

Corporate Flash

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Hengan: Target price raised to HK\$40.28

Recommendation: BUY (unchanged)									C	hina	Cons	sumer
Price	HK\$31.40	Year to	Net profit	EPS	EPS	P/E	P/B	EV/EBITDA	Yield	ROE	ROCE	Gearing
Target price	HK\$40.28 (+28.3%)	Dec	HK\$m	HK\$	Δ%	X	X	X	%	%	%	%
12 mth range	HK\$32.55-16.60	05A	450.3	0.417	48.8	75.4	14.5	48.5	0.9	20.1	15.8	20.5
Market cap.	US\$4,353.73m	06A	696.6	0.645	54.7	48.7	12.2	31.5	1.4	26.9	17.6	29.0
Daily t/o, 3 mth	n US\$10.04m	07F	938.8	0.869	34.8	36.1	11.3	23.7	1.8	32.2	20.0	30.7
Free float %	50.6%	08F	1,243.8	1.151	32.5	27.3	10.0	18.7	2.4	38.5	24.7	26.5
Ticker	1044.HK/ 1044 HK	09F	1,525.9	1.412	22.7	22.2	9.4	15.6	3.0	43.2	28.4	31.0

Relative to Hang Seng Index (1 mth, 3 mth, 12 mth):-7.0%, -8.3%, +9.0% Actual price changes (1 mth, 3 mth, 12 mth): +5.7%, +15.2%,,+77.0%

Consensus EPS (07F-09F): HK\$0.811, HK\$1.019, HK\$1.265

Previous forecasts (07F-09F): HK\$899.0m (\$0.832), HK\$1,147.7m (\$1.062), HK\$1,492.7m (\$1.381)

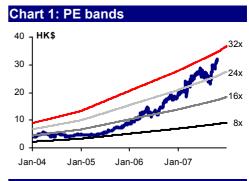
Key points:

- > Better than expected tissue sales to drive expansion and underpin strong growth momentum.
- ➤ New diaper products to boost sales.
- > Product mix improvement in feminine care expected.
- > Cost control and better efficiency to boost operating margin.
- ➤ High-margin products and RMB appreciation to mitigate cost pressure in raw materials.
- Earnings forecast for FY12/07-09F lifted to 4.4%, 8.4% and 2.2%.
- ➤ The counter is trading at an undemanding 0.84x PEG and 27.3x P/E for FY12/08F.
- Target price raised to HK\$40.28 from HK\$31.86, based on 1.08x PEG or 35.0x FY12/08F EPS.

Business outlook for 2H FY12/07F:

1) Tissue paper products – stronger than expected

- Sales volume for tissue papers is expected to reach 200,000 tonnes for FY12/07F on the back of strong market demand.
- ☐ Hengan is expected to further capture market share on the sector's consolidation due to rising wood pulp prices and environmental protection measures in China.
- □ According to our earnings model, turnover for tissue papers is expected to reach HK\$2,558.3m (+43.0% YoY) in FY12/07F, HK\$3,834.8m (+49.9% YoY) in FY12/08F and HK\$5,042.8m (+31.5% YoY) to reflect the stronger than expected sales volume.



Source: SBI E2-Capital

Table 1: Sales of tissues in China										
	2000	2001	2002	2003	2004	2005				
Total sales (m units)	53,963.0	59,514.5	65,990.1	70,568.1	72,778.9	75,579.0				
Per capita sales (units/capita)	42.6	46.6	51.3	54.5	55.8	57.6				
Total sales (RMBm)	2,013.3	2,226.1	2,444.1	2,638.8	2,825.9	3,011.9				
Per capita sales (RMB)	1.6	1.7	1.9	2.0	2.2	2.3				
Total sales at constant 2000 prices (RMBm)	2,013.3	2,215.8	2,451.6	2,616.7	2,694.3	2,788.1				
Total sales (US\$m)	243.2	269.0	295.3	318.8	341.4	367.6				

Source: Euromonitor International from national statistics

Market size (2006) – excluding export	
- volume sold (million ton)	4.08
- volume consumed (million ton)	3.98
- revenue (HK\$b) – retail price	34.0
- revenue (HK\$b) – ex-factory price	30.0
Market growth (2006) – excluding export	
- by volume consumed	8.1%
Estimated annual consumption per capita	
- China (2006)	3.03 kg
- World (2004)	3.5 kg
- US (2004)	21 kg
Estimated market compound growth rate by volume up to 2010	5.5%

Source: China National Household Paper Industry Association

Assumption: 1.314billion people in 2006

2) Diapers – growth momentum pick up

□ Due to the warm spring and lack of new product launches in 1Q FY12/07A, Hengan's diaper turnover grew only 25.0% in 1H FY12/07A, still above the market average of 14.0%, according to A.C. Nielsen. Hengan would like to launch high-margin products in 2H FY12/07F. Currently, the new product has already started to test the market and should be ready to launch by end-2007. The "Free to Grow" line, another major new high-margin series, is expected to be launched in 1Q FY12/08.

Table 3: Penetration rate of disposable diapers in 2005					
Country	(%)				
China	7.6				
Japan	95.0				
North America	96.0				

Source: China National Household Paper Industry Association

Table 4: 2006 PRC market – Baby diapers			
	Baby diapers	Simplified baby diapers	Overall
Market size (2006) – excluding export			
- volume sold (billion pieces)	4.69	1.02	5.71
- volume consumed (billion pieces)	4.35	1.01	5.36
- revenue (HK\$b) – ex-factory price	-	-	4.0
Market growth (2006) – excluding export			
- by volume consumed	27.9%	31.2%	28.5%
Estimated annual consumption per capita			
- China (2006)	_	-	12%
- World (2004)	44%	-	-
- US (2004)	96%	-	-
Estimated market compound growth rate by volume up to 2010	20%	-	-

Source: China National Household Paper Industry Association

Assumption: .40.8 million babies aged 0-2 in 2006 and each baby used 3 pieces of diapers each day.

3) Feminine care products

In 1H FY12/07A, high-end sanitary napkins generated 84.3% of total napkin turnover (79.8% in 1H FY12/06A) and grew 25.0% YoY compared with the market average of 4.0–5.0%. The company has increased the sales of its high-end Anerle brand, with gross margin exceeding 55.0%. Its new production capacity is expected to reach 11.8b pieces by end-2007 by adding another seven new production lines in 2007. (approximately 10.8b pieces by the end of 2006).

Table 5: 2006 PRC market – Sanitary napkins (inclu	iding pantiliners)		
	Sanitary napkins	Pantiliners	Overall
Market size (2006) – excluding export			
- volume sold (billion pieces)	43.3	19.9	63.2
- volume consumed (billion pieces)	41.5	19.0	60.5
- revenue (HK\$b) – ex-factory price	10.0	1.6	11.6
Market growth (2006) – excluding export			
- by volume consumed	4.0%	6.7%	4.9%
Estimated annual consumption per capita			
- China (2006)	63.7%	6.6%	17.1%
- World (2004)	57%	-	-
- US (2004)	91%	-	-
Estimated market compound growth rate by volume up to 2010	4.0%	8.0%	-

Source: China National Household Paper Industry Association

Assumption: 362.2million women aged 15-49 in 2006 and each of them used 180 pieces of sanitary napkins and 800 pieces of pantiliners each year.

Overall

☐ Management expect the wood pulp costs should stabilize in 2H FY12/07F due to the new supply (2.0m tons) of fibre wood pulp from South America at end-2007. The raw material cost pressure is expected to mitigate by RMB appreciation, high-end products and better control of raw material supply.

Future growth drivers.

Market share expansion. Hengan's market share in three major segments expanded in 2006. It achieved above-average revenue growth in sanitary napkins (+28.6%), disposable diapers (+45.9%) and tissue paper (+42.1%) in 2006.

Table 6: Hengan's China market share							
	2005	2006					
Sanitary napkins (+4.9%)*	8.9% (1 st or 2 nd by revenue); (1 st by volume)	10.7% (1 st by revenue); (1 st by volume)					
Baby diapers (+28.5%)*	17.3% (2 nd)	23.9% (2 ^{ndby} revenue); (2 nd by volume)					
Tissue paper (+8.1%)*	4.7% (1 st or 2 nd)	6.0% (1 st by revenue); (1 st or 2 nd by volume)					

Source: China National Household Paper Industry Association

Capacity up 50% by FY12/08F. The company's annualized production capacity is expected to reach about 240,000 tons by the end of 2007 and 360,000 tons by the end of 2008. Phase II of its Shandong production base commenced operation in July 2007, with an annual production capacity of about 60,000 tons. Second phase of its Fujian and Hunan production bases will start operations in March 2008 and December 2008, respectively. More new high-end products in the diapers and napkins segments will be launched in 2H FY12/07 and FY12/08. By end-2007, Hengan's annualized production capacity for disposable diapers should reach 3.8b pieces (eight new production lines) and for sanitary napkins 11.8b pieces (seven new production lines).

M & A potential. The company has set up a special team to identify M & A targets for horizontal or upstream integration to enlarge its product range and further increase market share in the tissue paper products and diapers.

1H FY12/07A results recap. Hengan's net profit rose 42.1% YoY to HK\$469.6m in 1H FY12/07A on the back of a 34.6% increase in turnover to HK\$2.7b. The tissue segment accounted for 45.5% of its total turnover and grew 40.8% YoY. An interim dividend of HK\$0.28 was proposed.

Gross margins. The gross margin narrowed to 39.1% in 1H FY12/07A (41.5% in 1H FY12/06A), mainly due to higher raw material costs but stronger-than-expected growth in high-margin products should help to stabilize the gross margin at the current level. High-margin box tissue papers, pocket-handkerchiefs and wet tissues represented about 73.1% of total tissue paper turnover. Mid-to-high end sanitary napkin products contributed 84.3% of total sanitary napkin turnover (79.8% in 1H FY12/06A).

Operating and net margin enhancement. The operating margin widened to 22.9% from 22.5% a year ago mainly due to the company's stringer cost control on the operational level. Distribution and administrative expenses represented 17.5% total sales, down 3.5pcp from a year ago. The net margin widened to 17.1% in 1H FY12/07A (16.2% in 1H FY12/06A)

^{*} market growth rate in 2006

Table 7: 1H FY12/07 results										
Year to Dec	Turnover (HK\$m)	Gross profit (HK\$m)	Gross margin (%)	Pre-tax profit (HK\$m)	Tax rate (%)	Net profit (HK\$m)	EPS Basic (HK\$)			
FY12/07	2,743.9	1,073.4	39.1	581.4	19.0	469.6	0.434			
FY12/06	2,038.3	846.2	41.5	433.0	23.4	330.5	0.306			
YoY (%)	34.6	26.8		34.3		42.1	42.1			

Source: Company data

Table 8: Turnover breakdown by business segment										
(HK\$m)	1H FY12/06A	1H FY12/07A	% of total	% Change						
Sanitary napkins	614.5	767.1	28.0	24.8						
Disposable diapers	500.5	627.6	22.9	25.4						
Tissue paper products	887.6	1,249.7	45.5	40.8						
Skincare and cleaning products	35.6	99.5	3.6	179.4						
Total	2,038.3	2,743.9	100.0	34.7						

Source: Company data

Valuation. After factoring in the latest corporate developments and stronger-than-expected market demand in the tissue segment, we have upgraded our earnings forecast by 4.4% to HK\$938.8m for FY12/07F, 8.4% to HK\$1,243.8m for FY12/08F and 2.2% to HK\$1,525.9m in FY12/09F. In view of Hengan's leading market position and robust earnings growth, we think its current valuation of 0.84x PEG and 27.3x P/E for FY12/08F is undemanding as the international peers are trading at over 2.0x PEG. We have revised up our target price to HK\$40.28, based on 1.08 PEG or 35.0x FY12/08F EPS.

Year to Dec	05A	06A	07F	08F	09F	Cash Flow (HK\$m)	05A	
Turnover	2 020 4	4,114.9	E E 10 1	7 117 0	9 609 E	Year to Dec EBIT	564.2	
% chg	32.1	35.8	34.9	28.3	22.2	Depre./amort.	144.3	
Gross profit		1,720.7				Net int. paid	(21.5)	
Gross pront	1,200.0	1,720.7	2,100.0	2,004.1	0,470.7	Tax paid	(68.4)	(
EBITDA	708 6	1,099.5	1 470 9	1 859 5	2 245 1	Dividends received	(00.4)	(
Depre./amort.		(166.8)		(240.5)		Gross cashflow	618.7	
EBIT	564.2			1,619.0		0.000 0.000	• • • • • • • • • • • • • • • • • • • •	
Net int. income/(exp.)	(21.5)	(63.8)	(70.6)	(63.6)	(73.3)	Chgs. in working cap.	88.9	(2
Exceptionals	(= 1.0)	(00.0)	(. 0.0)	(00.0)	(. c.c)	Operating cashflow	707.5	١,-
Associates	-	_	_	_	_	3		
Jointly-controlled entit.	-	-	-	-	-	Capex	(500.0)	(!
Pre-tax profit	542.7	868.9	1,174.1	1,555.3	1,907.9	Free cashflow	207.5	
Tax	(91.6)		(234.8)	(311.1)	(381.6)			
Minority interests	(0.9)	(0.5)	(0.5)	(0.5)	(0.5)	Dividends paid	(260.5)	(;
Net profit	450.3	696.6	938.8	1,243.8	1,525.9	Net distribution to MI	-	
% chg	51.1	54.7	34.8	32.5	22.7	Investments	-	
-						Disposals	-	
Dividends	(302.6)	(464.7)	(626.3)	(829.7)	(1,017.9)	New shares	-	
Retained earnings	147.7	231.9	312.5	414.0	507.9	Others	(171.8)	
_						Net cashflow	(224.7)	(2
EPS (HK\$) - Basic	0.417	0.645	0.869	1.151	1.412			Ť
EPS (HK\$) - F.D.	-	-	-	-	-	Net (debt)/cash - Beg.	(232.9)	(4
DPS (HK\$)	0.280	0.430	0.579	0.768	0.942	Net (debt)/cash - End.	(457.7)	(
No. sh.s o/s (m) - W.A.	1,080.8	1,080.8	1,080.8	1,080.8	1,080.8	,	, ,	
No. sh.s o/s (m) - Y.E.		1,080.8				Interim Results (HK\$m)	05A	
No. sh.s o/s (m) - F.D.	, -	-	-	-	-	Six months to Jun	*	
()						Turnover	1,537.3	2
Margins (%)						% chg	41.9	
Gross	41.6	41.8	39.1	40.8	39.9	J		
EBITDA	23.4	26.7	26.5	26.1	25.8	Profit from operations	253.0	
EBIT	18.6	22.7	22.4	22.7	22.8	Interest expenses	(7.2)	
Pre-tax	17.9	21.1	21.2	21.9	21.9	Associates	-	
Net	14.9	16.9	16.9	17.5	17.5	Jointly-controlled entit.	-	
						Pre-tax profit	245.8	
						Tax	(41.4)	(
						Tax Minority interests		(
							(41.4)	(
Balance Sheet (HK\$m)	05A	06A	07F	08F	09F	Minority interests	(41.4) (0.3)	(
Balance Sheet (HK\$m) Year to Dec	05A	06A	07F	08F	09F	Minority interests Net profit	(41.4) (0.3) 204.1	(
· · · · · · · · · · · · · · · · · · ·		06A 1,655.1	07F 1,755.7		09F 1,789.8	Minority interests Net profit	(41.4) (0.3) 204.1	(
Year to Dec						Minority interests Net profit % chg	(41.4) (0.3) 204.1 <i>61.6</i>	(*
Year to Dec Fixed assets	1,376.2	1,655.1	1,755.7	1,735.2	1,789.8	Minority interests Net profit % chg EPS (HK\$) - Basic	(41.4) (0.3) 204.1 <i>61.6</i> 0.189	(*
Year to Dec Fixed assets Intangible assets	1,376.2 455.2 390.6	1,655.1 454.9	1,755.7 455.6	1,735.2 455.6	1,789.8 455.6	Minority interests Net profit % chg EPS (HK\$) - Basic	(41.4) (0.3) 204.1 <i>61.6</i> 0.189	(*
Year to Dec Fixed assets Intangible assets Other LT assets	1,376.2 455.2 390.6	1,655.1 454.9 686.1	1,755.7 455.6 755.0	1,735.2 455.6 845.0	1,789.8 455.6 945.0	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$)	(41.4) (0.3) 204.1 <i>61.6</i> 0.189	(*
Year to Dec Fixed assets Intangible assets Other LT assets Cash	1,376.2 455.2 390.6 499.9	1,655.1 454.9 686.1 1,020.7	1,755.7 455.6 755.0 898.6	1,735.2 455.6 845.0 961.8	1,789.8 455.6 945.0 778.4	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$)	(41.4) (0.3) 204.1 <i>61.6</i> 0.189	(*
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable	1,376.2 455.2 390.6 499.9 241.3 159.7	1,655.1 454.9 686.1 1,020.7 412.5	1,755.7 455.6 755.0 898.6 543.8 166.5	1,735.2 455.6 845.0 961.8 676.2 213.5	1,789.8 455.6 945.0 778.4 809.0 261.0	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure	(41.4) (0.3) 204.1 <i>61.6</i> 0.189	(*
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables	1,376.2 455.2 390.6 499.9 241.3 159.7	1,655.1 454.9 686.1 1,020.7 412.5 157.9	1,755.7 455.6 755.0 898.6 543.8 166.5	1,735.2 455.6 845.0 961.8 676.2 213.5	1,789.8 455.6 945.0 778.4 809.0 261.0	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok	(41.4) (0.3) 204.1 <i>61.6</i> 0.189	(*
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6	1,655.1 454.9 686.1 1,020.7 412.5 157.9	1,755.7 455.6 755.0 898.6 543.8 166.5	1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7	1,789.8 455.6 945.0 778.4 809.0 261.0 2,366.0	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit	(41.4) (0.3) 204.1 <i>61.6</i> 0.189	(*
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories Due from related co.s	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6	1,655.1 454.9 686.1 1,020.7 412.5 157.9	1,755.7 455.6 755.0 898.6 543.8 166.5 1,481.7	1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7	1,789.8 455.6 945.0 778.4 809.0 261.0 2,366.0	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit Senior Management	(41.4) (0.3) 204.1 <i>61.6</i> 0.189 0.120	(*
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories Due from related co.s Other current assets	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6	1,655.1 454.9 686.1 1,020.7 412.5 157.9 1,094.3	1,755.7 455.6 755.0 898.6 543.8 166.5 1,481.7	1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7	1,789.8 455.6 945.0 778.4 809.0 261.0 2,366.0	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit Senior Management Employees and relatives	(41.4) (0.3) 204.1 <i>61.6</i> 0.189 0.120	(*
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories Due from related co.s Other current assets Total assets	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6 - 53.2 3,908.7	1,655.1 454.9 686.1 1,020.7 412.5 157.9 1,094.3	1,755.7 455.6 755.0 898.6 543.8 166.5 1,481.7	1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7	1,789.8 455.6 945.0 778.4 809.0 261.0 2,366.0	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit Senior Management Employees and relatives Public and institutional inves	(41.4) (0.3) 204.1 <i>61.6</i> 0.189 0.120	(*
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories Due from related co.s Other current assets Total assets Accounts payable	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6 53.2 3,908.7	1,655.1 454.9 686.1 1,020.7 412.5 157.9 1,094.3	1,755.7 455.6 755.0 898.6 543.8 166.5 1,481.7 - - 6,057.0 (582.7)	1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7 - - - - - - (711.8)	1,789.8 455.6 945.0 778.4 809.0 261.0 2,366.0	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit Senior Management Employees and relatives Public and institutional inves	(41.4) (0.3) 204.1 <i>61.6</i> 0.189 0.120	(*
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories Due from related co.s Other current assets	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6 53.2 3,908.7	1,655.1 454.9 686.1 1,020.7 412.5 157.9 1,094.3 - - 5,481.4 (443.9) (328.6)	1,755.7 455.6 755.0 898.6 543.8 166.5 1,481.7 - 6,057.0 (582.7) (499.4)	1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7 - - - - - (711.8)	1,789.8 455.6 945.0 778.4 809.0 261.0 2,366.0 - - 7,404.7 (887.2) (782.9)	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit Senior Management Employees and relatives Public and institutional inves Total	(41.4) (0.3) 204.1 <i>61.6</i> 0.189 0.120	
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories Due from related co.s Other current assets Total assets Accounts payable Other payable	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6 - 53.2 3,908.7 (361.4) (153.6)	1,655.1 454.9 686.1 1,020.7 412.5 157.9 1,094.3 - - 5,481.4 (443.9) (328.6)	1,755.7 455.6 755.0 898.6 543.8 166.5 1,481.7 - 6,057.0 (582.7) (499.4)	1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7 	1,789.8 455.6 945.0 778.4 809.0 261.0 2,366.0 - - 7,404.7 (887.2) (782.9)	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit Senior Management Employees and relatives Public and institutional inves Total Background	(41.4) (0.3) 204.1 61.6 0.189 0.120	anı
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories Due from related co.s Other current assets Total assets Accounts payable Other payable Tax payable	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6 - 53.2 3,908.7 (361.4) (153.6) (40.9)	1,655.1 454.9 686.1 1,020.7 412.5 157.9 1,094.3 - 5,481.4 (443.9) (328.6) (96.7)	1,755.7 455.6 755.0 898.6 543.8 166.5 1,481.7 	1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7 	1,789.8 455.6 945.0 778.4 809.0 261.0 2,366.0 - - 7,404.7 (887.2) (782.9) (214.8)	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit Senior Management Employees and relatives Public and institutional inves Total Background Hengan is principally engag	(41.4) (0.3) 204.1 61.6 0.189 0.120 tor	anı
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories Due from related co.s Other current assets Total assets Accounts payable Other payable Tax payable Due to related co.s	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6 - 53.2 3,908.7 (361.4) (153.6) (40.9)	1,655.1 454.9 686.1 1,020.7 412.5 157.9 1,094.3 - - 5,481.4 (443.9) (328.6) (96.7)	1,755.7 455.6 755.0 898.6 543.8 166.5 1,481.7 	1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7 	1,789.8 455.6 945.0 778.4 809.0 261.0 2,366.0 - - 7,404.7 (887.2) (782.9) (214.8)	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit Senior Management Employees and relatives Public and institutional inves Total Background Hengan is principally engag of personal hygiene products	(41.4) (0.3) 204.1 61.6 0.189 0.120 tor ed in the mass in the PRC and skincal	anı
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories Due from related co.s Other current assets Total assets Accounts payable Other payable Tax payable Due to related co.s ST debts	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6 - 53.2 3,908.7 (361.4) (153.6) (40.9) - (769.0) (1.6)	1,655.1 454.9 686.1 1,020.7 412.5 157.9 1,094.3 - 5,481.4 (443.9) (328.6) (96.7) - (204.0) (1.6)	1,755.7 455.6 755.0 898.6 543.8 166.5 1,481.7 	1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7 	1,789.8 455.6 945.0 778.4 809.0 261.0 2,366.0 - - 7,404.7 (887.2) (782.9) (214.8) - (304.6) (1.6)	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit Senior Management Employees and relatives Public and institutional inves Total Background Hengan is principally engag of personal hygiene products products, diapers, tissues	(41.4) (0.3) 204.1 61.6 0.189 0.120 tor ed in the mass in the PRC and skincal	anı
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories Due from related co.s Other current assets Total assets Accounts payable Other payable Tax payable Due to related co.s ST debts Other current liab.	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6 - 53.2 3,908.7 (361.4) (153.6) (40.9) - (769.0) (1.6)	1,655.1 454.9 686.1 1,020.7 412.5 157.9 1,094.3 - - 5,481.4 (443.9) (328.6) (96.7) - (204.0)	1,755.7 455.6 755.0 898.6 543.8 166.5 1,481.7 - 6,057.0 (582.7) (499.4) (132.2) - (228.5) (1.6) (1,567.2)(1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7 	1,789.8 455.6 945.0 778.4 809.0 261.0 2,366.0 - - 7,404.7 (887.2) (782.9) (214.8) - (304.6) (1.6)	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit Senior Management Employees and relatives Public and institutional inves Total Background Hengan is principally engag of personal hygiene products products, diapers, tissues includes "Anerle", "Anle",	(41.4) (0.3) 204.1 61.6 0.189 0.120 tor ed in the mass in the PRC and skincal	anı
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories Due from related co.s Other current assets Total assets Accounts payable Other payable Tax payable Due to related co.s ST debts Other current liab. LT debts	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6 - 53.2 3,908.7 (361.4) (153.6) (40.9) - (769.0) (1.6) (188.6)(1,655.1 454.9 686.1 1,020.7 412.5 157.9 1,094.3 - 5,481.4 (443.9) (328.6) (96.7) - (204.0) (1.6) (1,567.2)((2.1)	1,755.7 455.6 755.0 898.6 543.8 166.5 1,481.7 - 6,057.0 (582.7) (499.4) (132.2) - (228.5) (1.6) (1,567.2)((3.2)	1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7 	1,789.8 455.6 945.0 778.4 809.0 2,366.0 - 7,404.7 (887.2) (782.9) (214.8) - (304.6) (1.6) (1,567.2) (3.2)	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit Senior Management Employees and relatives Public and institutional inves Total Background Hengan is principally engag of personal hygiene products products, diapers, tissues includes "Anerle", "Anle",	(41.4) (0.3) 204.1 61.6 0.189 0.120 tor ed in the mass in the PRC and skincal	anı
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories Due from related co.s Other current assets Total assets Accounts payable Other payable Tax payable Due to related co.s ST debts Other current liab. LT debts Other LT liabilities	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6 - 53.2 3,908.7 (361.4) (153.6) (40.9) - (769.0) (1.6) (188.6) (8.6)	1,655.1 454.9 686.1 1,020.7 412.5 157.9 1,094.3 - 5,481.4 (443.9) (328.6) (96.7) - (204.0) (1.6) (1,567.2)((2.1)	1,755.7 455.6 755.0 898.6 543.8 166.5 1,481.7 - 6,057.0 (582.7) (499.4) (132.2) - (228.5) (1.6) (1,567.2)((3.2)	1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7 	1,789.8 455.6 945.0 778.4 809.0 2,366.0 - 7,404.7 (887.2) (782.9) (214.8) - (304.6) (1.6) (1,567.2) (3.2)	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit Senior Management Employees and relatives Public and institutional inves Total Background Hengan is principally engag of personal hygiene products products, diapers, tissues includes "Anerle", "Anle", "Banditore".	(41.4) (0.3) 204.1 61.6 0.189 0.120 tor ed in the mass in the PRC and skincar, "Softclear	anı
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories Due from related co.s Other current assets Total assets Accounts payable Other payable Tax payable Due to related co.s ST debts Other current liab. LT debts Other LT liabilities	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6 - 53.2 3,908.7 (361.4) (153.6) (40.9) - (769.0) (1.6) (188.6) (8.6)	1,655.1 454.9 686.1 1,020.7 412.5 157.9 1,094.3 - 5,481.4 (443.9) (328.6) (96.7) - (204.0) (1.6) (1,567.2)((2.1)	1,755.7 455.6 755.0 898.6 543.8 166.5 1,481.7 - 6,057.0 (582.7) (499.4) (132.2) - (228.5) (1.6) (1,567.2)((3.2)	1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7 	1,789.8 455.6 945.0 778.4 809.0 2,366.0 - 7,404.7 (887.2) (782.9) (214.8) - (304.6) (1.6) (1,567.2) (3.2)	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit Senior Management Employees and relatives Public and institutional inves Total Background Hengan is principally engag of personal hygiene products products, diapers, tissues includes "Anerle", "Anle", "Banditore". Key Ratios	(41.4) (0.3) 204.1 61.6 0.189 0.120 tor ed in the mass in the PRC and skincar, "Softclear	anı
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories Due from related co.s Other current assets Total assets Accounts payable Other payable Tax payable Due to related co.s ST debts Other current liab. LT debts Other LT liabilities Total liabilities	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6 - 53.2 3,908.7 (361.4) (153.6) (40.9) - (769.0) (1.6) (188.6) (8.6) (1,546.4) 108.1	1,655.1 454.9 686.1 1,020.7 412.5 157.9 1,094.3 - 5,481.4 (443.9) (328.6) (96.7) - (204.0) (1.567.2)((2.1) 2,664.3) (1,755.7 455.6 755.0 898.6 543.8 166.5 1,481.7 - 6,057.0 (582.7) (499.4) (132.2) - (228.5) (1.6) (1,567.2)((3.2) 3,032.8) (108.1	1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7 	1,789.8 455.6 945.0 778.4 809.0 2,366.0 - 7,404.7 (887.2) (782.9) (214.8) - (304.6) (1.6) (1,567.2) (3.2) (3,779.5)	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit Senior Management Employees and relatives Public and institutional inves Total Background Hengan is principally engag of personal hygiene products products, diapers, tissues includes "Anerle", "Anle", "Banditore". Key Ratios Net gearing (%) Net ROE (%)	(41.4) (0.3) 204.1 61.6 0.189 0.120 tor ed in the mass in the PRC and skincal, "Softclear 05A 20.5	anı
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories Due from related co.s Other current assets Total assets Accounts payable Other payable Tax payable Due to related co.s ST debts Other current liab. LT debts Other LT liabilities Total liabilities	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6 - 53.2 3,908.7 (361.4) (153.6) (40.9) - (769.0) (1.6) (188.6) (8.6) (1,546.4) 108.1 2,229.7	1,655.1 454.9 686.1 1,020.7 412.5 157.9 1,094.3 - 5,481.4 (443.9) (328.6) (96.7) - (204.0) (1.567.2)((2.1) 2,664.3) (1,755.7 455.6 755.0 898.6 543.8 166.5 1,481.7 - 6,057.0 (582.7) (499.4) (132.2) - (228.5) (1.6) (1,567.2)((3.2) 3,032.8) (108.1 2,888.0	1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7 	1,789.8 455.6 945.0 778.4 809.0 2,366.0 - 7,404.7 (887.2) (782.9) (214.8) - (304.6) (1.6) (1,567.2) (3.2) (3,779.5) 108.1 3,496.0	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit Senior Management Employees and relatives Public and institutional inves Total Background Hengan is principally engag of personal hygiene products products, diapers, tissues includes "Anerle", "Anle", "Banditore". Key Ratios Net gearing (%) Net ROE (%) EBIT ROCE (%)	(41.4) (0.3) 204.1 61.6 0.189 0.120 tor ed in the mass in the PRC and skincal, "Softclear 05A 20.5 20.1	anı
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories Due from related co.s Other current assets Total assets Accounts payable Other payable Tax payable Due to related co.s ST debts Other current liab. LT debts Other LT liabilities Total liabilities Share capital Reserves	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6 - 53.2 3,908.7 (361.4) (153.6) (40.9) - (769.0) (1.6) (188.6) (8.6) (1,546.4) 108.1 2,229.7	1,655.1 454.9 686.1 1,020.7 412.5 157.9 1,094.3 - 5,481.4 (443.9) (328.6) (96.7) - (204.0) (1.6) (1,567.2) (2.1) (2,664.3) (108.1 2,685.2	1,755.7 455.6 755.0 898.6 543.8 166.5 1,481.7 - 6,057.0 (582.7) (499.4) (132.2) - (228.5) (1.6) (1,567.2)((3.2) 3,032.8) (108.1 2,888.0	1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7 	1,789.8 455.6 945.0 778.4 809.0 2,366.0 - 7,404.7 (887.2) (782.9) (214.8) - (304.6) (1.6) (1,567.2) (3.2) (3,779.5) 108.1 3,496.0	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit Senior Management Employees and relatives Public and institutional inves Total Background Hengan is principally engag of personal hygiene products products, diapers, tissues includes "Anerle", "Anle", "Banditore". Key Ratios Net gearing (%) Net ROE (%)	(41.4) (0.3) 204.1 61.6 0.189 0.120 tor ed in the mass in the PRC and skincal, "Softclear 05A 20.5 20.1 18.2	anı
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories Due from related co.s Other current assets Total assets Accounts payable Other payable Tax payable Due to related co.s ST debts Other current liab. LT debts Other LT liabilities Total liabilities Share capital Reserves Shareholders' funds	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6 53.2 3,908.7 (361.4) (153.6) (40.9) - (769.0) (1.6) (188.6) (8.6) (1,546.4) 108.1 2,229.7 2,337.8 24.5	1,655.1 454.9 686.1 1,020.7 412.5 157.9 1,094.3 - 5,481.4 (443.9) (328.6) (96.7) - (204.0) (1.6) (1,567.2) (2.1) (2,664.3) (108.1 2,685.2 2,793.2	1,755.7 455.6 755.0 898.6 543.8 166.5 1,481.7 	1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7 	1,789.8 455.6 945.0 778.4 809.0 2,366.0 - 7,404.7 (887.2) (782.9) (214.8) (304.6) (1,567.2) (3.2) (3,779.5) 108.1 3,496.0 3,604.1 25.3	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit Senior Management Employees and relatives Public and institutional inves Total Background Hengan is principally engag of personal hygiene products products, diapers, tissues includes "Anerle", "Anle", "Banditore". Key Ratios Net gearing (%) Net ROE (%) EBIT ROCE (%) Dividend payout (%) Effective tax rate (%)	(41.4) (0.3) 204.1 61.6 0.189 0.120 tor ed in the mass in the PRC and skincal, "Softclear 05A 20.5 20.1 18.2 67.2	anı
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories Due from related co.s Other current assets Total assets Accounts payable Other payable Tax payable Due to related co.s ST debts Other current liab. LT debts Other LT liabilities Total liabilities Share capital Reserves Shareholders' funds Minority interest	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6 53.2 3,908.7 (361.4) (153.6) (40.9) - (769.0) (1.6) (188.6) (8.6) (1,546.4) 108.1 2,229.7 2,337.8 24.5	1,655.1 454.9 686.1 1,020.7 412.5 157.9 1,094.3 - 5,481.4 (443.9) (328.6) (96.7) - (204.0) (1.6) (1,567.2) (2.1) 2,664.3) (108.1 2,685.2 2,793.2 23.8	1,755.7 455.6 755.0 898.6 543.8 166.5 1,481.7 	1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7 	1,789.8 455.6 945.0 778.4 809.0 2,366.0 - 7,404.7 (887.2) (782.9) (214.8) (304.6) (1,567.2) (3.2) (3,779.5) 108.1 3,496.0 3,604.1 25.3	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit Senior Management Employees and relatives Public and institutional inves Total Background Hengan is principally engag of personal hygiene products products, diapers, tissues includes "Anerle", "Anle", "Banditore". Key Ratios Net gearing (%) Net ROE (%) EBIT ROCE (%) Dividend payout (%)	(41.4) (0.3) 204.1 61.6 0.189 0.120 tor ed in the mass in the PRC and skincar , "Softclear 05A 20.5 20.1 18.2 67.2 16.9	anı
Year to Dec Fixed assets Intangible assets Other LT assets Cash Accounts receivable Other receivables Inventories Due from related co.s Other current assets Total assets Accounts payable Other payable Tax payable Due to related co.s ST debts Other current liab. LT debts Other LT liabilities Total liabilities Share capital Reserves Shareholders' funds Minority interest	1,376.2 455.2 390.6 499.9 241.3 159.7 732.6 - 53.2 3,908.7 (361.4) (153.6) (40.9) - (769.0) (1.6) (188.6) (8.6) (1,546.4) 108.1 2,229.7 2,337.8 24.5 2,362.3	1,655.1 454.9 686.1 1,020.7 412.5 157.9 1,094.3 - 5,481.4 (443.9) (328.6) (96.7) - (204.0) (1.6) (1,567.2) (2.1) 2,664.3) (108.1 2,685.2 2,793.2 23.8	1,755.7 455.6 755.0 898.6 543.8 166.5 1,481.7 	1,735.2 455.6 845.0 961.8 676.2 213.5 1,914.7 	1,789.8 455.6 945.0 778.4 809.0 2,366.0 - 7,404.7 (887.2) (782.9) (214.8) (304.6) (1,567.2) (3.2) (3,779.5) 108.1 3,496.0 3,604.1 25.3 3,629.3	Minority interests Net profit % chg EPS (HK\$) - Basic DPS (HK\$) Shareholding Structure Mr. Sze Man Bok Mr. Hui Lin Chit Senior Management Employees and relatives Public and institutional inves Total Background Hengan is principally engag of personal hygiene products products, diapers, tissues includes "Anerle", "Anle", "Banditore". Key Ratios Net gearing (%) Net ROE (%) EBIT ROCE (%) Dividend payout (%) Effective tax rate (%) Net interest coverage (x)	(41.4) (0.3) 204.1 61.6 0.189 0.120 tor ed in the mass in the PRC and skincar "Softclear "Softclear 18.2 67.2 16.9 26.2	anı

	06A	07F	08F	09F
=0.4.0				
564.2			1,619.0	
144.3		226.3		
(21.5)	(63.8)	(70.6)	(63.6)	(73.3)
(68.4)	(123.7)	(199.3)	(268.1)	(341.9)
-	-	-	-	-
618.7	911.9	1,201.0	1,527.7	1,829.9
88.9	(273.4)	(217.8)	(342.2)	(313.7)
707.5	638.5	983.3	1,185.5	1,516.2
(500.0)	(550.0)	(100.0)	(250.0)	(300.0)
207.5	88.5	883.3	935.5	1,216.2
(260.5)	(367.5)	(552.0)	(717.8)	(914.4)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(171.8)	(13.8)	(477.8)	(176.0)	(539.8)
(224.7)				
(232.0)	(457.7)	(750.4)	(807.0)	(955.3)
05A	06A	07A		
1,537.3	2,038.3	2,743.9		
41.9	32.6	34.6		
253.0	458.4	627.0		
(7.2)	(25.4)	(45.6)		
-				
_				
245 8	433 0	581 4		
		0.434		
0.120	0.180	0.280		
		Shares	o/s (m)	%
		Shares	o/s (m) 225.9	% 20.9
		Shares	225.9	20.9
		Shares	225.9 222.6	20.9 20.6
		Shares	225.9 222.6 98.6	20.9 20.6 9.1
		Shares	225.9 222.6 98.6 92.9	20.9 20.6 9.1 8.6
		Shares	225.9 222.6 98.6	20.9 20.6 9.1
	(21.5) (68.4) - 618.7 88.9 707.5 (500.0) 207.5 (260.5) - - (171.8) (224.7) (232.9) (457.7) 05A 1,537.3 41.9 253.0 (7.2) - - - - - - - - - - - - - - - - - - -	(21.5) (63.8) (68.4) (123.7)	(21.5) (63.8) (70.6) (68.4) (123.7) (199.3)	(21.5) (63.8) (70.6) (63.6) (68.4) (123.7) (199.3) (268.1)

27.0

33.9

37.2

99.3

14.6

36.6

39.4

97.1

17.6 25.4

35.8 34.7

38.3 36.5

97.5 98.2

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