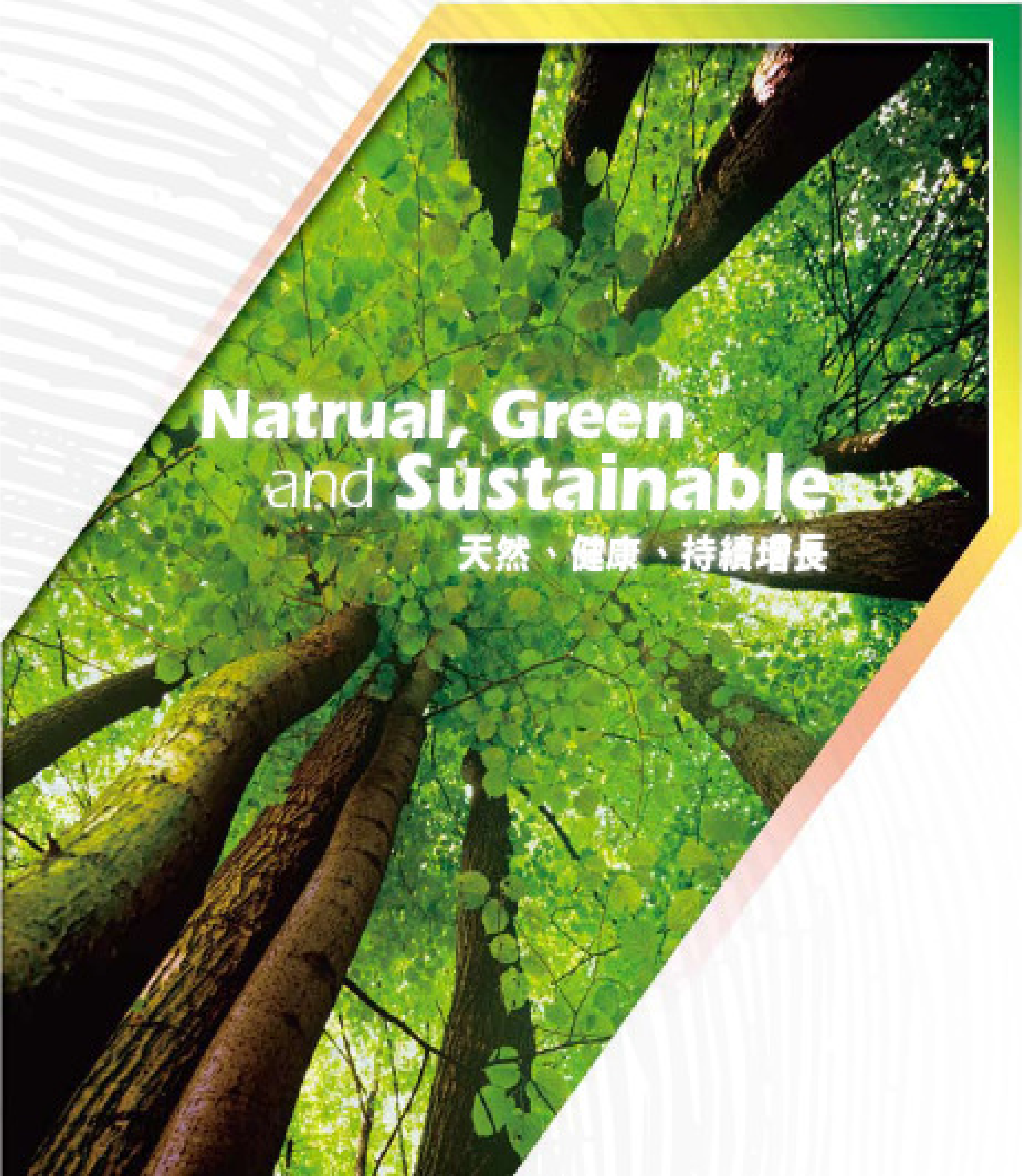

2010/2011 Annual Results Presentation

華寶
Huabao

Disclaimer

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華寶 Huabao

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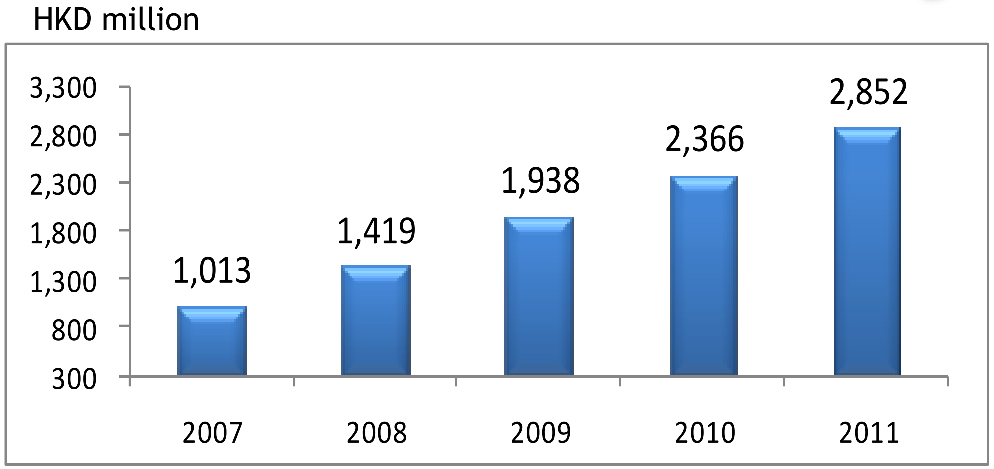
Financial highlights for the year

	As at 31st March 2011 (HKD '000)	As at 31st March 2010 (HKD '000)	*Percentage changes (%)*
Sales	**2,852,173**	2,366,403	+20.5%
Gross profit margin	**74.3%**	75.5%	
Operating profit	**1,871,706**	1,516,689	+23.4%
EBIT margin	**65.6%**	64.1%	+1.5%
EBITDA margin *	**68.5%**	67.1%	+1.4%
Profit before tax	**1,881,114**	1,531,649	+22.8%
Profit attributable to shareholders	**1,604,400**	1,340,085	+19.7%
Basic EPS (HK cents)	**51.01**	43.15	+18.2%
Net cash generated from operating activities	**1,406,330**	1,385,960	+1.5%
Net cash **	**936,410**	1,659,290	
Aggregated dividend per share (HK cents)	**15.18**	21.08	
Including special dividend per share (HK cents)	**Nil**	8.3	
Total payout ratio	**30%**	49%	

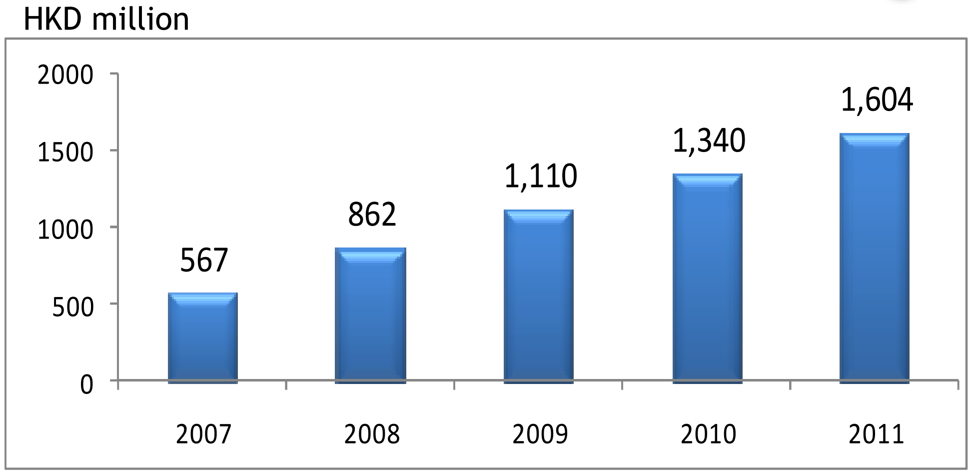
* EBITDA = EBIT + depreciation + intangible asset amortization + option expenses
** Net cash = cash and cash equivalents + short-term time deposit – short-term bank loans

Three-year business development plan successfully completed!

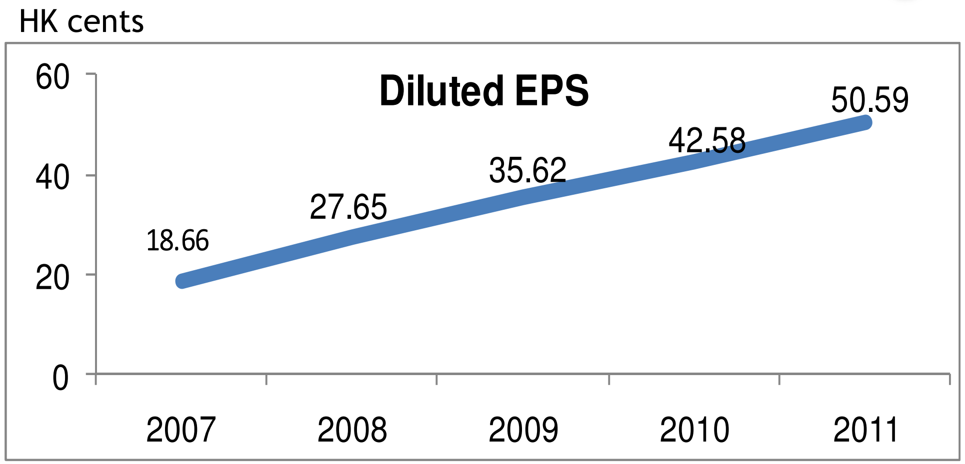
Sales



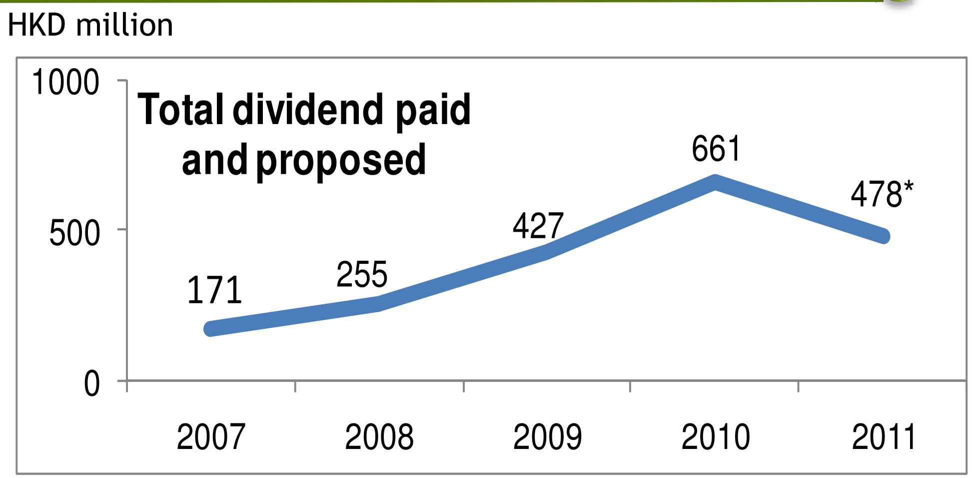
Profit attributable to equity holders of the Company



Diluted EPS per share



Total dividend paid and proposed*



Obvious results from consistently promoting 'multi-pronged, focus growth' development strategy and integrated core value chain

Food flavours

*Entered into food flavours with the acquisition of Kongque in 2005

*Has developed into one of the biggest food and beverage flavours enterprises in domestic China after several years

Fragrances

*Entered into fragrances with the acquisition of Amber in May 2008

*Through comprehensive integration, sale revenues from fragrances has almost tripled since the acquisition

RTL

*After years of preparation, completed the acquisition of Guangdong Jinye Group in January 2011 as a platform

*Currently various RTL projects are underway, the Group will see new growth in the future

'Multi-pronged, focus growth' development strategy

Aromatic raw materials

*Comprehensive planning with steady implementation

*A number of natural raw material bases have been formed

*greatly improved the Group's integrated business and overall competitiveness

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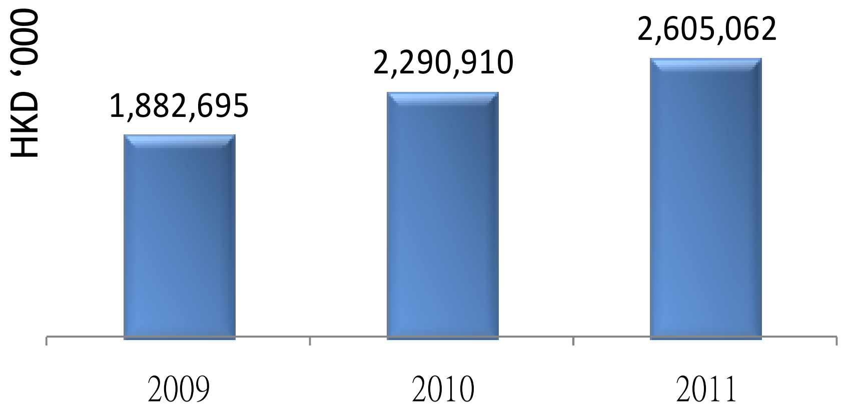
Review on flavours segment

Graph 1: Sales in the past 3 years



Graph 2: Sector major operating margins

HKD '000	2011	2010
EBIT	**1,837,579**	1,519,994
EBIT margin	**70.5%**	66.3%
EBITDA*	**1,899,273**	1,577,208
EBITDAmargin	**72.9%**	68.8%

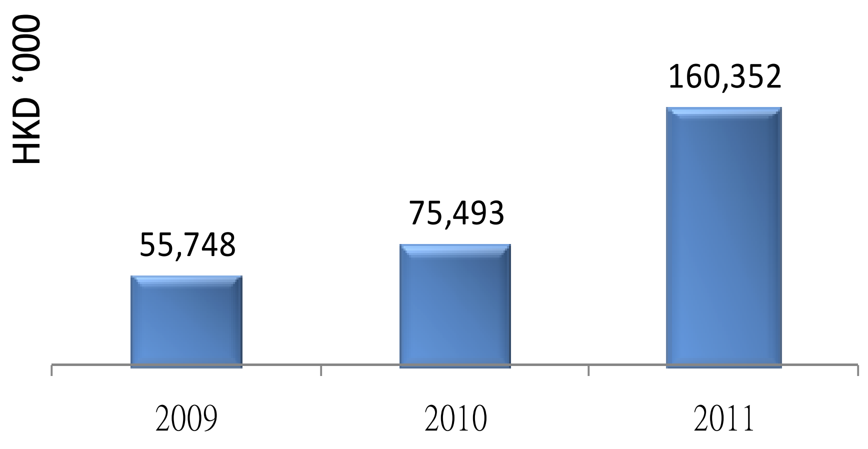
Results Analysis

- Achieved a 13.7% of revenue growth to HKD2.61 billion
- Revenue from tobacco related products and food and beverage related products maintained a rapid growth
- Gross Profit margin remains stable
- EBIT margin reached 70.5%, improved 4.2% from same period last year, EBIT was increased by 20.9%
- EBITDA margin reached 72.9%, improved 4.1% from same period last year

* EBITDA = EBIT + depreciation + intangible asset amortization

Review on fragrances segment

Graph 1: Sales in the past 3 years



Graph 2: Sector major operating margins

HKD '000	2011	2010
EBIT	**30,632**	18,669
EBIT margin	**19.1%**	24.7%
EBITDA**	**33,173**	20,924
EBITDAmargin	**20.7%**	27.7%

** EBITDA = EBIT + depreciation + intangible asset amortization

Results Analysis

- Strong development momentum was injected into fragrances sector from the acquisition of Yunnan Huaxiangyuan
- Sales revenue realized a strong growth momentum, recorded a 112.4% growth
- EBIT margin reached 19.1%, EBIT was increased by 64.1%
- EBITDA margin was 20.7%, EBITDA was increased by 58.5%
- Key Account customers: Liby, Lanju, Lonkey and Nice, etc.

Review on RTL

Graph 1: RTL production line

Graph 2: Sector major operating margins

HKD '000	2011
EBIT	14,905
EBIT margin	17.2%
EBITDA**	29,062
EBITDAmargin	33.5%

** EBITDA = EBIT + depreciation + intangible asset amortization

Results Analysis

- With the acquisition of Guangdong Jinye Group completed in January 2011, the Group started its expansion into the new field of Reconstituted Tobacco Leaf (RTL)
- For 5 months ended March 31 2011, RTL has reaches sales of HKD 86.8 million, in line with management's internal target
- Since the acquisition, the integration has been progressing accordingly. Guangdong Jinke's 10,000-ton capacity production line is going through technical upgrade, which will optimize product quality and customer foundations.
- The Group is currenlty putting all efforts into the completion of a new 20,000 ton production line
- Technical cooperation with China Tobacco Anhui and production line with Huangguoshu Jinye are both underway

M&A updates

Acquired groups	Business	Deal terms	Rationale and results
Yongzhou Shanxiang (April 2011)	Upstream, for flavours side of business	■ Injected RMB23.50 million, with 67.14% ownership ■ Through independent third parties	■ Yongzhou is the main producing area of litsea cubeba oil, where its output accounts for a leading position globally ■ Establishment of Yongzhou Shanxiang is another strategic deployment of the Group in building an integrated core value chain.
Guangdong Jinye Group (January 2011)	For RTL business	■ Total consideration of HKD1,329,763,000 was funded by the Company's internal resources ■ Through independent third parties	■ To establish a strategic development platform of RTL
Yunnan Huaxiangyuan (September 2010)	Upstream, for fragrances side of business	■ Total consideration of approximately HKD4,314,000 was funded by the Company's internal resources ■ Proportionally injected approximately HKD9.250,000 to expand production scale and capacity ■ Through independent third parties	■ team up with Xiamen Amber to form an upstream-downstream alliance, utilizing combinations of natural aromatic raw materials and products, which will greatly improve the competitiveness and speed of development in the fragrances business.

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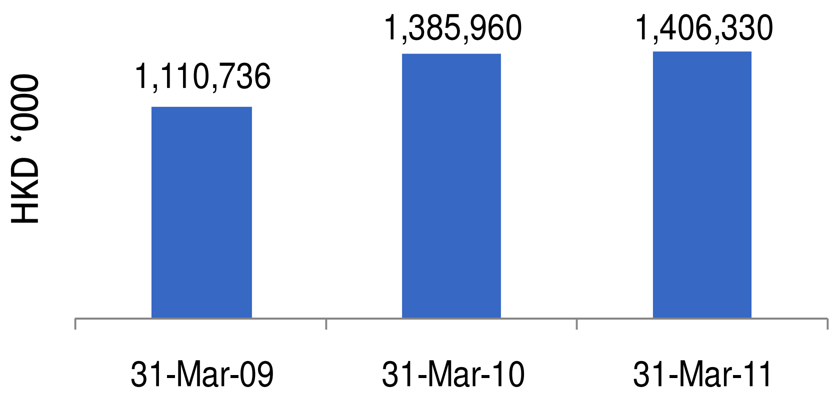
Rapid revenue growth and further improvement on operation efficiency

(HKD '000)	As at 31 March 2011	As at 31 March 2010	Growth and trend
Sales revenue	**2,852,173**	2,366,403	
Breakdown of sales: Flavours (91.3%)	**2,605,062**	2,290,910	
Fragrances (5.6%)	**160,352**	75,493	
RTL (3.1%)	**86,759**	-	
Gross Profit margin	**74.3%**	75.5%	
EBITDA margin **	**68.5%**	67.1%	
Breakdown : Flavours	**72.9%**	68.8%	
Fragrances	**20.7%**	27.7%	
RTL	**33.5%**	-	
EBIT margin *	**65.6%**	64.1%	
Breakdown : Flavours	**70.5%**	66.3%	
Fragrances	**19.1%**	24.7%	
RTL	**17.2%**	-	
SG&A to revenue	**13.0%**	12.9%	
Breakdown : R&D to Sales	**4.3%**	3.5%	
Effective tax rate	**13.3%**	10.6%	

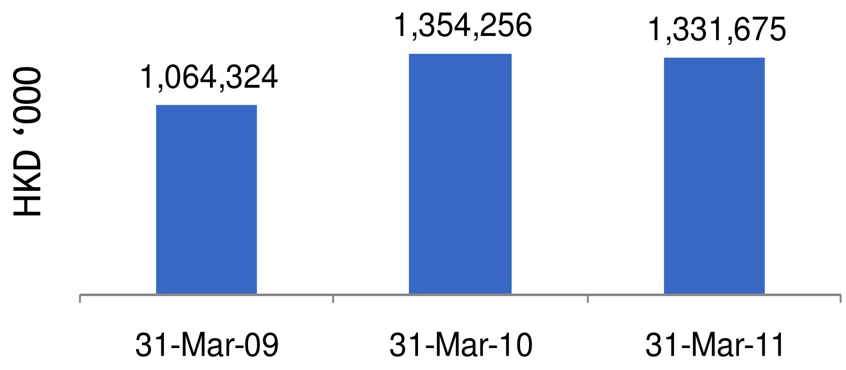
* EBIT = operating profit
**EBITDA = EBIT + depreciation + intangible asset amortization + option expenses, flavours and fragrances EBITDA including option expenses

Ample cash flow, healthy balance sheet, and focus on shareholders return

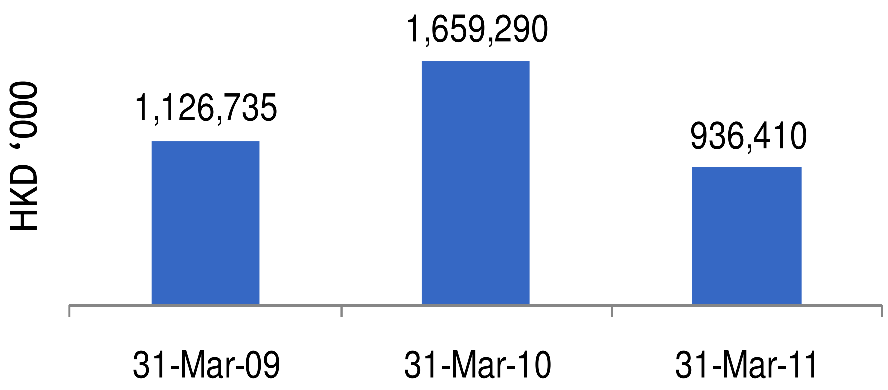
Net cash generated from operating activities



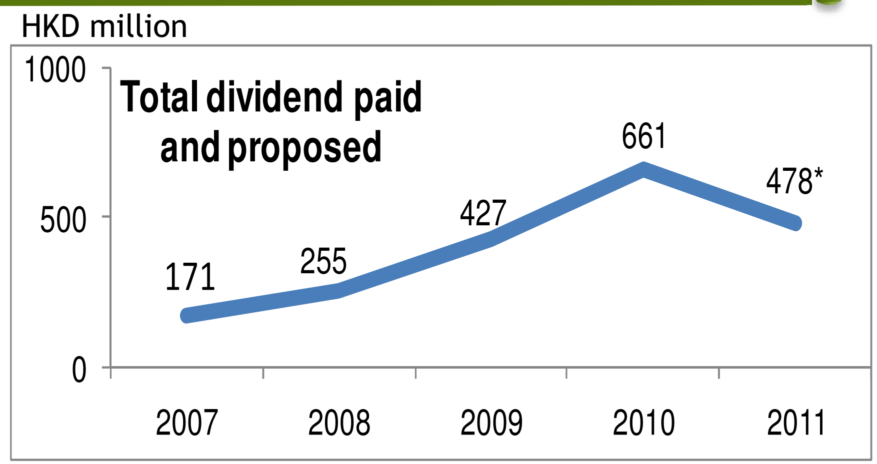
Free cash flow



Cash and cash equivalents

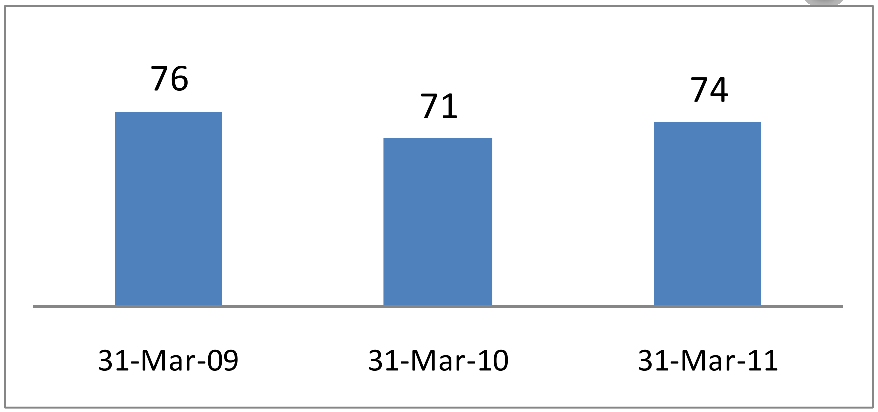


Total dividend paid and proposed*

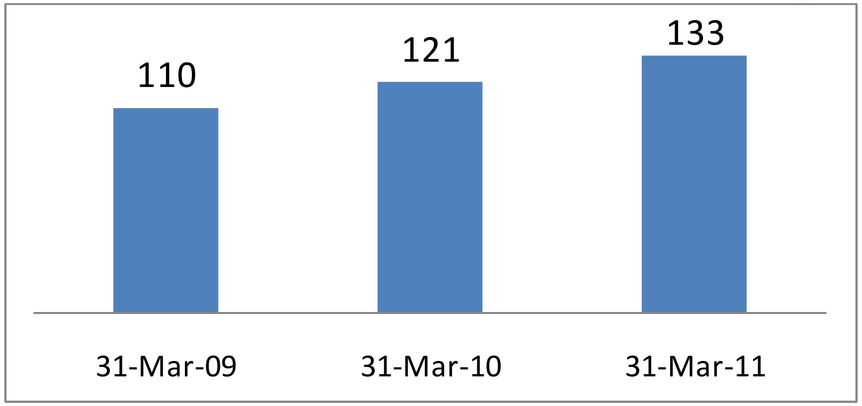


Strengthened working capital management to cope with inflation

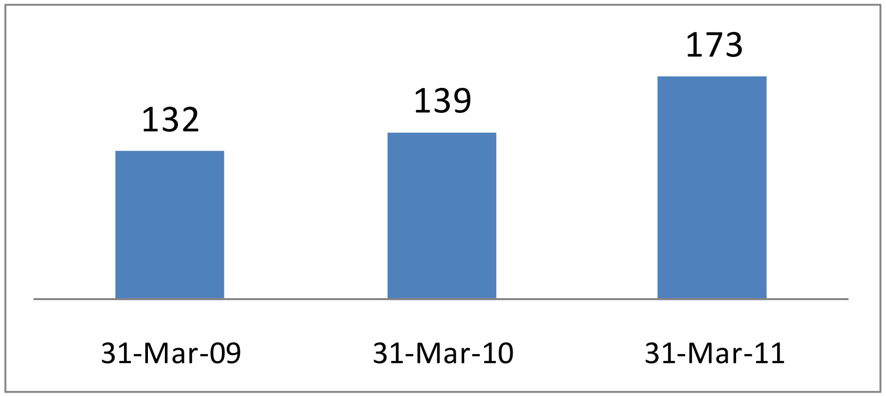
Trade receivable turnover (days)



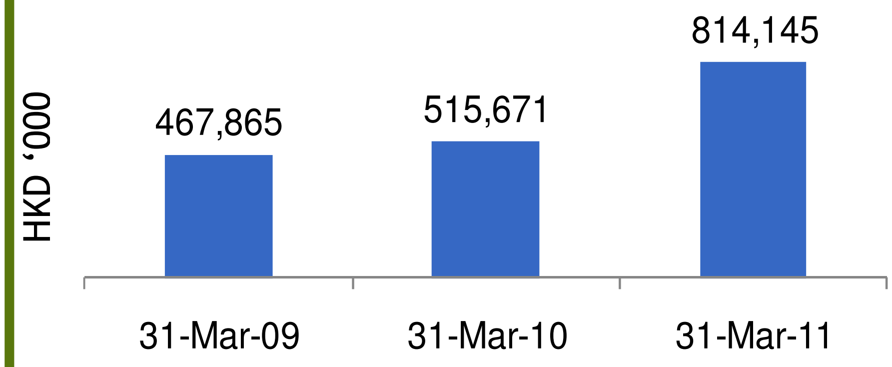
Trade payable turnover (days)



Inventory turnover (days)



Working capital requirement (1)



(1) Inventory + account receivable - account payable

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RTL will see rapid growth in the future

	2010	2011	2012	2013	2014
Guangdong Jinke	10,000 tons 55% ownership				
Hunan Jinye	10,000 tons 10% ownership				
Shanghai Tobacco Taichuang	10,000 tons 6.96% ownership				
Guangdong Jinye	20,000 tons 100% ownership				
China Tobacco Anhui	10,000 tons Technical cooperation				
Huangguoshu Jinye	10,000 tons 30% ownership				

Increase development in the natural 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

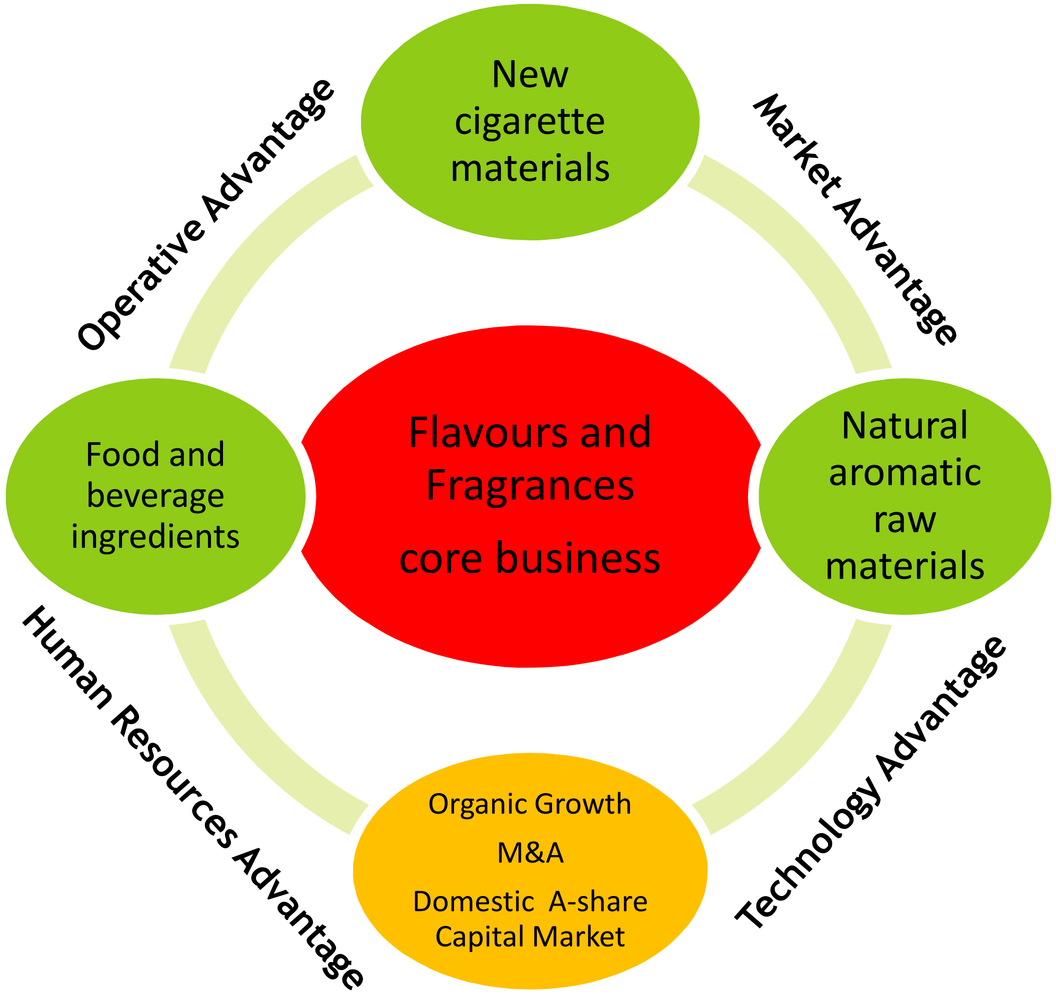
- Acquired F&G in November 2009, to vault into our new cigarette materials business

- Invested in Qingdao Qingda in March 2010 to move into natural spices extraction, to support our food flavours and food ingredients business development

- Acquired Yunnan Huaxiangyuan in September 2010, for its development in fragrances sector

- Established Yongzhou Shanxiang in April 2011, leveraging on the advantages of its natural raw materials, further elevate food flavours product quality and increase growth momentum

Adhere to "Multi-pronged, focus growth" strategy, to construct a natural, green, and healthy production chain



To establish a natural, green, and healthy production chain, to become a global leading player based in China

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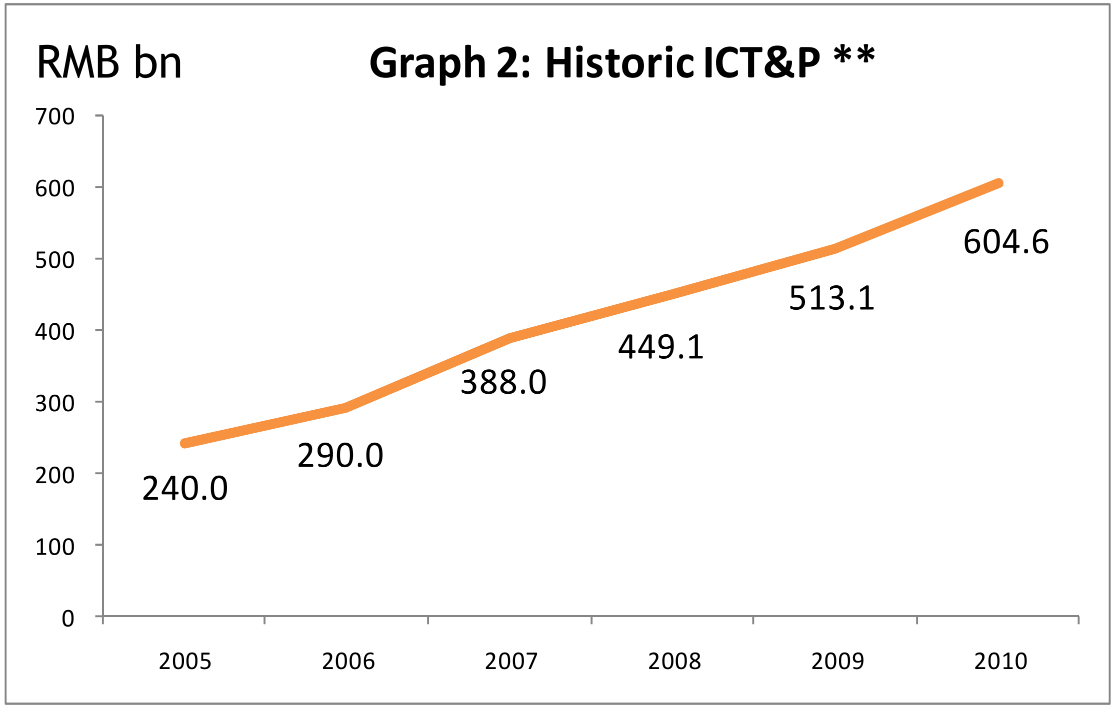
- ◆Future development of the Chinese tobacco industry
- ◆Tar content regulation of the Chinese tobacco industry
- ◆Huabao's future development in the area of new cigarette materials

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

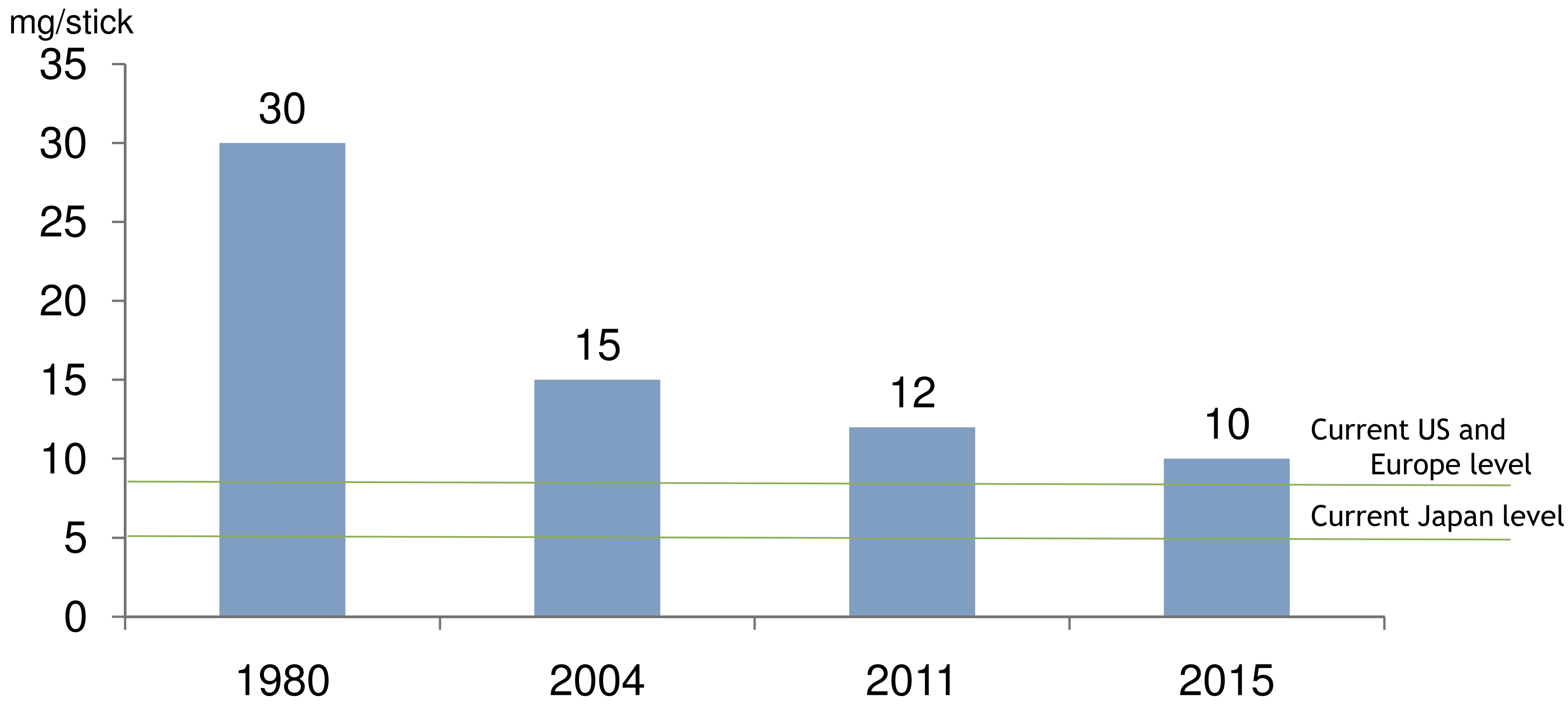
Graph 1: Upcoming "532" & "461" policies

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

RTL

Slurries

Low nicotine materials

Inflated stem powder

.

.

.

more to come

Lower

- Tar content
- Carbon Monoxide
- Nicotine

Better

- Taste
- Stable quality
- Cheaper cost