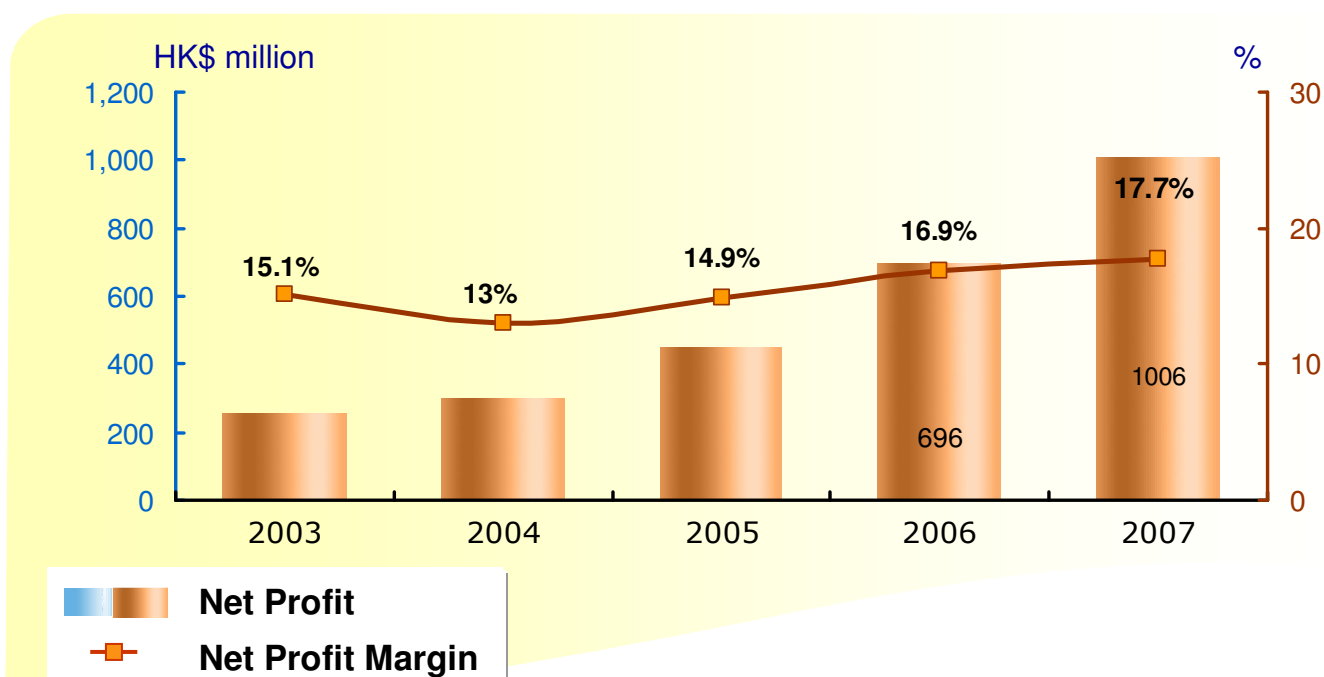
Major factors affecting gross profit margin in 2007:

Overall

- ⌚ Increase in price of petrochemical raw materials and wood pulp
- ⌚ Strengthened cost control measures
- ⌚ Economies of scale
- ⌚ Appreciation of Renminbi
- ⌚ Increase in proportion of higher gross profit margin products

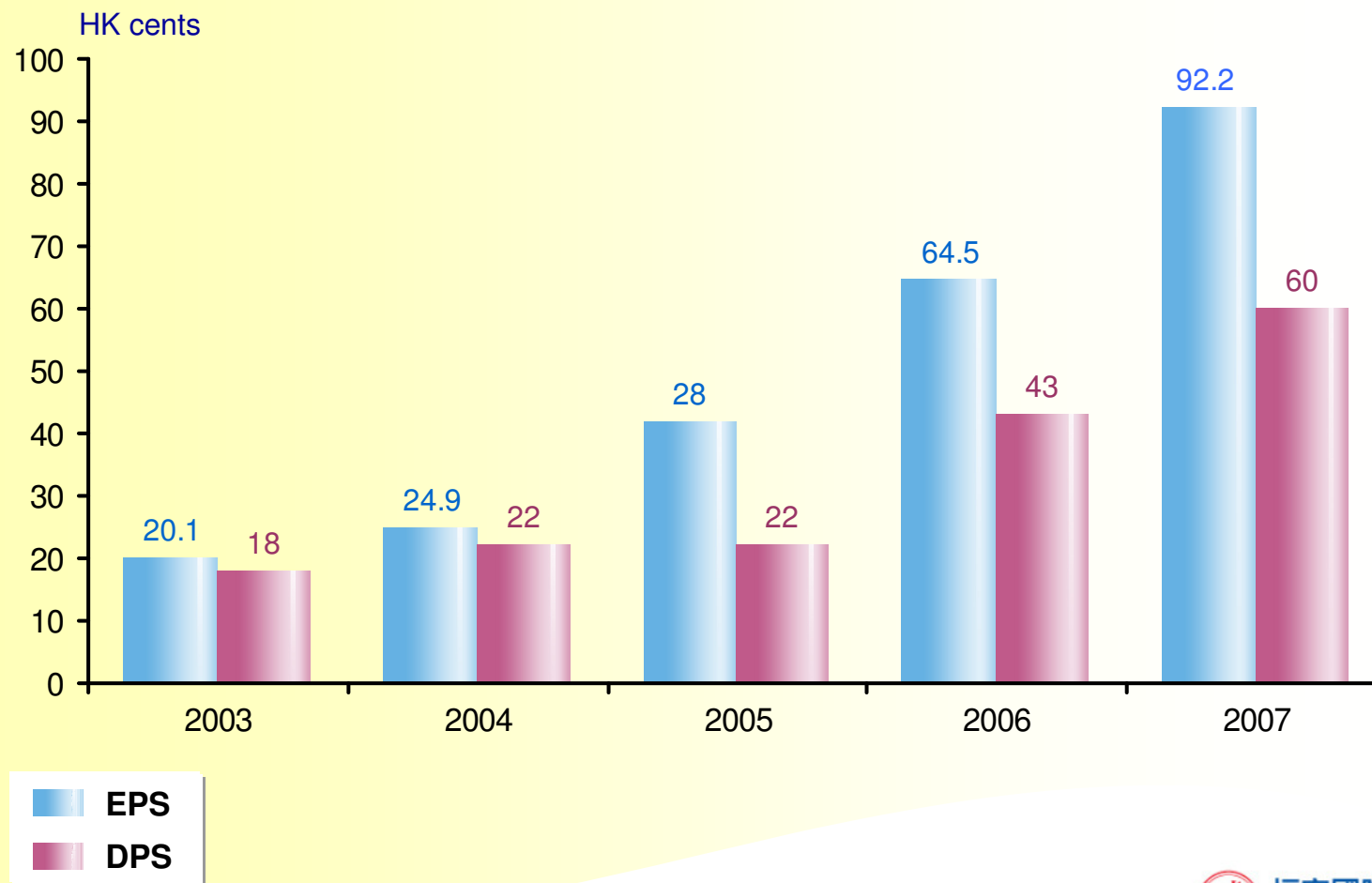
Sustainable Net Profit Margin

- Net profit margin: approximately 17.7% (2006: 16.9%)
- Distribution costs and administrative expenses dropped to approximately 19.8% of total turnover (2006: 21.3%) because of
 - Effective cost controls
 - Enhanced economies of scale
 - Improvement in contribution per staff



EPS & DPS

Dividend payout ratio: 66.4%



Key Financial Indicators

	2007	2006
Cash on hand (HK\$ '000)*	2,304,920	1,020,669
Finished goods turnover	64 days	71 days
Accounts receivable turnover	32 days	29 days
Accounts payable turnover	60 days	61 days
Current ratio*	3.4 times	2.5 times
Gross gearing ratio*	34.4%	63.4%
Net gearing ratio*	-	26.9%

*Improvement due to issuance of 60 million new shares in October 2007 raising around HK\$1.8 billion

Other Financial Information

- ① Gain on disposal of equity interests in Shanghai Jahwa of HK\$22 million in 2006 (HK\$30 million before tax): not recurring in 2007
- ① Government grants – around HK\$100 million (2006:HK\$38 million)
 - Encouragement by local governments HK\$20 million (2006:HK\$30 million)
 - Re-investment of earnings HK\$80 million (2006: NIL)
- ① Interest expenses increased by around HK\$31 million as interest expenses were accrued for the five-year-zero-coupon convertible bonds of HK\$1.5 billion (annual yield: 4.755%)
- ① Capex: around HK\$918 million (2006: HK\$558 million)
- ① Prepayment for capex: around HK\$322 million (2006: HK\$175 million)
- ① Effective tax rate: 14.8% (2006:19.8%) dropped as new PRC companies were set up to enjoy tax preferential treatment
- ① 11 million share options: granted to directors and employees, approximately HK\$11 million charged to profit and loss account



Business Review



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Tissue Papers

Market overview:

- ① Booming economy and rising income per capita raised the demand for quality tissue paper products
- ① Tightened environmental protection laws to control pollution in the PRC

Business performance in 2007:

- ① Sales revenue increased approximately by 44.5% to approximately HK\$2.585 million
- ① Gross profit margin decreased to approximately 31.5% (2006: 35.6%) mainly due to
 - Surge of wood pulp price
- ① Continued to focus on higher profit margin products (eg wet tissue, pocket handkerchief and box tissue): 71.4% of total tissue sales
- ① Shandong production base Phase II commenced operation in July 2007
 - Annual production capacity increased to approximately 240,000 tons
- ① Launched “cartoon” and “skin soothing” series of tissue paper products and kitchen paper products



Sanitary Napkins

Market overview:

- ① Demand for branded quality feminine hygiene products increased because of improving living standard
- ① Market consolidation - small to medium-sized manufacturers experienced tremendous pressure due to high raw material costs
- ① Large-scale manufacturers benefited from economies of scale

Business performance in 2007:

- ① Sales revenue increased by approximately 23.2% to HK\$1,539 million
- ① Focused on mid-to-high-end products
- ① Sales of “Anerle” and “Space 7 Series” accounted for approximately 84.8% (2006: 80.3%) of total sales revenue in sanitary napkins
- ① Gross profit margin further increased from approximately 55.3% to approximately 56.9%, mainly due to increased proportion of high profit margin products and effective cost controls



Disposable Diapers

Market overview:

- ① Low penetration rate together with increasing income per capita and birth rate in the PRC led to strong growth in demand for disposable diapers products

Business performance in 2007:

- ① Sales revenue surged by approximately 42.6% to approximately HK\$1,361 million
- ① Despite the increase in price of petrochemical raw materials, strengthened internal controls and economies of scale helped to maintain gross profit margin at approximately 33.3% (2006: 32.9%)



Distribution and Marketing Channels

- ① Nationwide distribution channel
- ① Expand traditional sales channels in local convenient stores and small shops
- ① Strengthen cooperation and communication with large supermarkets
- ① Increase the number of sales and marketing professionals to promote products in supermarkets and hypermarkets
- ① Develop special commercial sales channels (eg airports, hospitals, hotels, commercial buildings). Finalise an agreement recently to provide tissue products to the Beijing airport.
- ① Distribution costs as a percentage of turnover dropped to around 15.9% (2006: 16.8%) due to economies of scale



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Outlook



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Future Outlook

Market outlook:

- ④ Optimistic towards the prospects of mainland China personal hygiene and care products market
- ④ Expect the growth of three major businesses will continue in the future



Outlook

Plans and strategies

Tissue papers



- ① Continue to develop and launch quality and higher profit margin products
- ① Raise the price of tissue paper products in March 2008
- ① Expand annual production capacity to approximately 360,000 tons upon completion of Fujian and Hunan production bases Phase II in April and December 2008 respectively

Diapers



- ① Increase new production lines and carry out technical upgrading on existing production facilities

Sanitary napkins



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



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Open Forum



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