

2009/2010 Annual Results Presentation



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Financial highlights for the year ended Mar 31 2010

	As at 31 st March 2010 (HKD '000)	As at 31 st March 2009 (HKD '000, restated)	<i>Percentage changes (%)</i>
Sales	2,366,403	1,938,443	22.1%
Gross profit margin	75.5%	75.4%	
Operating profit	1,516,689	1,195,452	26.9%
EBIT margin	64.1%	61.7%	
EBITDA margin *	67.1%	66.1%	
Profit before tax	1,531,649	1,207,499	26.8%
Profit attributable to shareholders	1,340,085	1,110,324	20.7%
Basic EPS (HK cents)	43.15	36.08	19.6%
Net cash generated from operating activities	1,385,960	1,110,736	24.8%
Free cash flow	1,354,256	1,064,324	27.2%
Net cash **	1,659,290	1,125,238	
Aggregated dividend per share (HK cents)	21.08	13.8	
Including special dividend per share (HK cents)	8.3	3.0	
Total payout ratio	49%	38%	

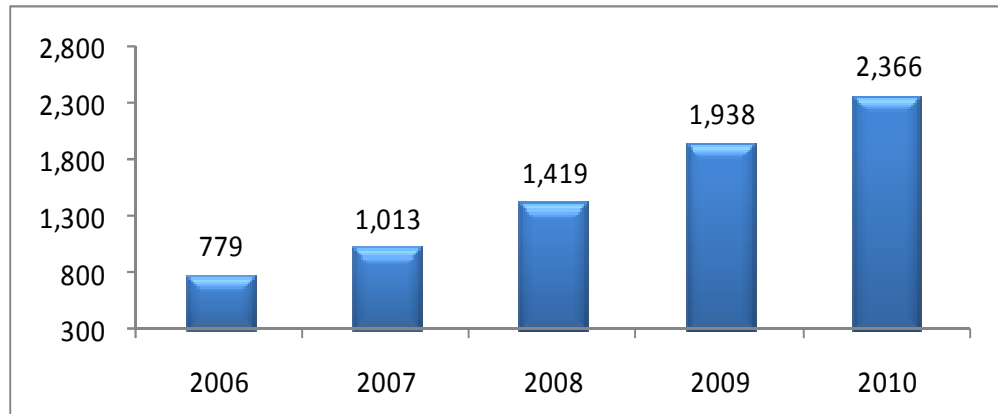
* EBITDA = EBIT + depreciation + intangible asset amortization + option expenses

** Net cash = cash and cash equivalents + short-term time deposit – bank loans

Exceptional historic financial highlights since listing

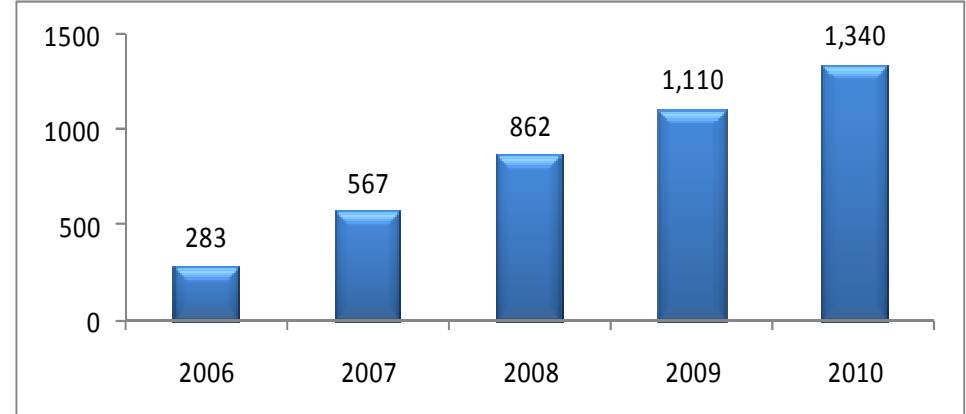
Sales

HKD million



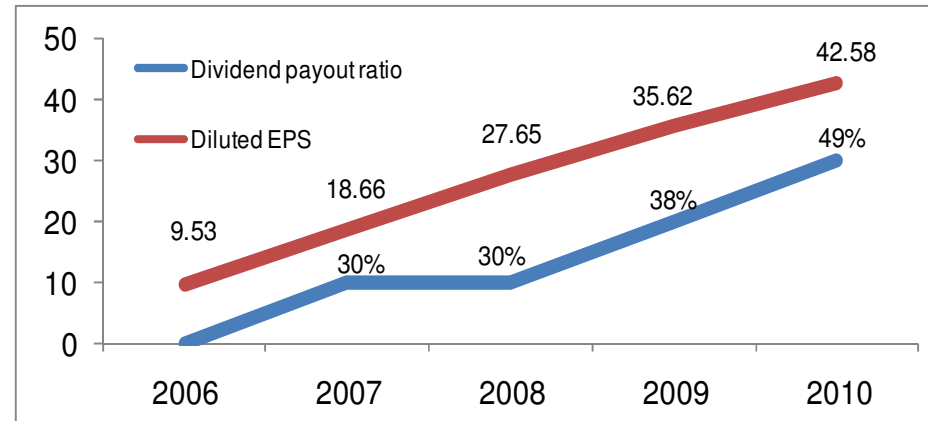
Profit attributable to equity holders of the Company

HKD million



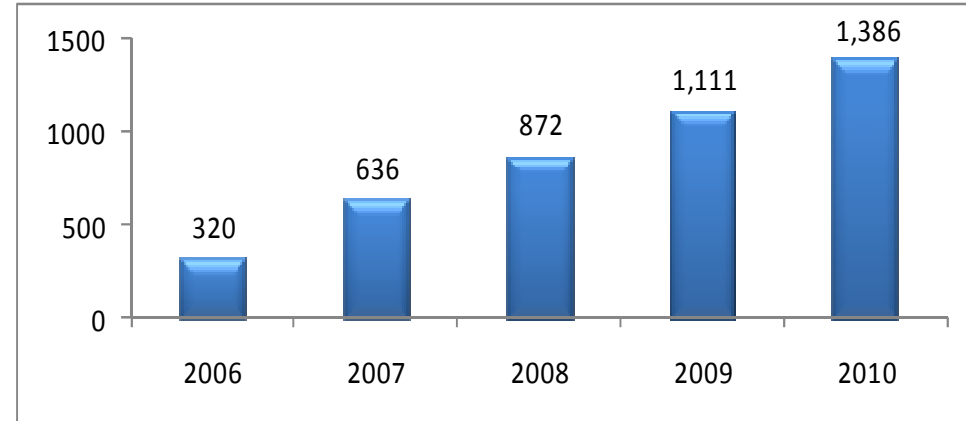
Diluted EPS and dividend payout ratio

HK cents



Net cash generated from operating activities

HKD million



M&A updates

Acquired groups

Qingda Products
(March 2010)

Business

Natural
extracts used
in food side of
business

Deal terms

- The Group invested RMB 10.2 mil to subscribe 51% stake of the target

Rational and results

- A renowned and professional natural pepper extract producer, its main customers include Japan's Ikeda Corporation and McCormick, etc
- The acquisition of Qingda is in line with the Group's strategic production line integration, it will further enhance business development in the food ingredient side and savory side of food business

F&G in southern
Africa
(November 2009)

Natural
extracts for
new materials
for tobacco

- Total consideration of HKD 29,267,000 was funded by the Company's internal resources
- The consideration was based on audited net asset of the target company, for the period ended 31 Oct 2009, the target company's audited net asset reached HKD 29,267,000

- The first overseas raw material extraction base
- To develop new products based on natural extracts
- to capture the enormous opportunities in tobacco industry arising from tar reduction

Maoming Kebi
(August 2009)

Flavours used
in tobacco side
of business

- Total consideration of approximately HKD 117,209,000 was funded by the Company's internal resources, 100% acquired
- The management estimated the revenue will not be less than RMB 50 million in following 12 months (before tax)

- Further strengthened the leading position in key brands by sticking to "Big customer, Big brands" strategy
- Strong integration is in progress: for the 8 months ended 31 2010, unaudited revenue reached about HKD 34.02 mil



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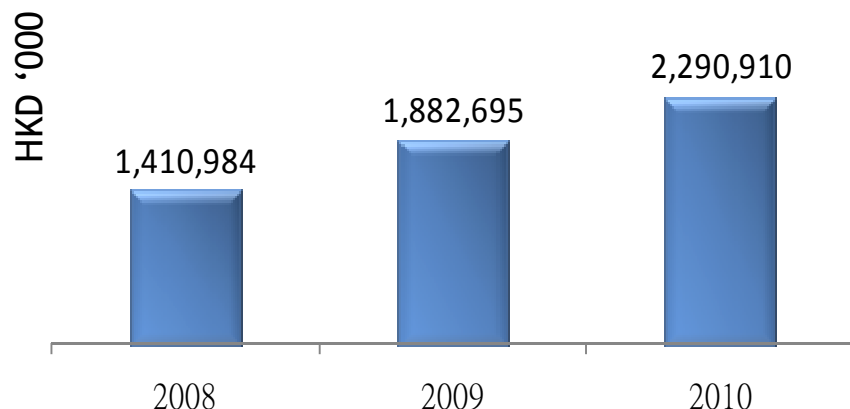
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Review on flavours segment

Graph 1: Sales in the past 3 years



Graph 2: Sector major operating margins

HKD '000	2010	2009
EBIT	1,519,994	1,227,421
EBIT margin	66.3%	65.2%
EBITDA*	1,577,208	1,281,818
EBITDA margin	68.8%	68.1%

* EBITDA = EBIT + depreciation + intangible asset amortization

Results Analysis

- ◆ Rapid 21.7% revenue growth remains strong, where over 20% was organic growth
- ◆ Revenue from tobacco related products and food and beverage related products maintained a rapid growth
- ◆ Gross Profit margin remains stable
- ◆ EBIT margin reached 66.3%, improved 1.1% from same period last year, EBIT was increased by 23.8%
- ◆ EBITDA margin reached 68.8%, improved 0.7% from same period last year
- ◆ During the year, major subsidiaries achieved sound operation results, several of them were awarded high-tech enterprises and various awards from municipal governments

Review on fragrances segment

Business update

- Amber plays an important role in the fragrance industry and is a council member of CAFFCI, and state high-tech company of Xiamen. Major products include essences, detergent fragrance, etc.
- After the acquisition, Huabao obtained good results, such as:
 - Sales revenue recorded 35.4% of outstanding growth
 - Amber was awarded the title of Xiamen City's "The Most Potential SME**" and "High-tech Enterprise"
 - "Amber" was recognized as a Fujian Famous Trademark

Major customers



Sector results overview

HKD '000	2010	2009
EBIT	18,669	13,413
EBIT margin	24.7%	24.1%
EBITDA**	20,924	14,857
EBITDAmargin	27.7%	26.7%

* SME = Small and Medium Enterprises

** EBITDA = EBIT + depreciation + intangible asset amortization

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Rapid revenue growth and further improvement on operation efficiency

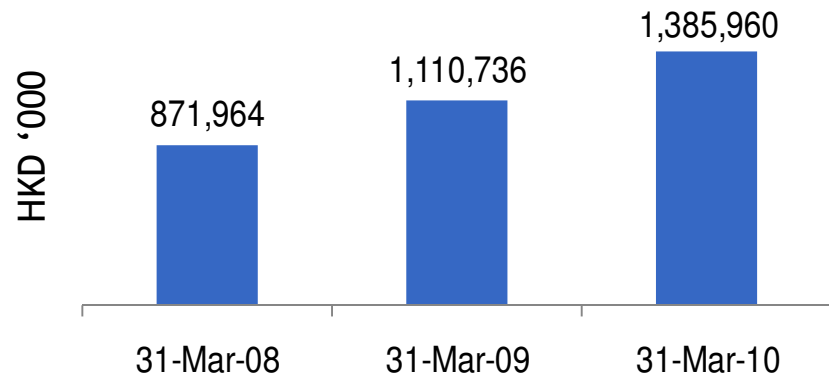
(HKD '000)	As at 31 March 2010	As at 31 March 2009 (restated)	Growth and trend
Revenue	2,366,403	1,938,443	22.1%
Breakdown : Flavours (at 96.8%)	2,290,910	1,882,695	21.7%
Fragrances (at 3.2%)	75,493	55,748	35.4%
GP margin	75.5%	75.4%	↑
EBITDA margin **	67.1%	66.1%	↑
Breakdown : Flavours	68.8%	68.1%	↑
Fragrances	27.7%	26.7%	↑
EBIT margin *	64.1%	61.7%	↑
Breakdown : Flavours	66.3%	65.2%	↑
Fragrances	24.7%	24.1%	↑
SG&A to revenue	12.9%	15.6%	↓
Breakdown : R&D to Sales	3.5%	2.7%	↑
Pretax net profit	1,531,649	1,207,499	26.8%
Effective tax rate	10.6%	6.8%	↑
Profit attributable to the equity holders of the Company	1,340,085	1,110,324	20.7%

* EBIT = operating profit

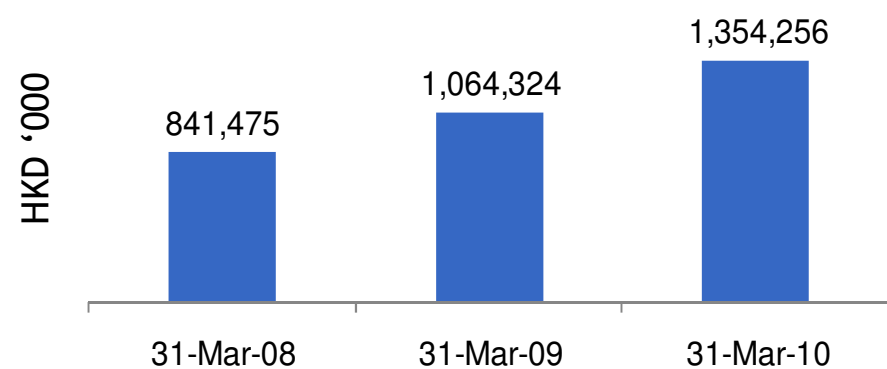
**EBITDA = EBIT + depreciation + intangible asset amortization + option expenses, flavours and fragrances EBITDA including option expenses

Strong cash flow, healthy balance sheet, and keep elevating shareholders return

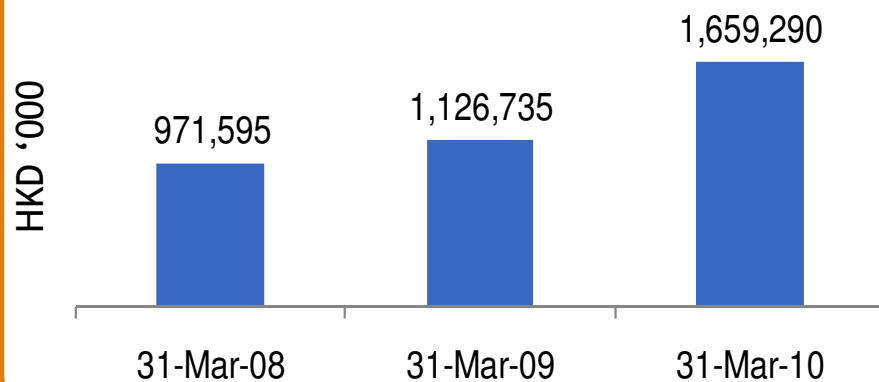
Net cash generated from operating activities



Free cash flow

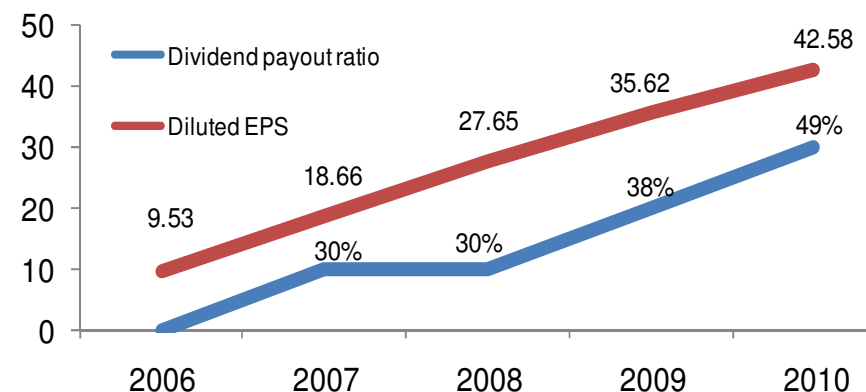


Cash and cash equivalents



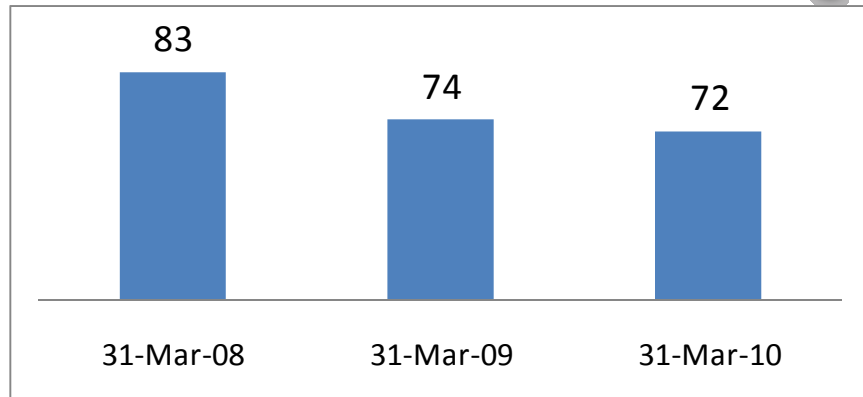
Diluted EPS and dividend payout ratio

HKD cents

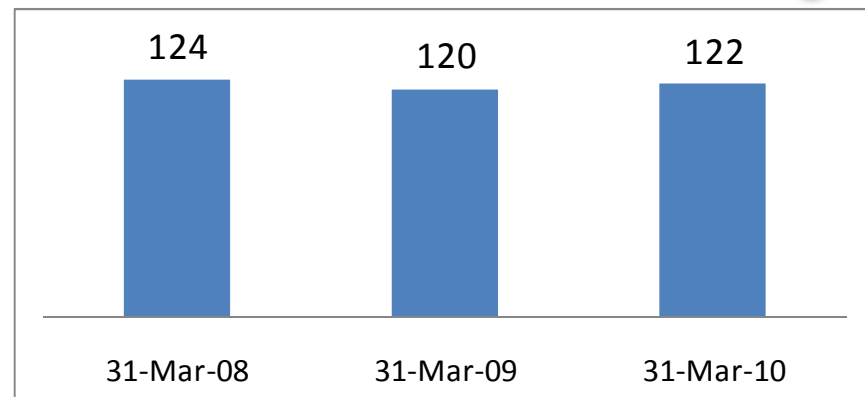


Efficient working capital management

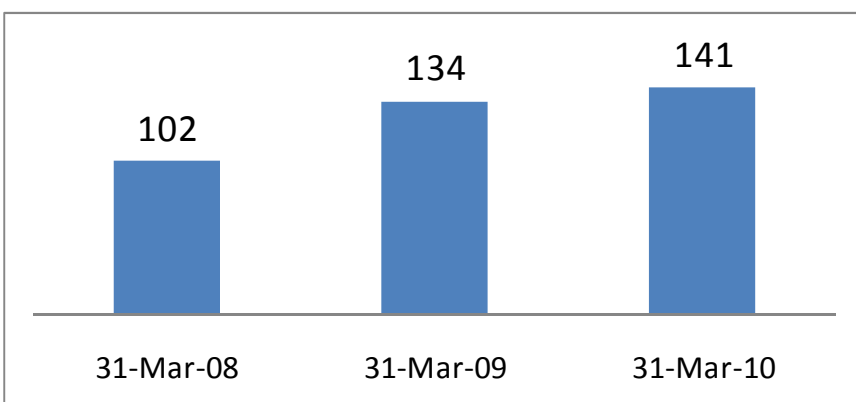
Trade receivable turnover (days)



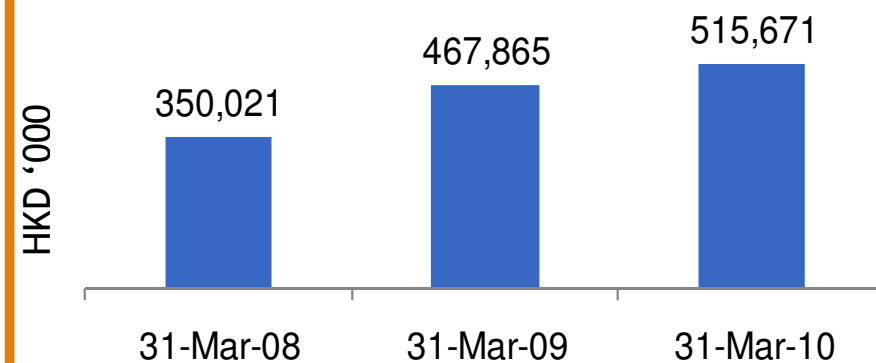
Trade payable turnover (days)



Inventory turnover (days)



Working capital requirement ⁽¹⁾



(1) Inventory + receivable - payable

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Huabao will continue to benefit from the post-consolidation of the tobacco industry

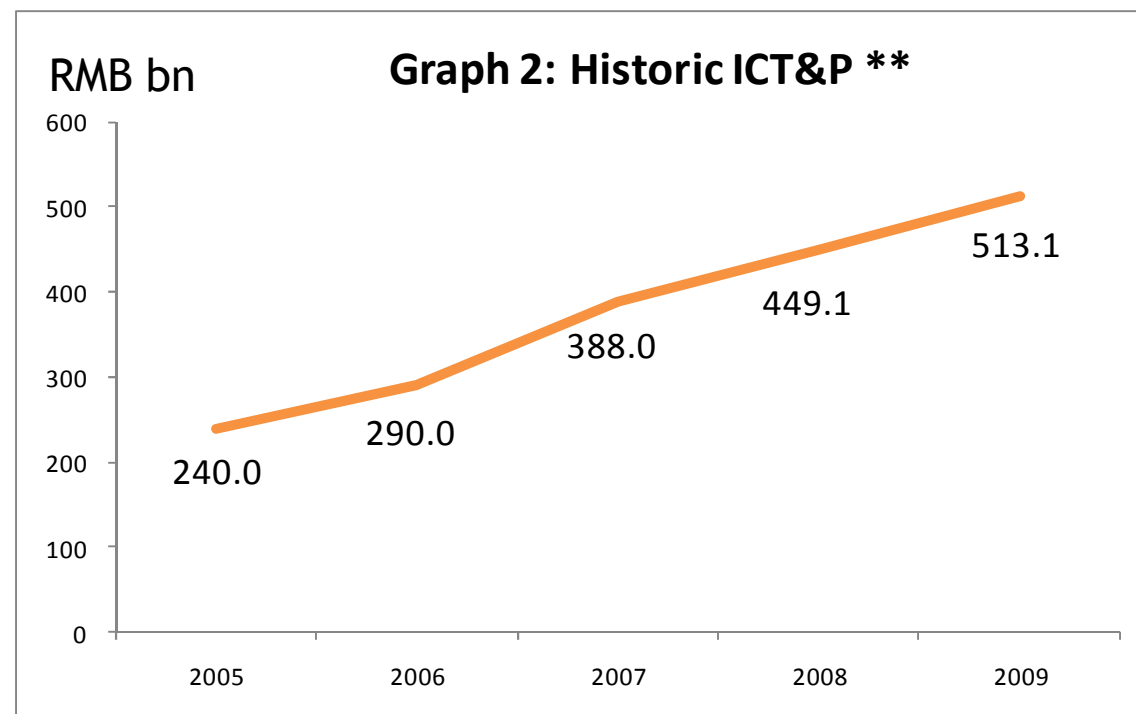
- ◆ In the next 5 years, Chinese government will promote the “532” and “461” targets, in order to further consolidate the tobacco industry and brand concentration
- ◆ “Bigger and Stronger” in volume and profitability of key brands enable government to make the best return from this sector
- ◆ Should the current consolidation plan remains unchanged, Management expects sales revenue of major brands is likely to maintain a growth of over 10% in the next 5 years
- ◆ The management is confident in benefiting from the post-consolidation and are optimistic about the growth in the next 5 years

Graph 1: Upcoming “532” & “461” policies

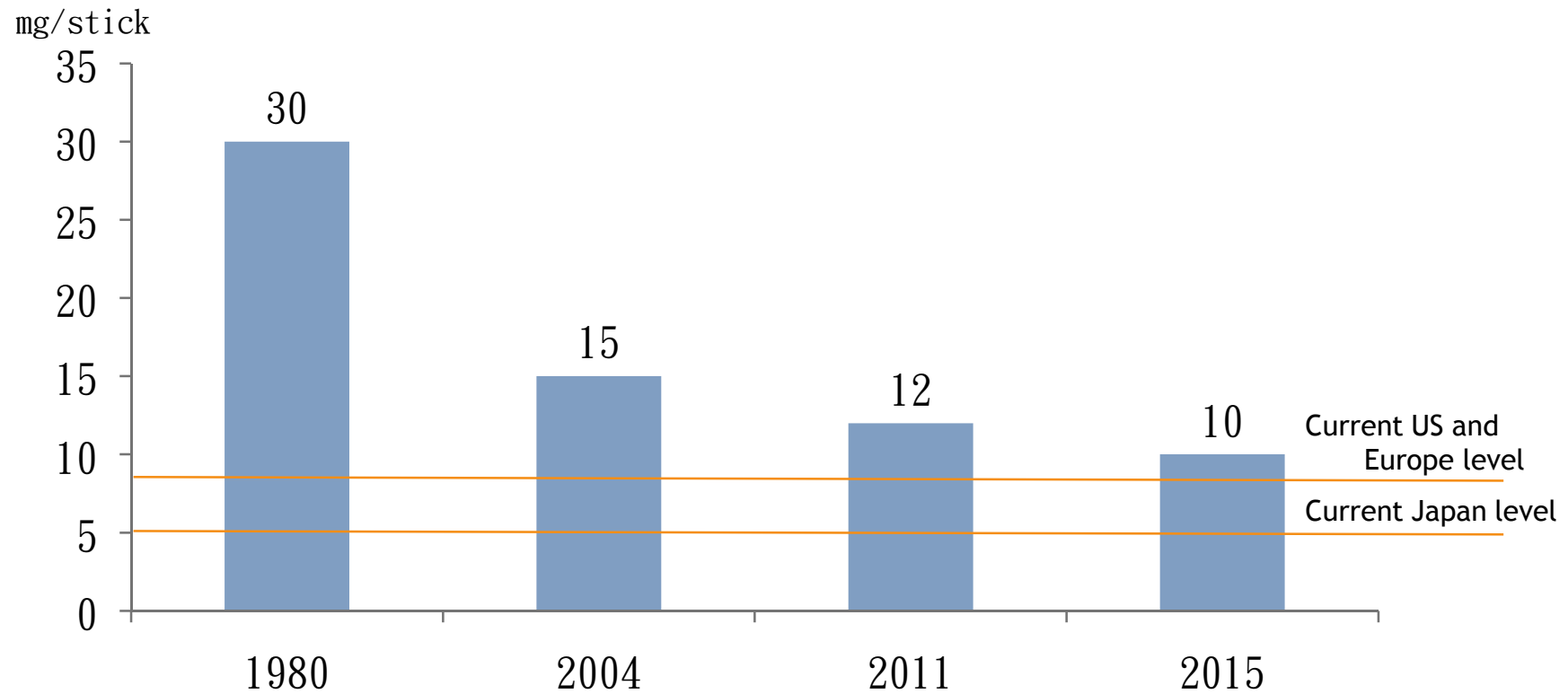
Per brand target production (Master Cases)	year 2015	Per brand target sales (RMB bn)	year 2015
5mil +	2*	100 +	1*
3mil +	3*	60 +	4*
2mil +	5*	40 +	6*

* Source: China Tobacco

** Industrial and Commercial Tax & Profit

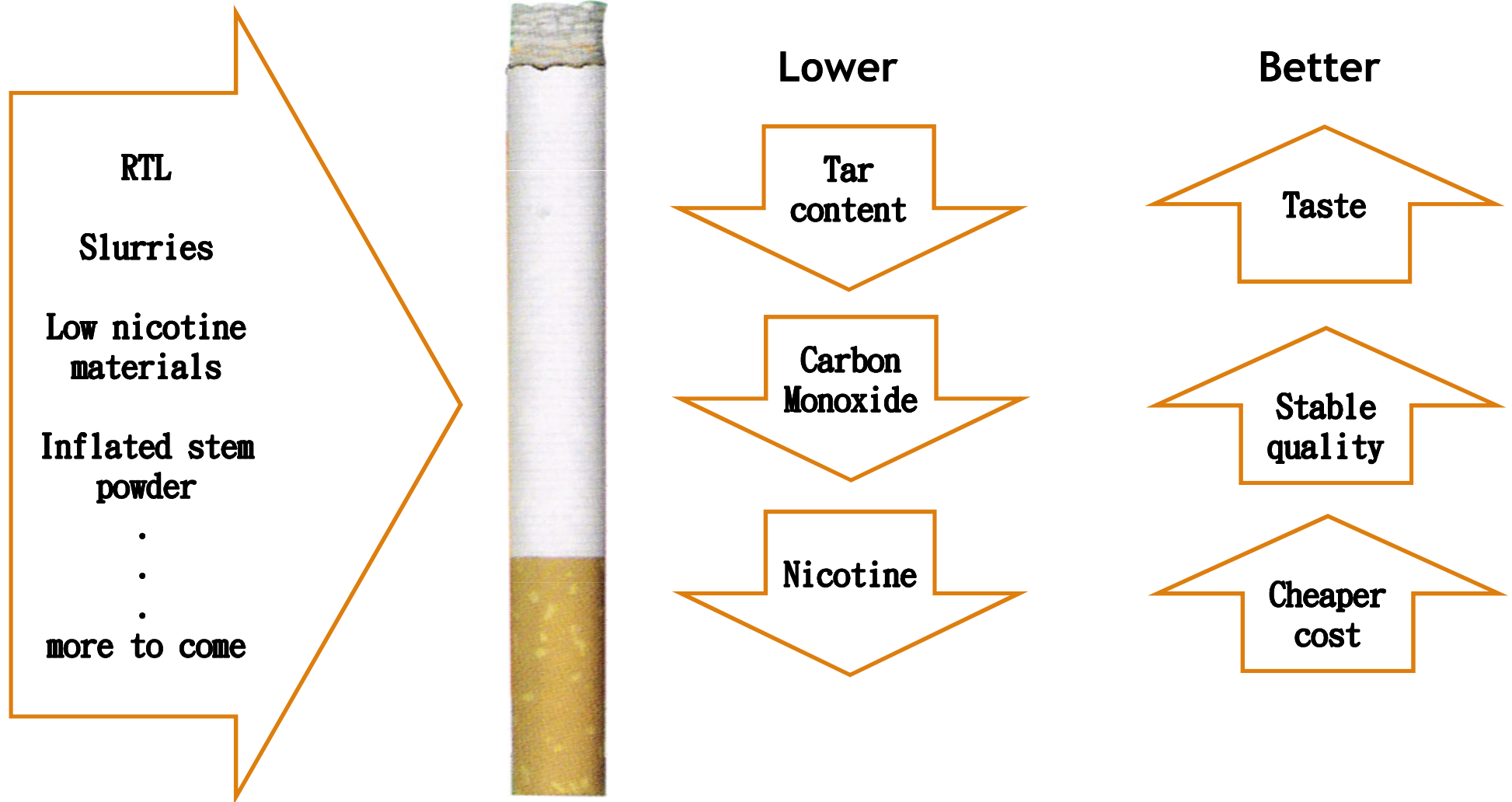


Government has announced the new tar level ceiling.....



Source: China Tobacco

.....industry development will give new cigarette materials more room to play

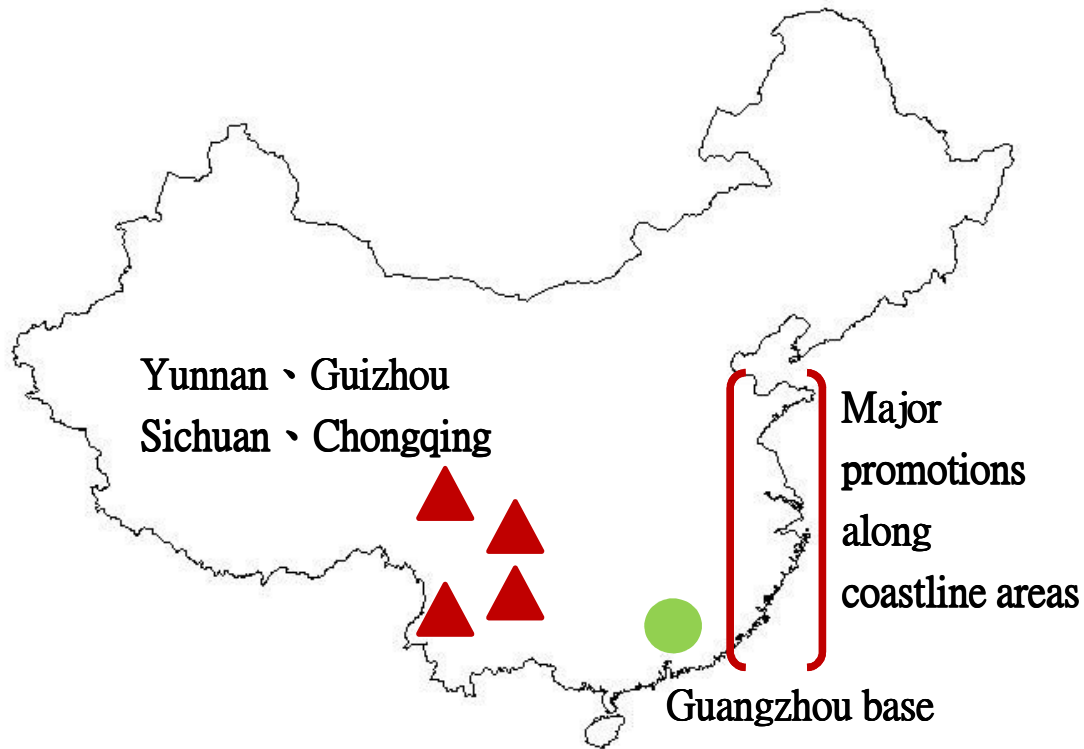


Huabao's competitive advantage in new cigarette materials

- ◆ Benefit from flavouring business
 - The only core supplier to major brands in China
 - Long term relationships for over 12 years
 - A clear understanding of the tastes of the major brands in China
- ◆ Strong execution professional team
 - A professional team which is top in the country and in line with international standards
 - A team with international experience to execute new material projects
- ◆ Special raw materials
 - Botswana's F&G factory and Wuxi's production base were set up to provide unique up-stream raw materials, in order to cope with new material projects
- ◆ Projects in progress
 - Yunnan's Qing Tian Xiang inflated stem powder project has already commenced early stage construction
- ◆ Strong R&D pipeline
 - Several projects remain in the R&D stage or will commence production soon, foreshadowing future growth of the company



Food ingredients business



▲ Hanfo Cooking Secret



● Muslim food ingredients base



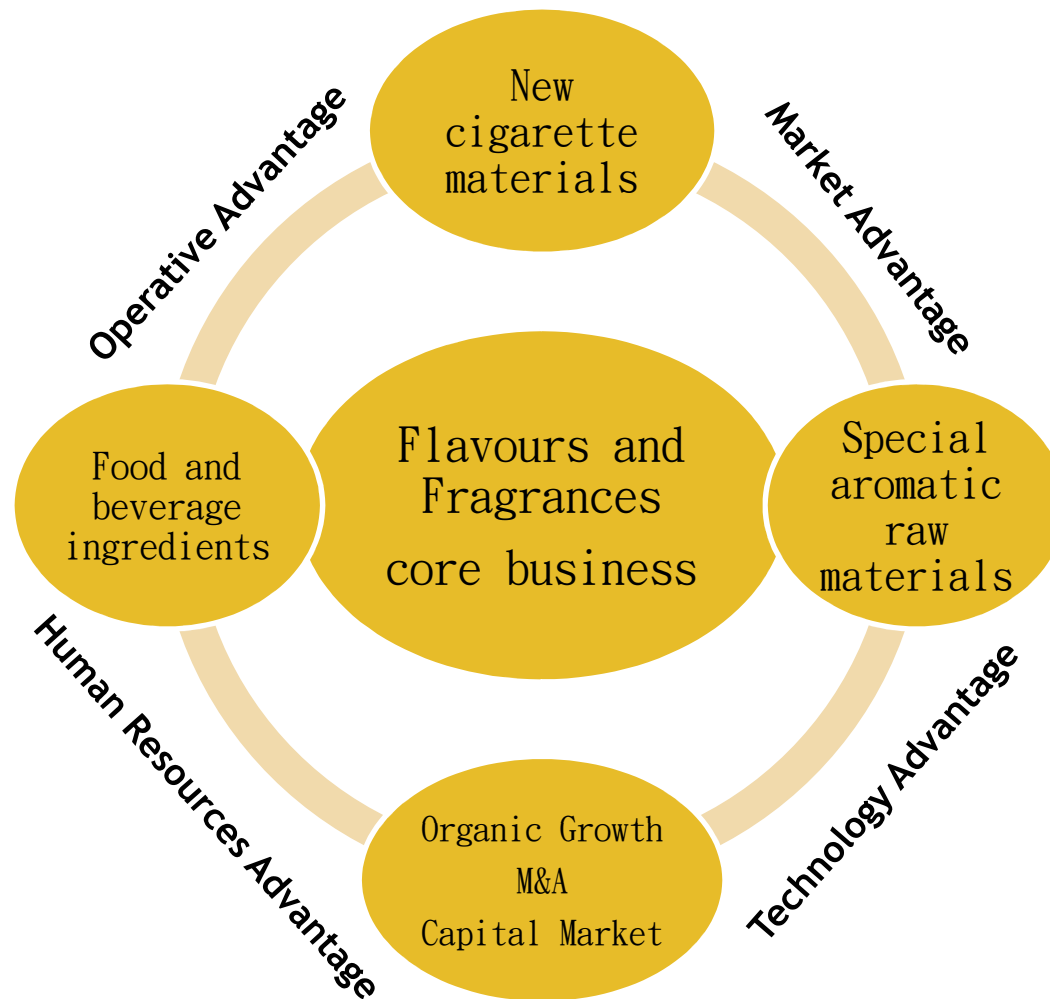
- ◆ Natural, safe, and quicker compound cooking ingredients is the future development of food ingredients
- ◆ May 2009, “Hanfo Cooking Secret” was established, it was successfully promoted in the Southwest regions, its natural and spicy gimmicks were well received
- ◆ “Hanfo Cooking Secret” will be promoted along the coastline areas in the future
- ◆ The Group’s first Muslim food ingredients production line has finished construction and will commence production this year, its target is domestic and South East Asia’s Muslim cultural areas
- ◆ The Group is very positive on the food ingredients market and in the future it will become one of the three major sectors of our business, Management is confident in the development in the food ingredients area

Aromatic raw materials business



- ◆ The Group insists on strategically develop the upstream aromatic raw material business to achieve an integrated core value chain. Preliminary results as follow after several years:
- ◆ Established Wuxi Huahai in 2007, to commercialize our own R&D products, engage in extraction of natural flavours and Chinese herbs
- ◆ Acquired F&G in November 2009, to vault into our new cigarette materials business
- ◆ Invested in Qingdao Qingda in March 2010 to move into natural spices extraction, to support our food flavours and food ingredients business development
- ◆ We will be proactively seeking for M&A opportunities, and to accelerate growth in the aromatic raw materials business

Multi-pronged, focus growth strategy



To establish an integrated core value chain,
to become a global leading player based in China

Q&A



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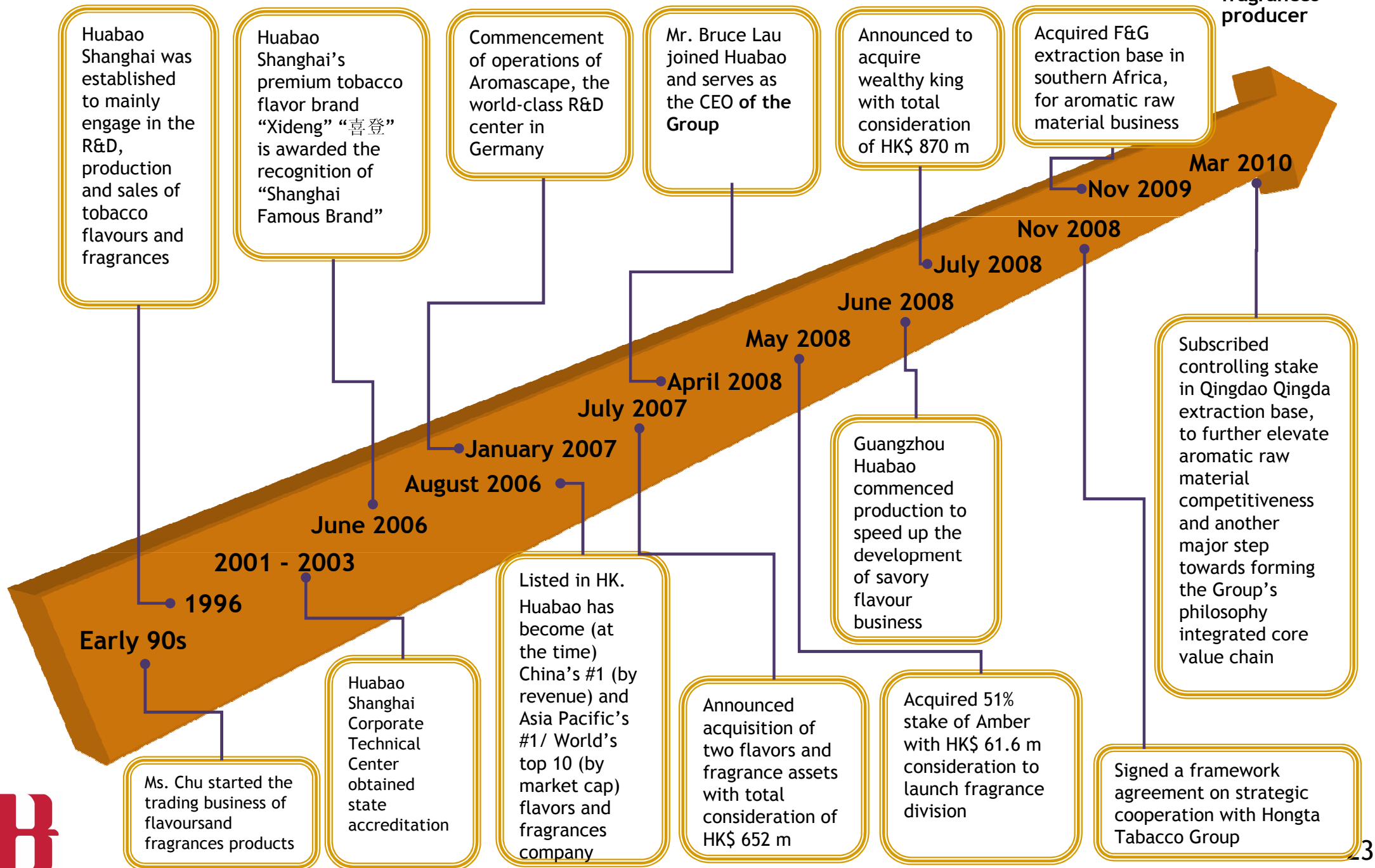
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- ◆ History of development
- ◆ Recent updates of the Group
- ◆ Introduction to flavour and fragrance products
- ◆ Recent update of tobacco flavour in China
- ◆ Recent update of fast growing consumer market in China



History of Development

China's largest flavour and fragrances producer



Recent update of the Group

Major production and R&D facilities



Production capacity of F&F of major subsidiaries

As at 31 March 2010

Shanghai

Huabao Shanghai	3,000	Huabao Kongque	4,500
Huashun Shanghai	1,300	Shanghai Yinghua	1,500

Jiangsu

Wuxi Fuhua	1,500	Wuxi Jiahua	1,200
Wuxi Huaxin	600	Wuxi Huahai	500
Taicang Wenhua	800		

Guangdong

		Guangzhou	
Guangdong Zhaoqing	1000	Huabao	4,000
Guangzhou Huafang / Owada (Wealthy King)	2,000	Feijia Additive (Wealthy King)	500

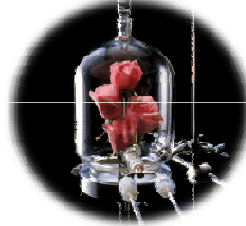
Others

Yunnan Tianhong	2,500	Qingdao Huabao	1,000
Amber	800	Qingdao Qingda	650
F&G	150	Huabao Hong Kong	300

Total production capacity: 27,800 tons

Introduction to flavours and fragrances products

- Fragrance is a mixture of certain flavor and fragrance blended through a series of processing procedures and formulation with natural flavor ingredients and synthesis of flavors



- Flavours and fragrances products are mostly used in the below 3 markets:

Flavours

- Used in all tobacco products, e.g., cigarettes, cigar



- Used in most of the food and drinks



Fragrances

- Used in perfume, personal care and house hold products

