

2010/2011 Interim Results Presentation



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Financial review for the first half of the fiscal year

	As at 30 Sept 2010 (HKD '000)	As at 30 Sept 2009 (HKD '000)	<i>Percentage changes (%)</i>
Sales	1,286,614	1,088,854	+18.2
Gross profit margin	75.5%	75.5%	
Operating profit	869,834	694,152	+25.3
EBITDA margin *	70.3%	67.1%	
EBIT margin	67.6%	63.8%	
Profit before tax	880,931	700,789	+25.7
Profit attributable to shareholders	752,266	610,927	+23.1
Basic EPS (HK cents)	23.94	19.75	+21.2
Net cash generated from operating activities	561,884	671,546	-16.3
Net cash **	2,080,145	1,423,289	
Interim dividend per share (HK cents)	7.2	6.0	+20.0
Interim special dividend per share (HK cents)	-	2.8	
Total payout ratio	30%	45%	

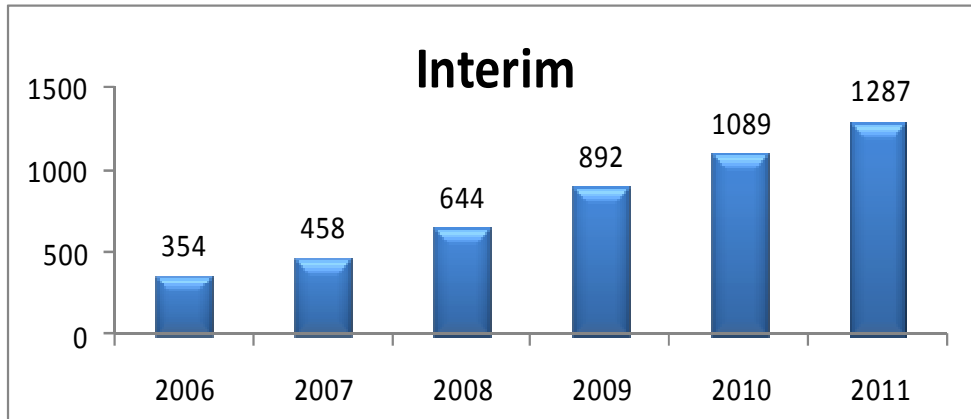
* EBITDA = EBIT + depreciation + intangible asset amortization + option expenses

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

Historic financial highlights since listing

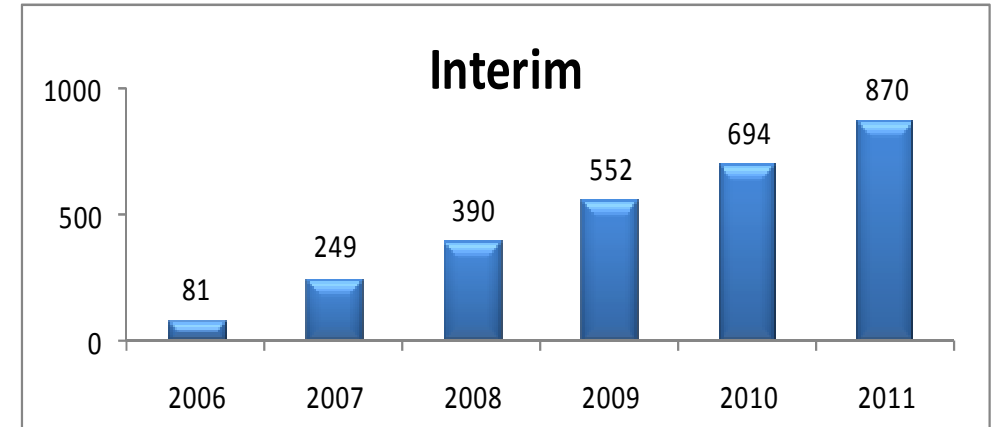
Sales

HKD million



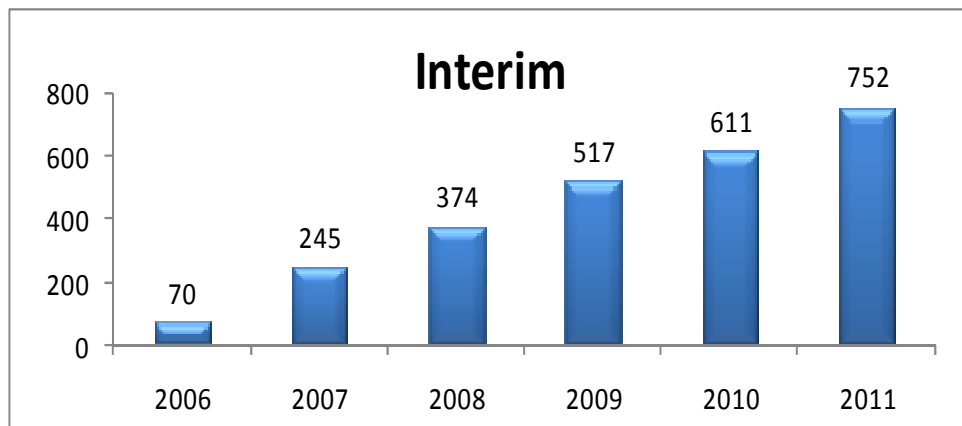
Operating profit

HKD million



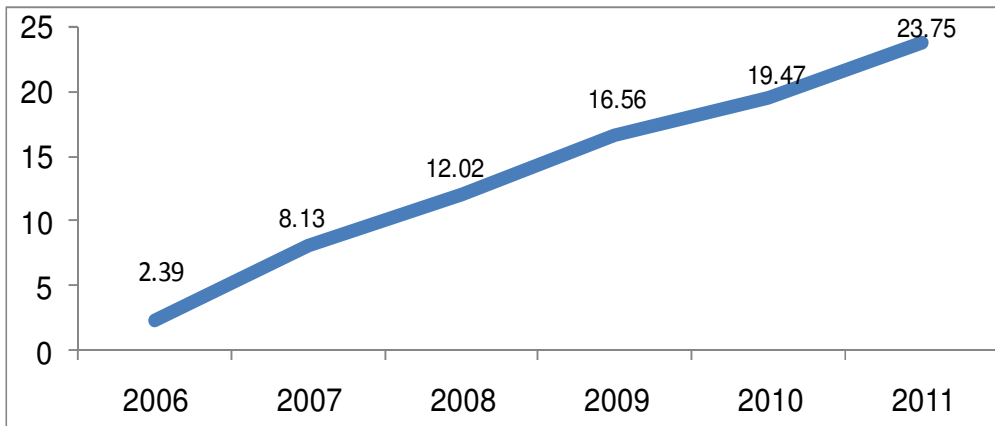
Profit attributable to the equity holders of the Company

HKD million



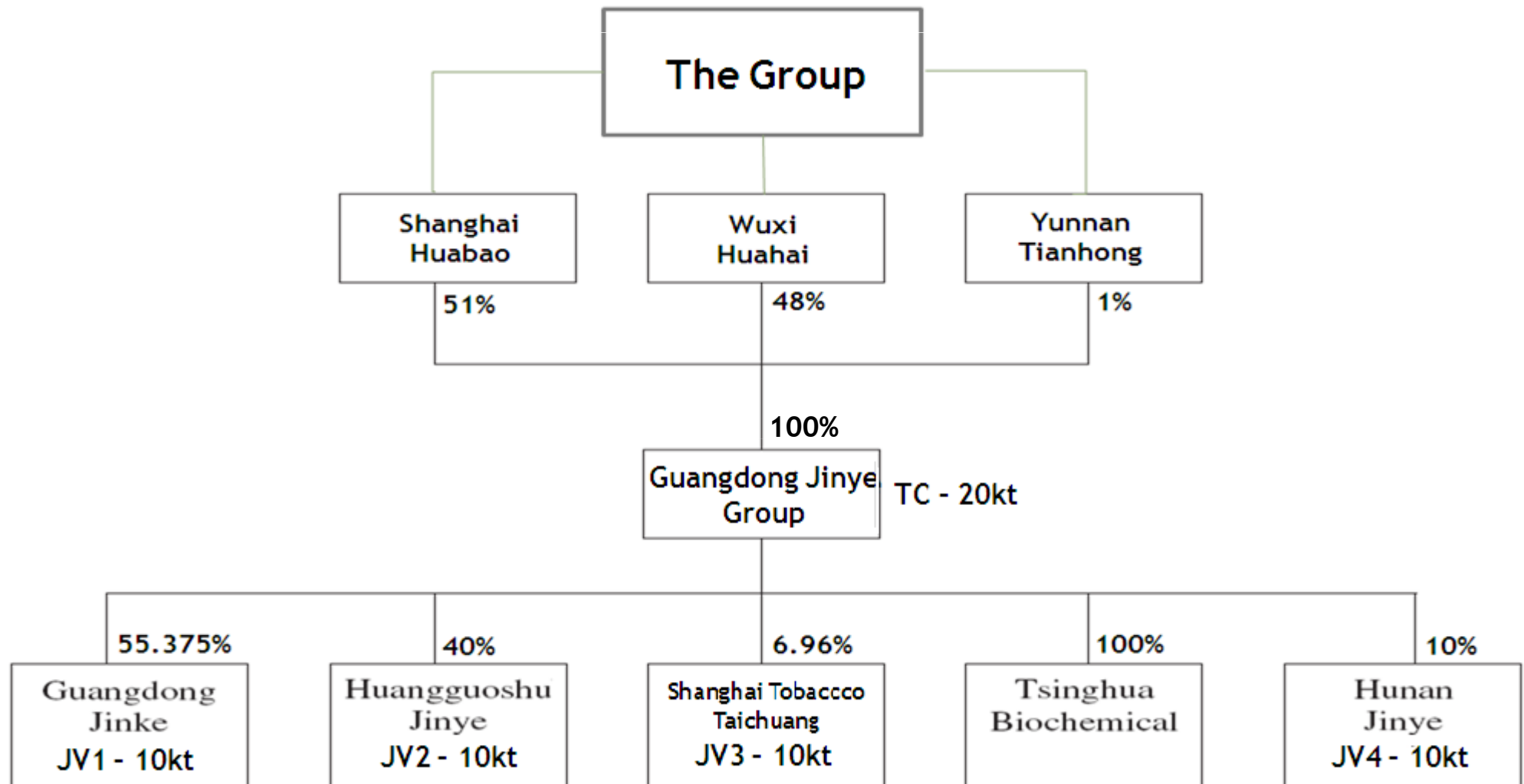
Diluted EPS

HK cents



Strategic acquisition of Guangdong Jinye Group

- ◆ Total consideration: RMB 1,147 million, funded by internal resources
- ◆ 10-year Non-Competition Undertaking by Vendor
- ◆ Post-acquisition structure:



Acquisition Highlights and Integration Plan

	Strategic fit	Integration feasibility	Synergy with Huabao	Economic benefits
In line with the Group's "multi-pronged, focus-growth" development strategy	<input checked="" type="checkbox"/>			
To establish the new cigarette materials development and long-term growth platform	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Guangdong Jinye's position and market share in the domestic RTL industry	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Guangdong Jinye's JV partners		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Guangdong Jinye's granted production quota with a high level of entry barrier			<input checked="" type="checkbox"/>	
Expansion plan:				
◆ 20kt Jinye Project (TC) - 100% owned				
◆ 10kt Guizhou Project (JV2) - 40% owned		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Room for capacity utilization and quality enhancement		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Further improvement of corporate finance and operating efficiency		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

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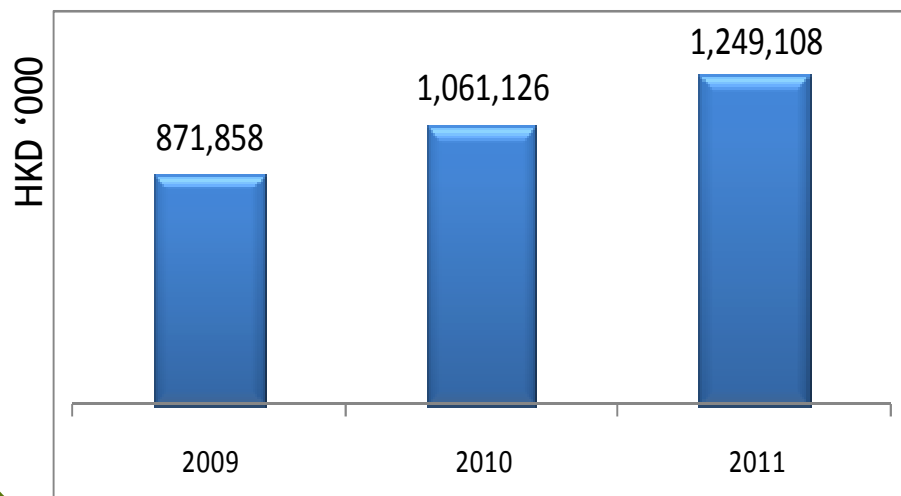
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Review on flavours segment

Graph 1: Sales in the past 3 years



Graph 2: Sector major financial indicators

HKD '000	2010	2009
EBIT	869,741	703,676
EBIT margin	69.6%	66.3%
EBITDA*	899,903	731,286
EBITDA margin	72.0%	68.9%

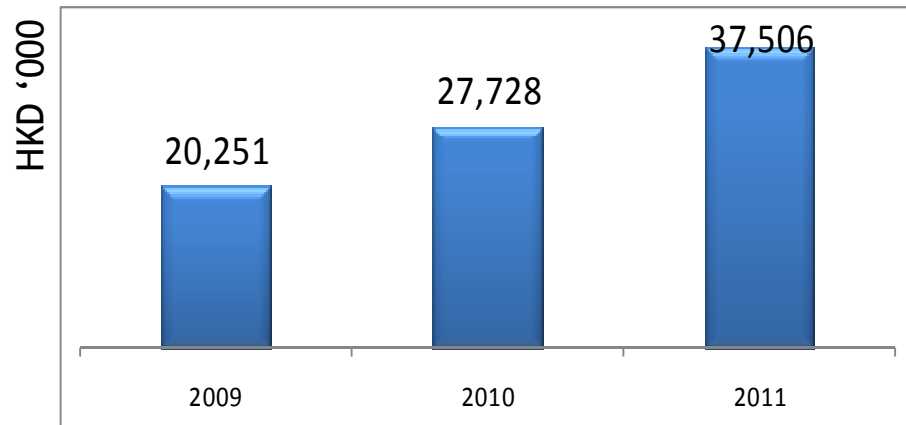
* EBITDA = EBIT + depreciation + intangible asset amortization

Results Analysis

- ◆ Revenue reached 1.25 billion, 17.7% growth from same period last year
- ◆ Revenue from tobacco related products and food and beverage related products maintained a rapid growth
- ◆ Gross Profit margin remains stable
- ◆ EBIT margin reached 69.6%, improved 3.3% from same period last year, EBIT increased by 23.6%
- ◆ EBITDA margin reached 72.0%, improved 3.1% from same period last year, EBITDA increased 23.1% from same period last year

Review on fragrances segment

Graph 1: Sales in the past 3 years



Graph 2: Sector major financial indicators

HKD '000	2010	2009
EBIT	6,342	4,777
EBIT margin	16.9%	17.2%
EBITDA*	7,361	5,728
EBITDA margin	19.6%	20.7%

Results Analysis

- ◆ Maintained a strong revenue growth, recorded a 35.3% growth in the first half of the year
- ◆ EBIT margin for the sector is 16.9%, EBIT rapidly increased 32.4%
- ◆ EBITDA margin for the sector is 19.6%, EBITDA increased 28.5% from same period last year
- ◆ Amber distinguished its strengths in aromatic and detergent fragrances, regularly develop new products for its core customers
- ◆ Major customers including: Liby, Lanju, Lonkey, Nice, etc

* EBITDA = EBIT + depreciation + intangible asset amortization

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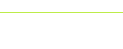

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Rapid revenue growth and further improvement on operation efficiency

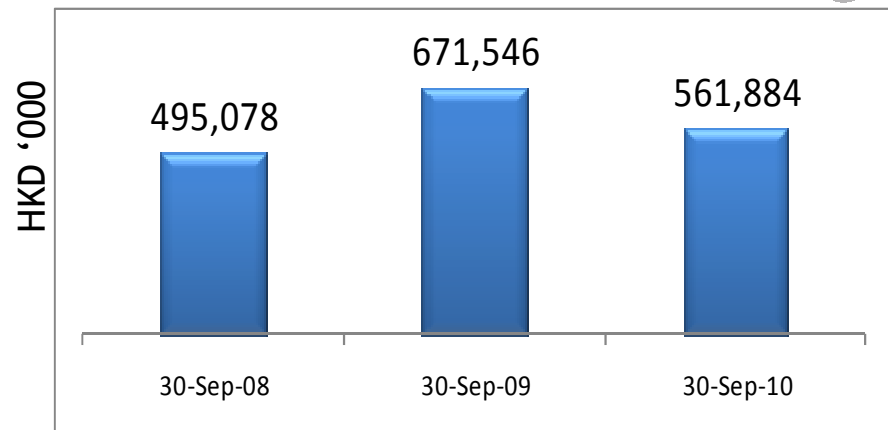
(HKD '000)	As at 30 Sept 2010	As at 30 Sept 2009	Trend of change
Revenue	1,286,614	1,088,854	
GP margin	75.5%	75.5%	
EBITDA margin *	70.1%	67.1%	
Breakdown : Flavours	72.0%	68.9%	
Fragrances	19.6%	20.7%	
EBIT margin **	67.6%	63.8%	
Breakdown : Flavours	69.4%	66.3%	
Fragrances	16.9%	17.2%	
SG&A to revenue	12.0%	13.4%	
Breakdown : R&D to Sales	3.3%	3.2%	
Pretax net profit	880,931	700,789	
Effective tax rate	13.2%	11.4%	
Profit attributable to the equity holders of the Company	752,266	610,927	

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

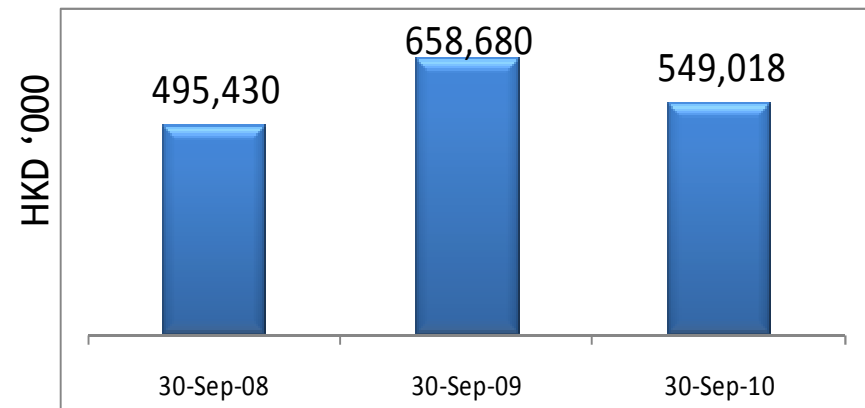
** EBIT = operating profit

Ample cash flow and stable balance sheet

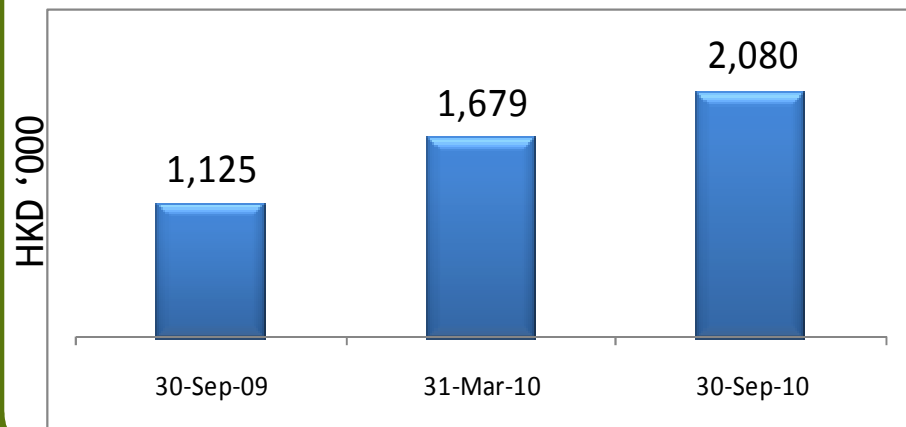
Net cash generated from operating activities



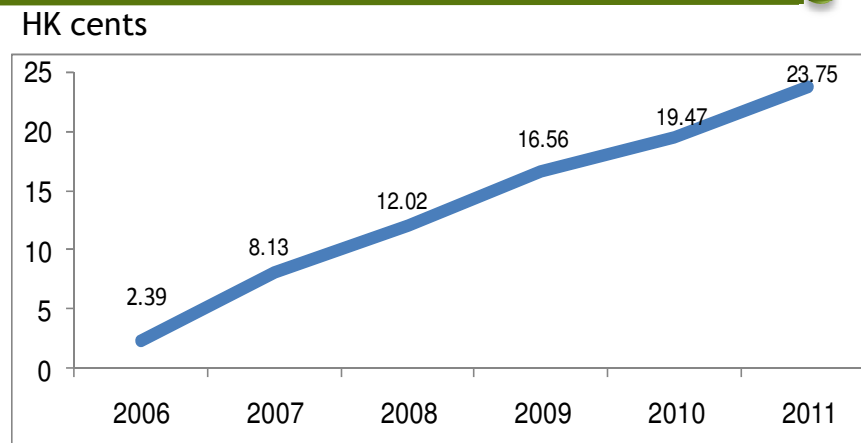
Free cash flow



Cash and cash equivalents

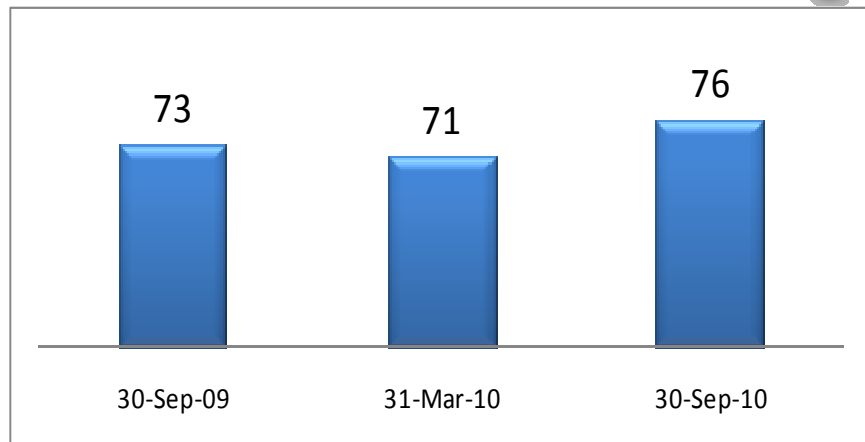


Diluted EPS

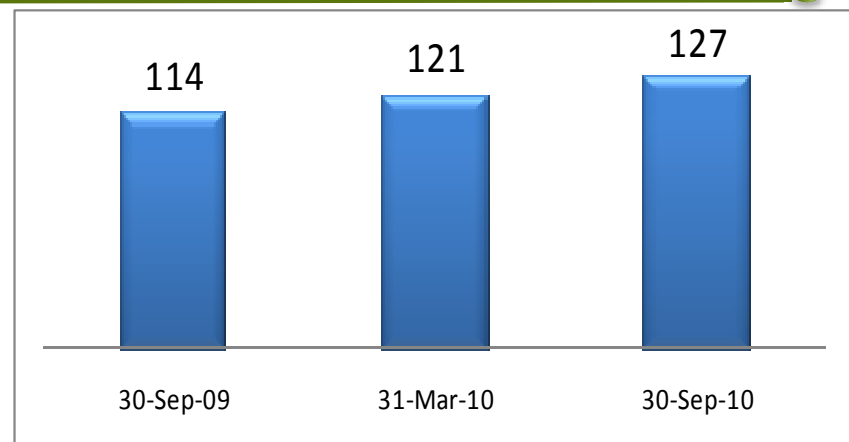


Working capital review

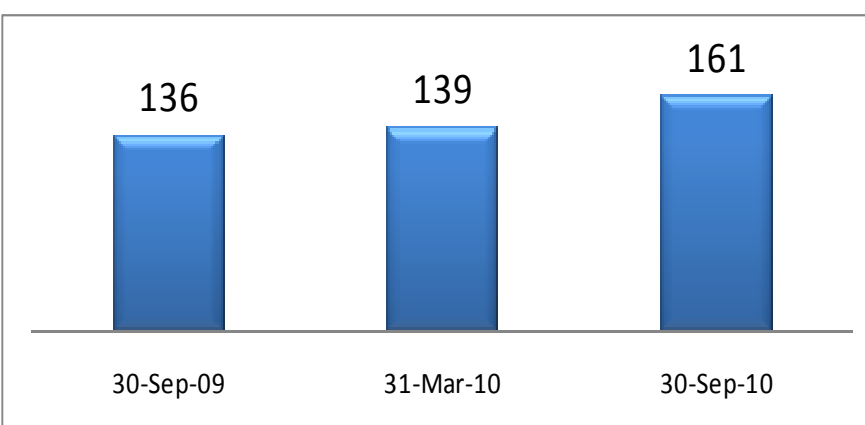
Trade receivable turnover (days)



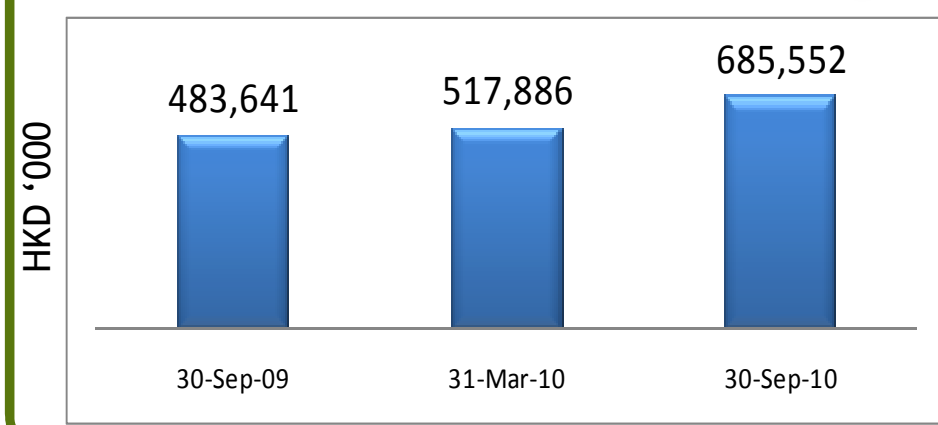
Trade payable turnover (days)



Inventory turnover (days)



Working capital requirement ⁽¹⁾



(1) Inventory + trade receivable - trade payable

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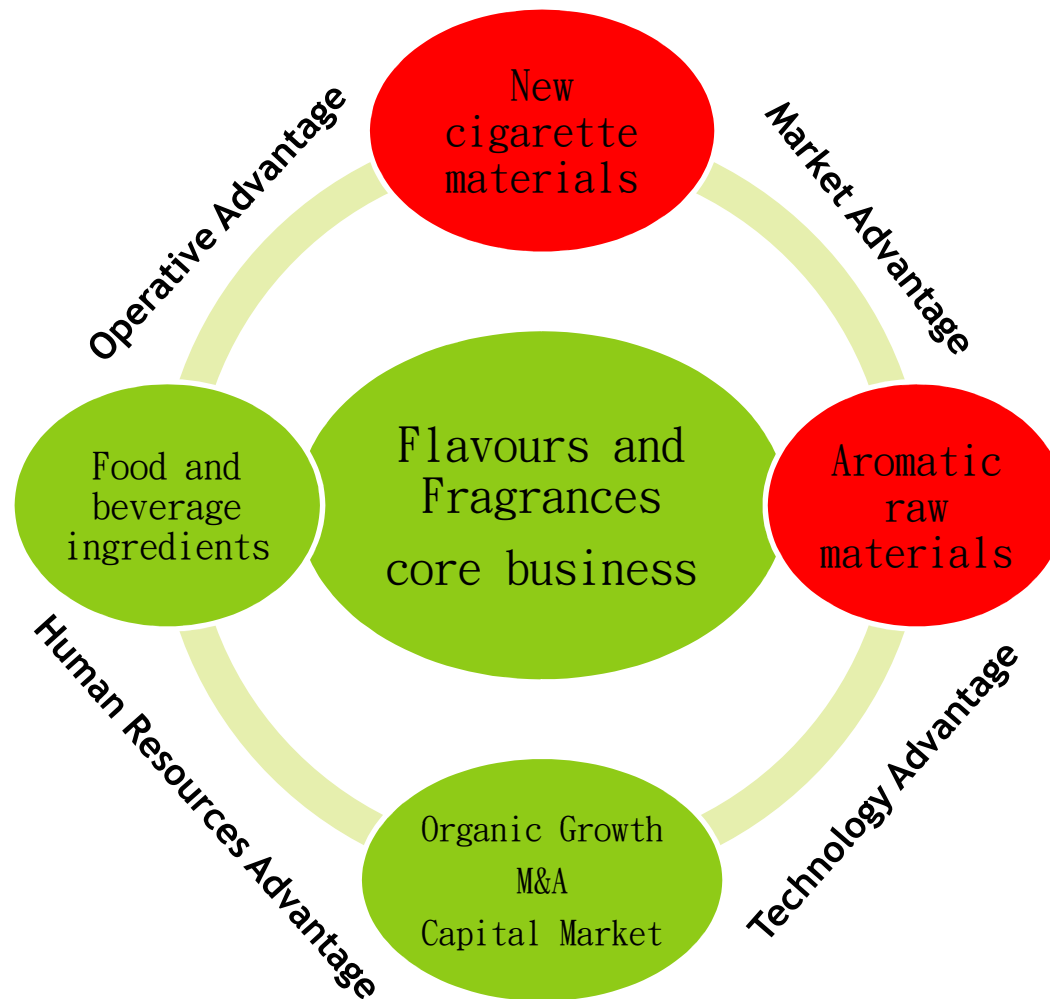
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Multi-pronged, focus growth strategy



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



Finalized the Acquisition of Guangdong Jinye, established Huabao's new platform for future growth


Guangdong Jinye Group

- One of the pioneering and biggest RTL producers in the PRC
- 30%-plus market share
- Approved for 45,000 tons of production quota, expected to expand to 60,000 tons
- Established JVs with several major domestic tobacco players
- Sound industry reputation and product quality



Huabao Group

- The biggest tobacco flavours and fragrances producer in the PRC
- Leveraging on the comprehensive understanding of Chinese style cigarettes, dedicated in the R&D of higher quality and more tailor-made RTL to be used in mid to high end cigarettes
- An international-calibre of RTL R&D team
- Pilot plant has completed, product quality already recognized by several tobacco groups
- Not yet obtained RTL production quota



Huabao's strategic platform in the new cigarette materials business, to further consolidate the RTL market, to speed up the development for new products, to seize the great opportunity in the Chinese cigarette industry result from the lowering of tar and harmful products and post-consolidation of the industry



To strategically develop the aromatic raw material sector



- The “Multi-pronged, focus growth” is the core of the Group’s development strategy, to create an upstream/downstream integrate core value chain is of the most importance
- From establishing Wuxi Huahai in 07, acquiring F&G in 09, to acquiring Qingdao Qingda and Yunnan Hua Xiang Yuan this year, Huabao is gradually and pragmatically entering the aromatic raw material sector
- Next, Huabao will strategically develop the aromatic raw material sector from a new angle and visions
- We will focus on China, where Yunnan province is our primary market
- The management believes such area has a large room for development!

Q&A



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- ◆ Chinese tobacco industry future development
- ◆ Chinese tobacco industry future tar regulation
- ◆ Huabao's future growth in the new cigarette materials business



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

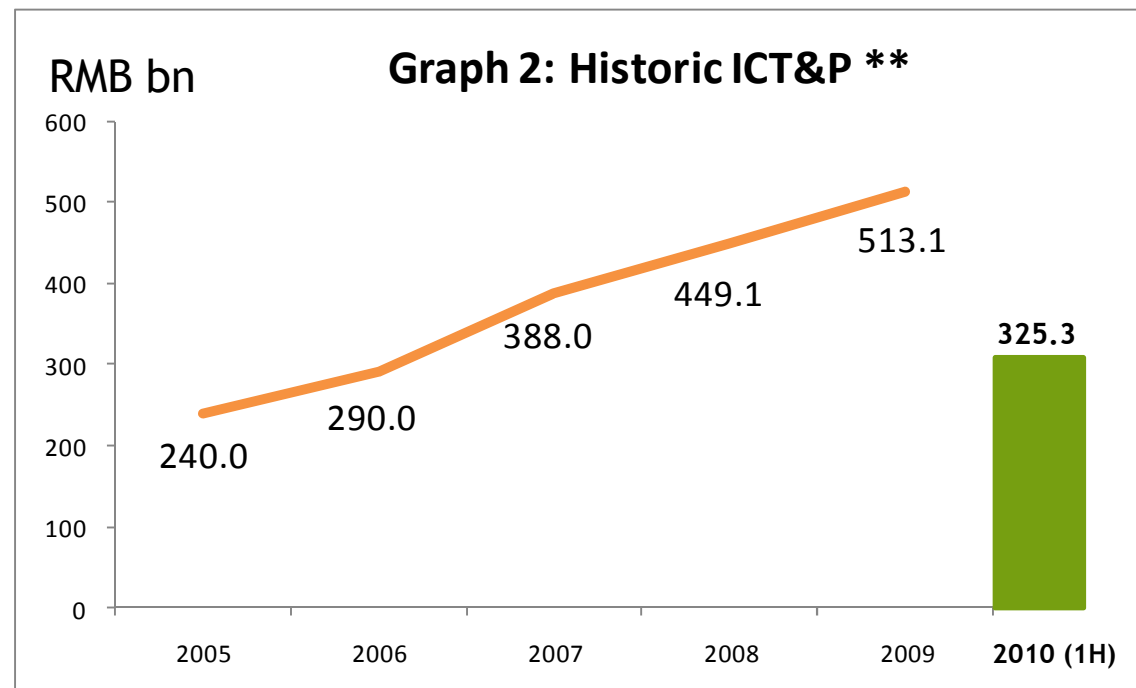
- ◆ In the next 5 years, Chinese government will promote the “532” and “461” targets, in order to further consolidate the tobacco industry and brand concentration
- ◆ “Bigger and Stronger” in volume and profitability of key brands enable government to make the best return from this sector
- ◆ Should 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

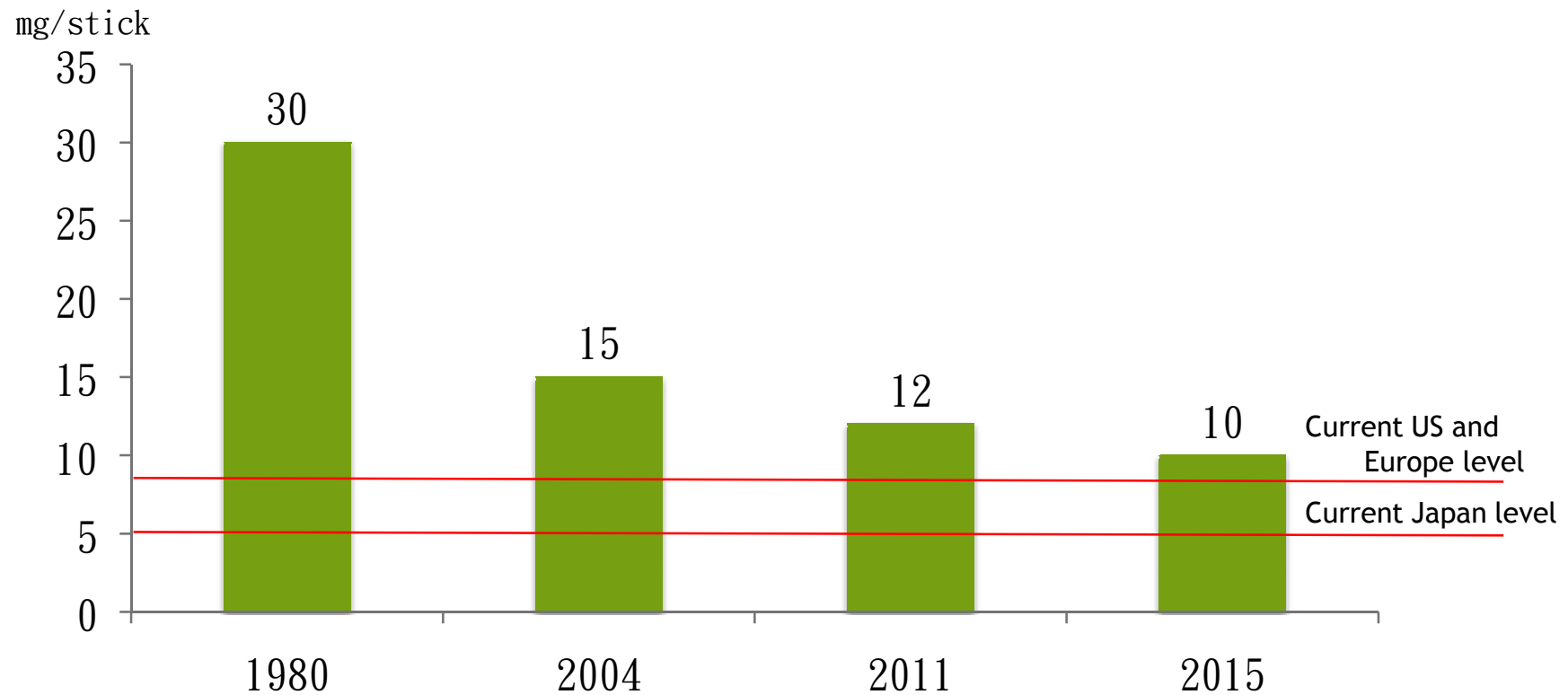
Per brand target production (Master Cases)	year 2015	Per brand target sales (RMB bn)	year 2015
5mil +	2*	100 +	1*
3mil +	3*	60 +	4*
2mil +	5*	40 +	6*

* 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

