



恒安國際集團有限公司

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

Stock code 股份代號：1044

Interim Results 2013 Corporate Presentation

August 2013



Agenda



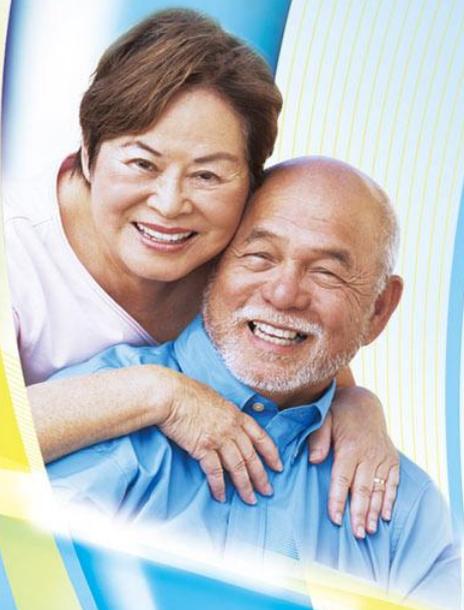
- ① Financial Highlights
- ① Business Review
- ① Outlook
- ① Open Forum



恒安國際集團有限公司

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

Stock code 股份代號 : 1044



Financial Highlights

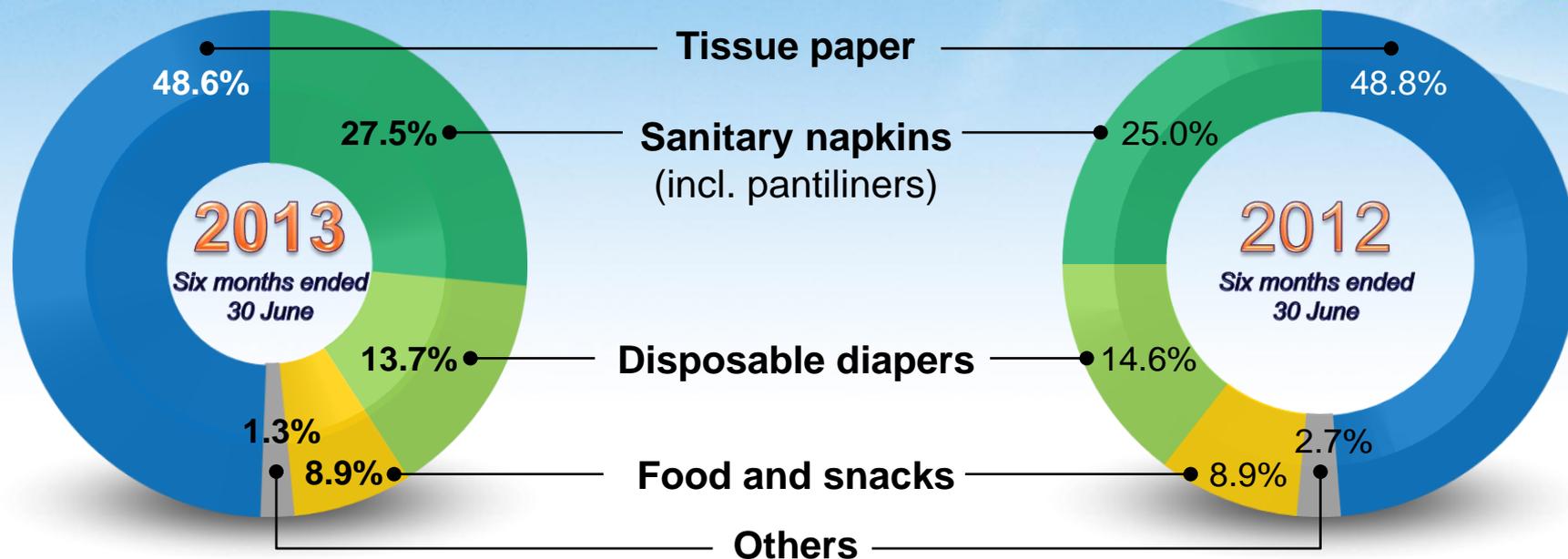
Financial Highlights



Six months ended 30 June

(HK\$ '000)	2013	2012	Change
Revenue	10,414,826	9,041,725	↑ 15.2%
Cost of sales	(5,703,810)	(5,043,018)	↑ 13.1%
Gross profit	4,711,016	3,998,707	↑ 17.8%
Operating profit	2,506,009	2,137,647	↑ 17.2%
Net profit	1,858,854	1,626,288	↑ 14.3%
Earnings per share			
– Basic	HK\$1.511	HK\$1.323	↑ 14.2%
– Diluted	HK\$1.510	HK\$1.322	↑ 14.2%
Dividend per share			
– Interim	HK\$0.85	HK\$0.75	↑ 13.3%

Solid Revenue Base



Six months ended 30 June

(HK\$ '000)	2013	2012	Change
Tissue paper	5,065,278	4,410,804	↑ 14.8%
Sanitary napkins (incl. pantliners)	2,859,902	2,264,892	↑ 26.3%
Disposable diapers	1,431,773	1,321,243	↑ 8.4%
Food and snacks	931,548	809,055	↑ 15.1%
Others	126,325	235,731	↓ 46.4%

Gross Profit Margin Overview

– By Business Segment



Six months ended 30 June

	2013	2012
Tissue paper	34.9%	36.1%
Sanitary napkins (incl. pantliners)	65.1%	64.1%
Disposable diapers	43.5%	41.6%
Food and snacks	42.6%	37.9%
Overall	45.2%	44.2%

Major factors affecting overall gross profit margin

- Margin improvement across major business segments in 1H2013 due to:
 - Fairly stable raw material prices
 - Enhanced product mix
 - Better economies of scale
 - Consistently tight cost control policy

Major Expenses



Distribution costs and administrative expenses accounted for approximately 24.1% of total revenue (1H2012: 22.6%). Major expenses are as follows:

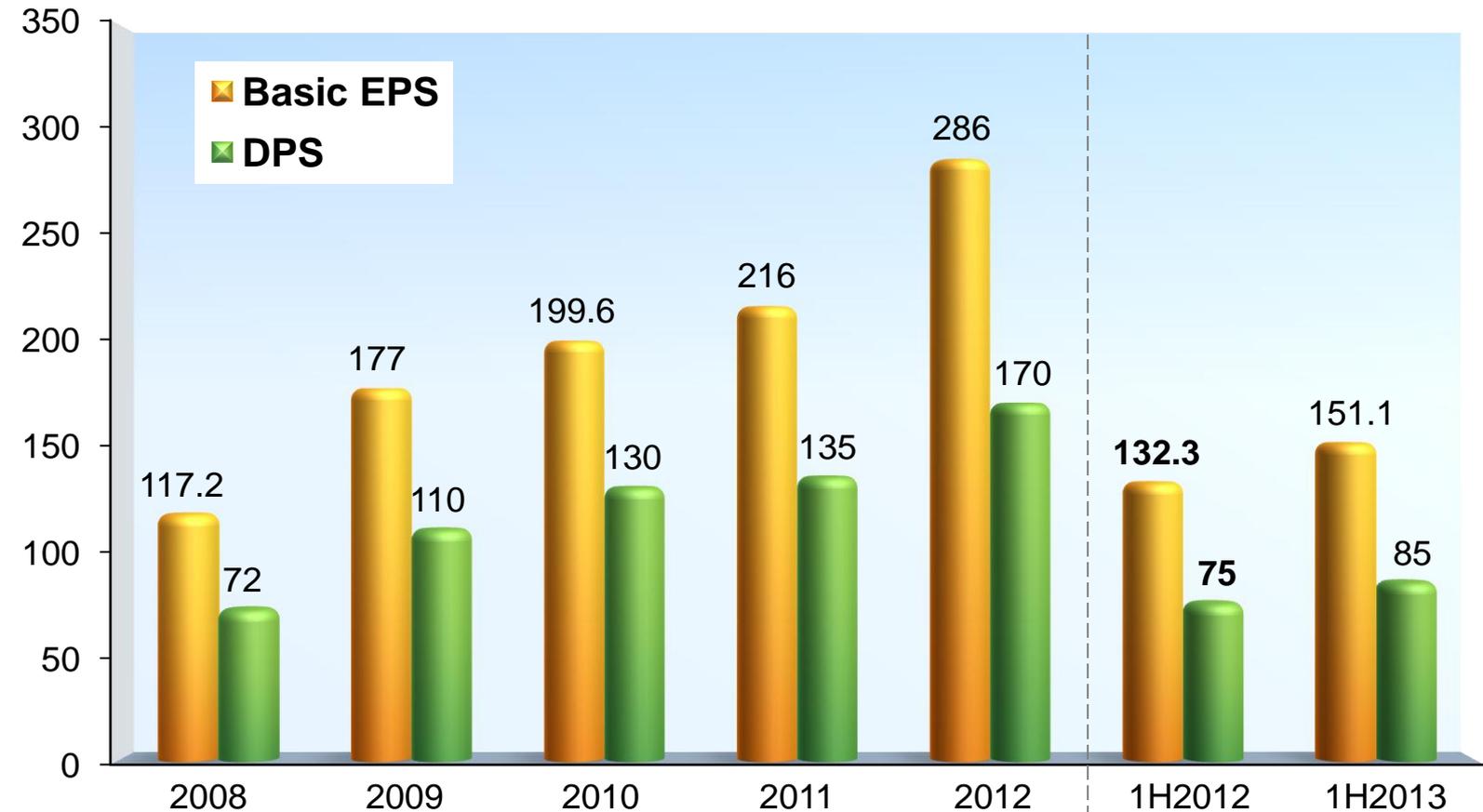
	approximately
Marketing, advertising & promotion expenses	8.7% of revenue (1H2012:8.6%)
Transportation expenses	4.5% of revenue (1H2012:3.9%)
Staff costs <i>(excluding labour costs)</i>	3.8% of revenue (1H2012: 3.5%)

Basic EPS & DPS



1H2013 Dividend payout ratio: 56.3% (1H2012: 56.7%)

(HK cents)



Key Financial Indicators



	1H2013	1H2012	FY2012
Convertible bonds (HK\$ '000)	5,147,422	-	-
Cash on hand (HK\$ '000)	21,213,429	9,322,913	11,452,149
Finished goods turnover	46 days	50 days	47 days
Accounts receivable turnover	34 days	35 days	37 days
Accounts payable turnover	59 days	65 days	66 days
Current ratio	1.8 times	1.4 times	1.5 times
Gross gearing ratio	128.5%	69.8%	79.8%
Net gearing ratio (net cash)	(8.8%)	(1.6%)	(1.1%)
Rate of Return	24.1% (Annualized)	25.1% (Annualized)	25.0%



Other gains – net HK\$305 million (1H2012: HK\$185 million) comprises the following:

- ◉ Interest income on bank deposits over 3 months (regarded as short-term investment): about HK\$150 million (1H2012: HK\$107 million)
- ◉ Government grants: approximately HK\$137 million (1H2012: HK\$90 million) as encouragement of the Group's investments in these areas

Other Financial Information *(Cont'd)*



Donation: HK\$14 million (1H2012: HK\$25 million)

Effective tax rate: 23.7% (1H2012: 20.0%)

- PRC subsidiaries: tax preferential treatment expired

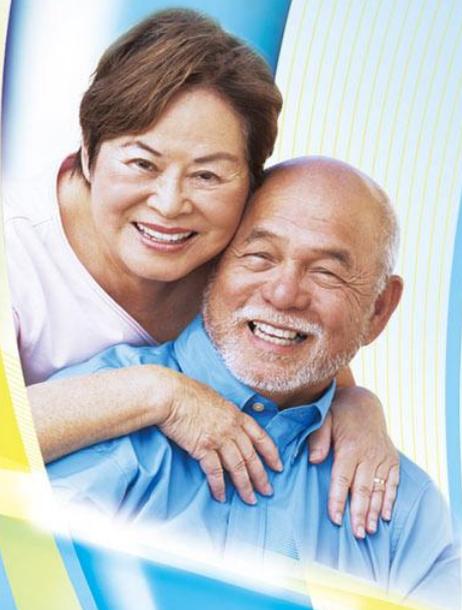
***Capital expenditure incurred (excluding prepayments):
around HK\$475 million (1H2012: around HK\$1,659 million)***



恒安國際集團有限公司

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

Stock code 股份代號 : 1044



Business Review

Tissue Paper



Market overview

- China's annual tissue paper consumption per capita is still much lower than that of other developed countries
- Competition has intensified as major competitors increased production capacity resulting in more supply in the market



Business performance in 1H2013 and 2H2013 outlook

- Revenue increased by about 14.8% to approximately HK\$5,065 million
- The revenue from tissue sales in the mainland China market increased by about 17.8% year on year
- The raw paper export sales (lower margin business) saw a double-digit decline in revenue due to keen price competition
- Gross profit margin dropped slightly to approximately 34.9% (1H2012: 36.1%), reflecting the increase in production costs as a result of higher price of tissue wood pulp
- Management plans to step up marketing and promotion campaigns in the 2H2013 with an aim to improve sales growth

Sanitary Napkins



Market overview

- Accelerating urbanization and rising living standards continue to catalyze the growth of the sanitary napkin market and improve the product's market penetration rate



Business performance in 1H2013 and 2H2013 outlook

- The revenue increased by about 26.3% year on year to approximately HK\$2,860 million
- The costs of major raw materials such as petrochemical products remained fairly stable
- Stringent cost controls and increasing sales of mid-to-high-end products, gross profit margin expanded to about 65.1% (1H2012: 64.1%)
- In 2H2013, the Group will continue to focus on product innovation, optimize existing products and increase the sales of mid-to- high-end products

Disposable Diapers



Market overview

- Urbanization and people's increasing awareness of personal hygiene boost the demand for disposable diapers in China
- Penetration rate of diapers is still low in China



Business performance in 1H2013 and 2H2013 outlook

- Revenue of the disposable diaper business increased by about 8.4% to approximately HK\$1,432 million
- Sales improved with a double-digit growth in the second quarter because:
 - Inventories of the old version products in the distribution channels were substantially cleared; and
 - Upgraded version products were well accepted by the market
- Mid-to-high-end diapers: Sales increased by approximately 18.9%
Low-end simplified diapers: Sales dropped by approximately 9.3%
- Benefited from change in sales mix and fairly stable major raw materials, gross profit margin increased to about 43.5% (1H2012: 41.6%)
- In 2H2013, the Group will continue to strengthen its distribution network and expand its presence in new distribution channels (maternity stores, hospitals and online sales channels)



Market overview

- ⊙ The impact of industrial gelatin issue unfolded in 2012 on the snack industry subsided gradually



Business performance in 1H2013 and 2H2013 outlook

- ⊙ Revenue grew by about 15.1% year on year to approximately HK\$932 million
- ⊙ Due to the decline in costs of major raw materials such as sugar and palm oil during the period, gross profit margin increased to approximately 42.6% (1H2012: 37.9%)
- ⊙ In 2H2013, the Group will continue to commit resources to enriching its product portfolio to cater the different tastes of consumers

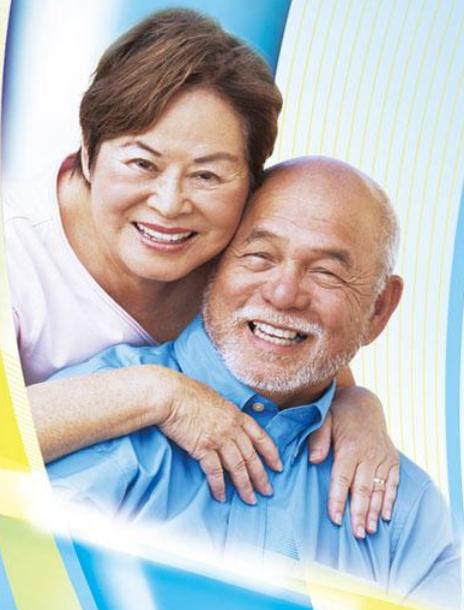




恒安國際集團有限公司

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

Stock code 股份代號：1044



Outlook

Future Outlook



China's economic development will remain stable on the back of continuing urbanization, which is favorable to the development of the market for personal hygiene products, despite the slowing domestic economic growth

People's awareness of personal hygiene continues to increase the demand for high-quality hygiene products

The Group will assiduously develop more quality products and expand its sales network leveraging its brand and scale advantages to meet the market's growing demand

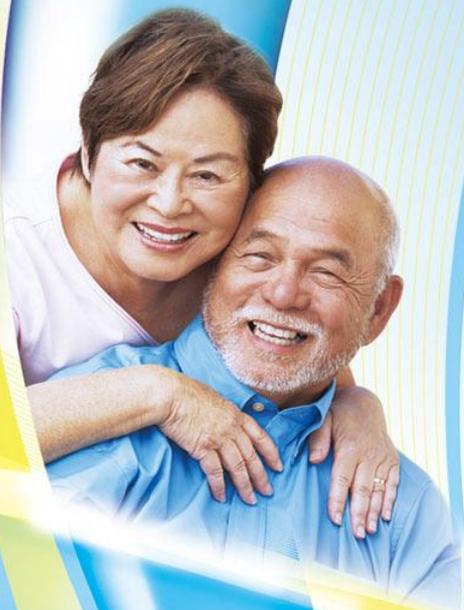




恒安國際集團有限公司

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

Stock code 股份代號：1044



Open Forum