



恒安國際集團有限公司
HENGAN INTERNATIONAL GROUP CO., LTD

2024

INTERIM RESULTS

Corporate Presentation



August 2024



AGENDA

Business
Review



Financial
Highlights



Outlook



Open
Forum





恒安國際集團有限公司
HENGAN INTERNATIONAL GROUP CO., LTD



Financial Highlights





Priorities and Opportunities



Near Term



Mid Term



ESG

- **Sanitary Napkins**

Further consolidate leading position by expanding its contribution and market share of upgrade and premium products

- **Tissue Paper**

Profitable growth driven by product upgrade and premiumization, and stable pricing strategy and volume growth, outperform the sales performance of the market

- **Disposable Diapers**

Revenue growth with brand enhancement and premiumization

- **Implementation of Core Strategies and Product Premiumisation**

Focus on three core businesses, brand leadership and long-termism
Enhance product mix and accelerate product premiumization

- **Organisational Optimization**

Improve infrastructure and supply chain efficiency

- **Capacity Expansion and Technological Upgrades**

Strengthen market position with new production capacity and technological upgrades

- **Channel Expansion with Omni-channel Strategy**

Expansion in sales networks in the Mainland China market by omni-channel strategy

- **Responsible Governance**

Establish systematic governance over risk and compliance, business ethic

- **Green Operation**

Reduce our environmental and carbon footprint in our own operations and value chain


- **Empowering People**

Build an inclusive and supportive workplace where everyone thrives and contributes to a better world

Financial Highlights

Steady profit growth and solid financial position amid complex and volatile market environment


- Solid increase in net profit amid challenging market environment
- Leading market position in tissue and sanitary napkin products
- Maintain healthy and continuous improving key working capital ratios
- Solid net cash position and cash inflow from operations
- Fixed dividend payment to shareholders



Working Ratios	1H2024	1H2023
AR (days)	39	43
Finished goods (days)	38	33

Maintain stable core revenue in volatile market environment


RMB 10.8 bn
 1H2023: RMB11.1 bn





	1H2024	1H2023
Net cash (RMB bn)	5.4	4.8
Net cash inflow from operations (RMB bn)	1.6	1.9
Gearing Ratio (%)	99.1	119.1

MSCI ESG Rating



Profit attributable to shareholders


RMB1.41 bn
 1H2023: RMB 1.23 bn
15.0% 

Interim dividend per share


0.7 per share
 RMB

Financial Highlights

(RMB '000)	1H2024	1H2023	Change
Revenue	11,835,893	12,204,605	↓ 3.0%
*Revenue of core business segments (tissue, sanitary napkins and disposable diapers)	10,809,147	11,054,709	↓ 2.2%
Gross profit	3,936,242	3,788,550	↑ 3.9%
Operating Profit	1,895,891	1,701,681	↑ 11.4%
Profit attributable to shareholders	1,408,992	1,225,768	↑ 15.0%
Earnings per share (RMB)			
– Basic	1.234	1.055	↑ 17.0%
– Diluted	1.234	1.055	↑ 17.0%
Dividend per share (RMB)			
– Interim	0.70	0.70	unchanged

Revenue Analysis



By Business Segment (RMB '000)	1H2024	1H2023	Change
Tissue paper	6,950,578	7,170,110	↓ 3.1%
Sanitary napkins (incl. pantliners)	3,146,946	3,219,295	↓ 2.2%
Disposable diapers	711,624	665,304	↑ 7.0%
Others	1,026,745	1,149,896	↓ 10.7%

Gross Profit Margin Overview

By Business Segment (%)	1H2024	1H2023
Tissue paper	19.6%	17.7%
Sanitary napkins (incl. pantliners)	62.7%	61.8%
Disposable diapers	45.3%	36.0%
Others	27.3%	25.4%
Overall	33.3%	31.0%

Major factors affecting overall gross profit margin

GP Margin Improved in 1H2024 due to:

- Growth of upgraded and premium products
- Significant drop in raw material prices since the 2H2023 resulted in y-o-y decline in costs in 1H2024



- Increase in promotion expenses by double-digit %

Major Expenses

Selling & distribution costs and administrative expenses

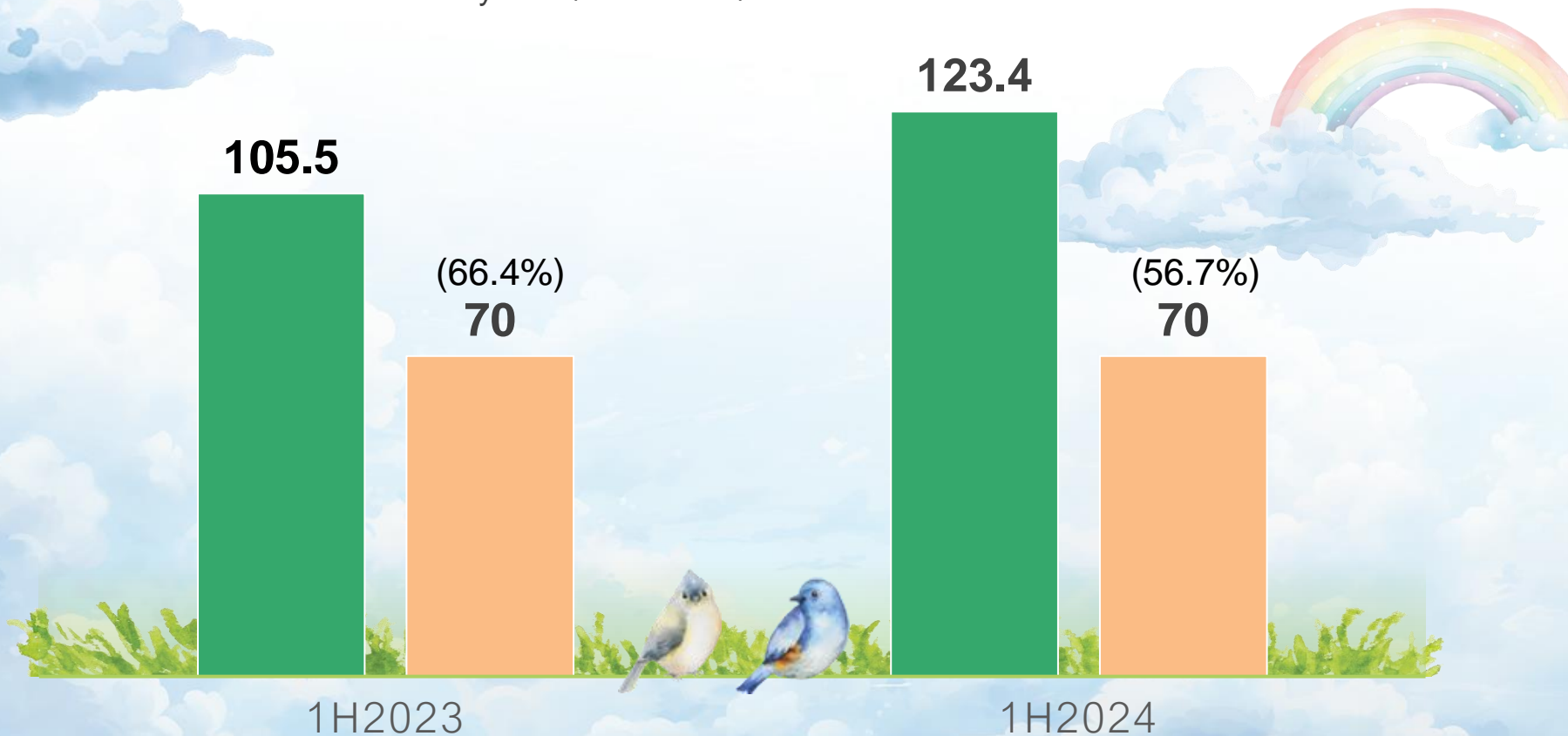
- Selling & distribution costs and administrative expenses accounted for approx. 20.9% of total revenue (1H2023: 21.0%)
- Major expenses are as follows:

(As % of revenue)	1H2024	1H2023
Marketing & advertising expenses	4.6%	5.1%
Staff costs (excluding labour costs)	5.6%	5.2%
Transportation expenses	4.9%	4.7%
Research & development	0.8%	1.3%

Basic EPS and DPS

Stable dividend payment to Shareholders:
1H2024 dividend per share of RMB 0.7 per share (1H2023: RMB 0.7 per share)

■ Basic EPS ■ Dividend Payout (RMB cents)



Key Financial Indicators

	1H2024	FY2023
Cash on hand (RMB '000)	26,075,451	19,628,406
Bank borrowings and other borrowings (RMB '000)	20,670,121	14,237,625
Current ratio	1.3 times	1.4 times
Gross gearing ratio	99.1%	69.8%
Net gearing ratio (net cash)	(25.9%)	(26.4%)
Finished goods turnover	38 days	42 days
Trade and bills receivable turnover	39 days	42 days
Trade and bills payable turnover	59 days	66 days



Other Financial Information

Interest income: around RMB450.8 mn (1H2023: RMB487.2 mn)

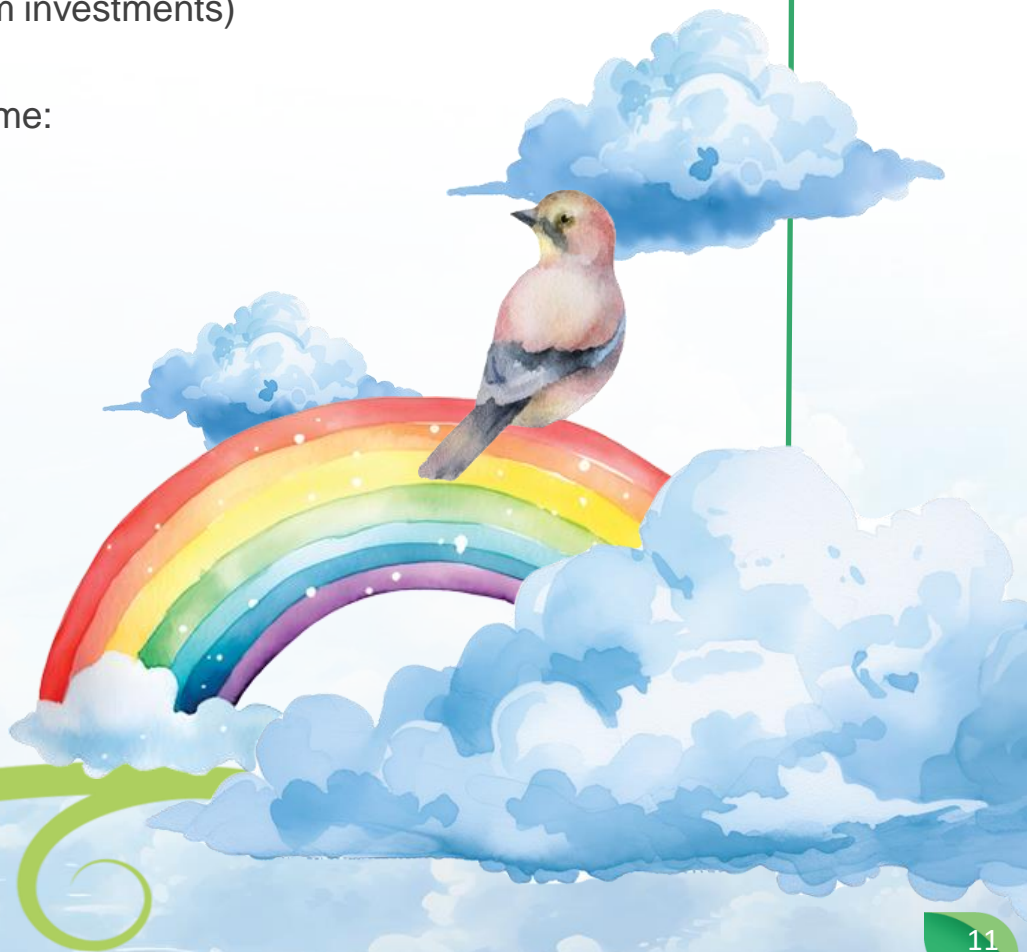
- Partly included in other gains:
about RMB321.8 mn (1H2023: RMB377.6 mn) interest income on bank deposits >3 months (short-term investments)
- Partly included in finance income:
about RMB129.0 mn
(1H2023: RMB109.6 mn)

Interest expense:

- About RMB263.4 mn
(1H2023: RMB319.8 mn)

Net Interest Income:

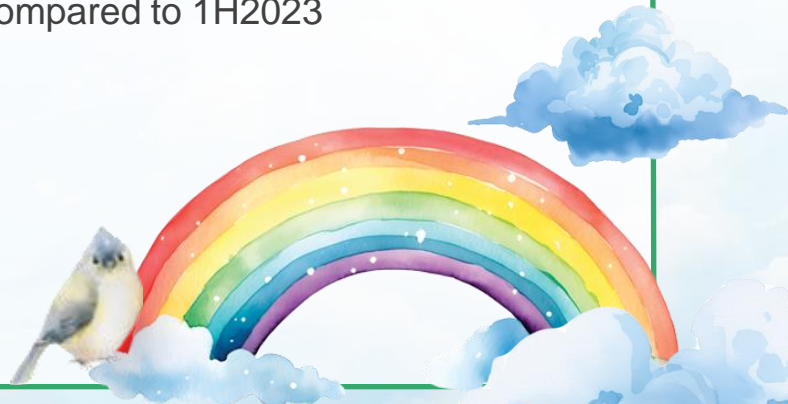
- Around RMB187.4 mn
(1H2023: RMB167.4 mn)





Other Financial Information (Cont'd)

Total exchange losses due to the depreciation of RMB against US\$ and HK\$: around RMB58.1 mn (1H2023: loss of RMB134.4 mn), significantly reduced by 56.8%

- Included in other gains: loss of about RMB35.9 mn (1H2023: loss of about RMB182.4 mn)
 - Arising mainly from purchase of raw materials from oversea suppliers
 - The exchange rate of Renminbi against the U.S. dollar and the H.K. dollar remained relatively stable as compared to 1H2023
 - Included in finance costs:
a loss of about RMB22.2 mn
(1H2023: gain of about RMB48.0 mn)
- 



Other Financial Information (Cont'd)

Government grants:

- About RMB143.7 mn (1H2023: RMB200.4 mn), as encouragement of the Group's contributions to the development of the local economy

Effective tax rate:

- 19.2% (1H2023: 20.4%)

Capex incurred:

- Around RMB774.4mn (1H2023: RMB989.3mn), mainly incurred for the new production plants and lines



恒安國際集團有限公司
HENGAN INTERNATIONAL GROUP CO., LTD

心相印
全球品牌代言人
肖战



**Business
Review**

Sanitary Napkins

Market overview

- Domestic and foreign brands adopted aggressive price reduction and promotion strategies to expand their market share
- Hengan adheres to a rational and stable pricing strategy



Growing Sales of Upgraded and Premium Products with Improved Profitability

- Revenue of the business decreased by approx. 2.2% to approx. RMB3.15 bn (1H2023: RMB3.22 bn), **outperforming the negative sales growth in the sanitary napkin industry**
- Double-digit y-o-y growth in the promotional expenses due to fierce competition
- **GP margin of the business improved to approx. 62.7%**, benefiting from brand premiumisation and the steady increase in the proportion of upgraded products.
- **Revenue of the business will improve in 2H2024**, driven by rising sales proportion of upgraded and premium products and stable growth in traditional sales channels.
- With product upgrades and premiumization, **GP margin will continue to improve in 2H 2024**

Sanitary Napkins (Cont'd)

Product Highlights



“Heavenly Mountain Cotton” Reports Strong Sales

- Sales of the “Heavenly Mountain Cotton” series launched in 2H2023 already **reached RMB230 mn** in 1H2024
- The series uses rare and pure long staple cotton from snowy mountains to meet the demand of today’s customers for high-quality products
- Expect sales to gradually increase in 2024

“Pants-style” Series Sales up 22%

- “Pants-style” series demonstrated strong growth potential with **sales increasing approx. 22.0% to RMB290 mn**
- To release upgraded versions of “Sweet Dream Pants” and “Sweet Day Pants” to capture more market share and upgraded products of the 七度空間 series to remain the main growth driver for the sanitary napkin business



Tissue Paper

Market overview

- Aggressive discounting by domestic tissue paper brands led to an overall industry decline
- Hengan prioritized profitability and drove tissue paper sales through stable pricing strategy and omnichannel approach



Leading in Market Share and Improve GP Margin Despite Stiff Competition

- Despite growing domestic volume demand, revenue of the business decreased by approx. 3.1% to approx. RMB6.95 bn (1H2023: RMB7.17 bn) due to increased promotional expenses and a high sales base in 1H2023.
- The Group's **sales outperformed the industry average and maintained a leading market share**
- Benefitting from the decline in wood pulp costs and growing sales proportion of premium products like wet wipes, **GP margin for 1H2024 increased to approx.19.6% (1H2023: 17.7%)**
- Tissue paper sales in e-commerce and new retail channels rose approx. 6.0%, accounting for nearly 36.4% of its total tissue sales.
- The Group expanded annual production capacity to 1,630,000 tonnes, with new capacity coming online in Hubei and Guangdong
- **Revenue is expected to improve in 2H2024, while GP margin will remain stable**, driven by increased sales of premium products and reduced promotional spending, offsetting rising wood pulp prices.

Tissue Paper (Cont'd)

Product Highlights



New “Fluffy Cube” Series featuring TAD Technology

- “Hearttex” (心相印) released the **“100% Virgin Wood Pulp” logo to establish quality standard** for tissue paper
- Launched new **“Fluffy Cude”** series produced by **TAD** technology, which is an internationally recognized high-quality paper production technology
- TAD’s fluffiness and water absorption capacity are twice and 12 times that of ordinary products
- Expect to drive sales growth in 2024

Wet Wipes as a Robust Sales Driver

- **Reported 20.4% explosive growth with sales reaching approx. RMB592.0 mn** (1H2023: RMB491.5 mn), representing approx. 8.5% of the overall sales of the tissue paper business (1H2023: 6.9%)
- Accelerated penetration into toilet wet wipes, cooling towels, baby wipes, adult wipes, and household cleaning wipes and other market segments
- **Wet wipes boasts a distinguished high GP margin of 52.2%** among tissue paper products

“Hearttex” Launches “Rosy Life” Co-branded Facial Tissue with Grandpa Majid

- “Hearttex” launched a heartwarming crossover campaign with Grandpa Majid, a Syrian refugee, which showcased the brand’s caring image and “Love in Hearttex” spirit

Disposable Diapers

Market overview

- China's disposable diaper market boasts huge growth potential, fueled by an aging population, rising living standards, and evolving parenting trends
- With premium product strategy, the Group continues to expand in baby and adult care, leveraging e-commerce, new retail, and strategic partnerships for wider distribution



Premium Products and Expanding Sales Channels Drive Sales Growth

- **Sales of the business increased by approx. 7.0%** to approximately RMB711.6 mn (1H2023: RMB665.3 mn)
- **Expect to maintain sales growth in 2H2024** driven by continuous growth in sales proportion of the premium baby and adult diaper products.
- **Continuous growth of flagship premium product “Q • MO”** and the sales improvement resulting from the **successful rebranding of the “Anerle” (安兒樂) brand to “Sports-style” (運動型)** series effectively offset the decline from traditional channels and mid-to-low-end products.
- By expanding its new retail and maternity channels, the Group achieved respective sales proportions of 53.5% and 20.0% in 1H2024.
- Boosted by a higher sales proportion of high-margin "Q•MO" products and stable petrochemical prices, **GP margin saw a significant increase to approx. 45.3% (1H2023: 36.0%)**
- **Expect further GP margin improvement in 2H2024**

Other Income and Household Products

Product Highlights



“Q · MO” Maintains Robust Growth

- Sales of premium product “Q · MO” increased by approx. 34.0% y-o-y to RMB320mn
- Its sales proportion further increased to about 45.0%
- “Q · MO” magic breathing diapers, which have 3.6 times more vents than traditional diapers, are very popular in the market

“ElderJoy” (安而康) actively educates the public on elderly care

- “ElderJoy” advocates the brand proposition of “bringing peace and joy to the elderly”.
- Collaborate with the renowned actor Hu Jun and his family to release a public welfare short film titled “This Time, Love Will Not Be Late”
- Call for societal attention and awareness of the “unspoken difficulties” of the disabled elderly, received widespread attention





Other Income and Household Products

Overview

- Leveraging its "Hearttex" brand and established overseas network, the Group has significantly expanded its product range to include plastic bags, food wrap film, dish detergent etc.
- To further leverage overseas network to bring high-quality Hengan products to international markets



Steady Business Development

- Regarding other income and household products, revenue decreased by approx. 10.7% y-o-y to approx. RMB1.03 bn (1H2023: RMB1.15 bn), mainly due to the drop in the revenue from raw material trading business by approx. 15.4% to approx. RMB490 mn (1H2023: RMB580 mn)
- Revenue from the household products business dropped by approx. 8.0% to approx. RMB116.2 mn (1H2023: RMB126.3 mn), accounting for approx. 1.0% of the Group's revenue, primarily due to the decline in the export business of household products

Other Income – Wang-Zheng



MALAYSIA

- Wang-Zheng Group business in Malaysia saw a steady development and its turnover amounted to approx. RMB214.5 mn (1H2023: RMB220.4 mn), accounting for approx. 1.8% of the Group's overall sales (1H2023: approx. 1.8%)
- Products include adult and baby disposable diapers, and tissue products, cotton products and processed papers
- Brands include “P Love” disposable adult diapers and “Carina” personal hygiene products
- Serve as a base for introducing Hengan's tissue and adult disposable diapers products to the Southeast Asian market
- Will continue to upgrade existing Wang-Zheng products, launch high-quality new products and further increase its market share in Malaysia and Southeast Asia



E-commerce and New Retail Channel Strategies

Market overview

- The national online retail sales of physical goods rose 8.8% to RMB6.0 tn in 1H2024, of which the online retail sales of daily necessities increased by 7.8%
- With effective promotion and stable pricing strategy, the Group further enhanced its brand awareness and market share



Top Rankings on Community E-commerce Platforms

Brand Platform	Ranking 1	Ranking 2
美团优选 (Meituan Youxian)	Gold Medal	Silver Medal
朴朴 (Pupu)	Bronze Medal	Silver Medal
京喜 (Jingxi)	Gold Medal	Gold Medal
零售通 (Alibaba 15)	Gold Medal	Gold Medal

E-commerce and New Retail Channels Maintain Strong Momentum

- Robust e-commerce and new retail channels (including Retail Integrated and New Channel) momentum, with **sales rising approx. 6.5%** to over RMB3.76 bn (1H2023: RMB3.50 bn)
- Proportion of e-commerce sales increased to approximately 31.8% (1H2023: 29.0%)
- Outstanding **outperformance during the "618 Shopping Festival"**
- New Retail Channel Performance:
 - 36.4% of tissue paper sales, 25.6% of sanitary napkins sales, 53.5% of disposable diapers sales
- Expect the proportion of sales in new retail channels will further increase in the future
- To further develop its e-commerce brand flagship stores and emerging channels (such as Douyin)
- To improve data analysis capabilities for end customers

Environmental Social & Governance

Green and Low Carbon System

	1H2024	2023
Proportion of production companies with ISO 14001 certification	100%	100%
Percentage of paper production companies with FSC/CoC certification	100%	100%

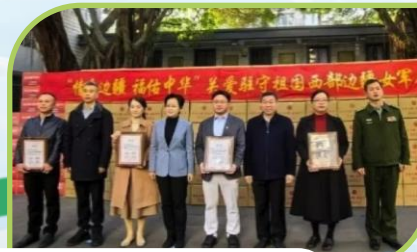
Health & Safety

	1H2024	2023
Proportion of production companies with ISO 45001 certification	100%	100%
Number and rate of work-related fatalities	0	0
Occupational disease cases	0	0

Employee Development

	1H2024	2023
Total number of full-time employees	23,000+	23,000+
Percentage of female employees	55%	56%
Percentage of employees joining the labour union	100%	100%
Number of management positions promoted	101	173
Total number of training hours	202,000+	240,000+

In 1H2024 photovoltaic power generation reached 5,859 MWh at Sanitary Production Company and 3,987 MWh at Paper Production Company



Hengan donated 2,000 boxes of sanitary packages to female soldiers stationed at the western border of the motherland

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HENGAN INTERNATIONAL GROUP CO., LTD

Asia's Best
CSR

Best
Investor Relations
Company

In the "Asian Corporate Governance" magazine's "Asian Excellence Enterprise Awards," Hengan has been awarded multiple honors for two consecutive years

ESG Rating and Awards

ESG rating	1H2024	2023
MSCI ESG Rating	BBB	BBB
S&P Global CSA Rating	47	47
FTSE ESG Rating	3.8	3.8
Hang Seng Sustainability Rating	A-	A-

Hengan was awarded the **“Standard Chartered Corporate Achievement Awards 2023” Sustainable Corporate (Environmental) – Leadership Award**

Hengan (China) Paper Co., Ltd. was selected as the only enterprise in the industry to be included in the **“List of Energy Efficiency Leaders in Key Industries in 2023”**



Hengan was selected in the **Sustainability Yearbook (China Edition)** released by S&P Global for two consecutive years

恒安國際集團有限公司
個人用品行業

《可持續發展年鑑（中國版）》
入選企業
中國企業標普全球CSA評分2023

新晉全球CSA評分2023: 47/100
標普全球CSA評分: 2024: 71/101

新晉全球企業可持續發展標普 (CSA) 評分是根據環境、社會和治理全球 ESG 評分。評分是根據不同行業的標準和風險因素。詳情請參閱：
標普全球 www.spglobal.com/esg/global-yearbook-research/4458_01



恒安國際集團有限公司
個人用品行業

《可持續發展年鑑（中國版）》
入選企業
中國企業標普全球 ESG 評分 2022

標普全球 ESG 評分 2022: 46/100

截至2022年9月23日。
以上評分及標普全球為行業特定且僅供相關用途參考。
請前往 [spgglobal.com/esg/yearbook](https://www.spglobal.com/esg/yearbook) 了解更多信息。



Hengan was honored as the **“2023 Weibo Model Charity Partner”**





恒安國際集團有限公司
HENGAN INTERNATIONAL GROUP CO., LTD



Anerle
安儿乐
婴幼儿纸尿裤



友
刘璇

Outlook



Market Outlook



Hengan's annual staff meeting reinforced vision and boosted morale.



Hengan SAP system cloudification project successfully went online



Hengan's new tissue production plant in Xiaogan, Hubei has gradually commenced operation

- Leveraging R&D, brand strength, and wide distribution to thrive in a tough market.
- Capitalizing on industry consolidation to expand market share.
- Wood pulp prices are set to rise in 2H2024 due to supplier price hikes.
- The Group will control expenses, sell more premium & upgrade products and improve sales performance to offset the impact of rising wood pulp prices on GPM.
- Elevating the brand through premium products, strategic packaging, and targeted marketing.
- Reaching more customers than ever with a diversified product mix and a seamless online-offline sales experience.
- Optimizing organisational structure, empowering young talent and boosting efficiency to drive success.
- Leveraging cutting-edge tech like IBM Blockchain Platform and cloud-based SAP system to gain operational insights and fuel strategic decision-making.
- Leveraging the "Focus on Main Businesses," "Brand Leadership," and "Long-Termism" strategies to achieve sustainable growth and market leadership.
- Expanding into new markets worldwide while upholding ESG values to become a top provider of daily necessities.
- Expanding tissue paper production capacity in Hubei, and Yunfu, Guangdong.
- These new and improved production lines will be operational in stages throughout 2024.

Robust development momentum and continuously improved its current ratio and working capital ratios amid market competition

Key Performance Indicators	2020	2021	2022	2023	1H2022	1H2023	1H2024
Core revenue (RMB '000)	18,463,036	17,178,404	19,606,418	21,180,681	9,604,906	11,054,710	10,809,148
YOY change		↓ 7.0%	↑ 14%	↑ 8.0%	↑ 15%	↑ 15%	↓ 2.2%
SG&A expenses(RMB '000)	(4,832,922)	(4,526,290)	(4,888,813)	(5,068,887)	(2,141,354)	(2,564,705)	(2,472,296)
% of core revenue	26.2%	26.3%	24.9%	23.9%	22.3%	23.2%	22.9%
Working capital ratios							
– Account receivables (days)	55	56	48	42	51	43	39
– Finished goods (days)	50	50	43	42	39	33	38
– Current ratio (times)	1.4	1.2	1.4	1.4	1.33	1.26	1.28
Net cash* (RMB '000)	3,129,586	4,055,552	4,533,332	5,390,781	4,808,015	4,785,657	5,405,330
Net cash generated from operating activities (RMB '000)	5,041,666	4,603,606	3,809,862	3,885,467	2,124,023	1,938,954	1,558,348
Gearing ratio (%)	107.3	95.7	87.2	69.8	116.5	119.1	99.1

*Net Cash: Total cash and bank balances, long-term bank deposits and restricted bank deposits less bank and other borrowings.



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