

2011/2012 Annual Results Presentation

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Results Overview

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Financial highlights for the year

	As at 31 st March 2012 (HKD '000)	As at 31 st March 2011 (HKD '000)	Percentage changes (%)
Sales	3,311,304	2,852,173	+16.1%
Gross profit margin	70.5%	74.3%	
Operating profit	2,064,051	1,871,706	+10.3%
EBIT margin	62.3%	65.6%	
EBITDA margin *	65.7%	68.5%	
Profit before tax	2,080,989	1,881,114	+10.6%
Profit attributable to equity holders of the Company	1,750,419	1,604,400	+9.1%
Basic EPS (HK cents)	55.48	51.01	+8.8%
Net cash generated from operating activities	1,540,158	1,406,330	+9.5%
Net cash **	1,359,077	936,410	
Aggregated dividend per share (HK cents)	21.86	15.18	+44.0%
Total dividend payout ratio	39%	30%	

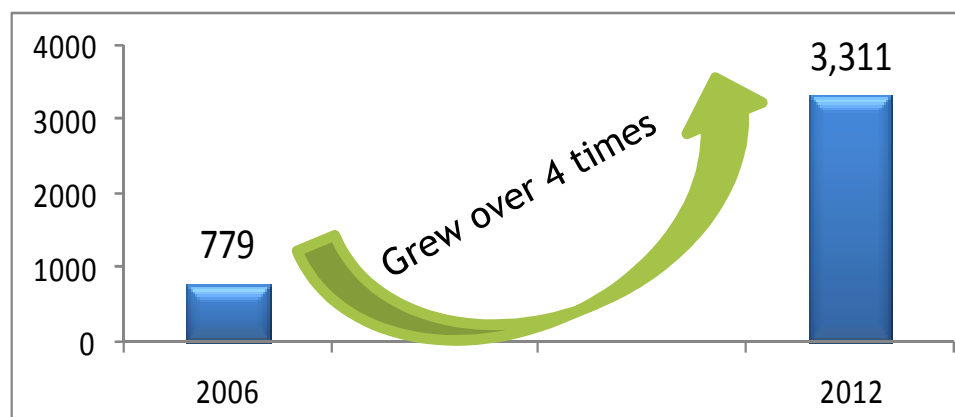
* EBITDA = EBIT + depreciation + intangible asset amortization + option expenses

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

Historical results since listing

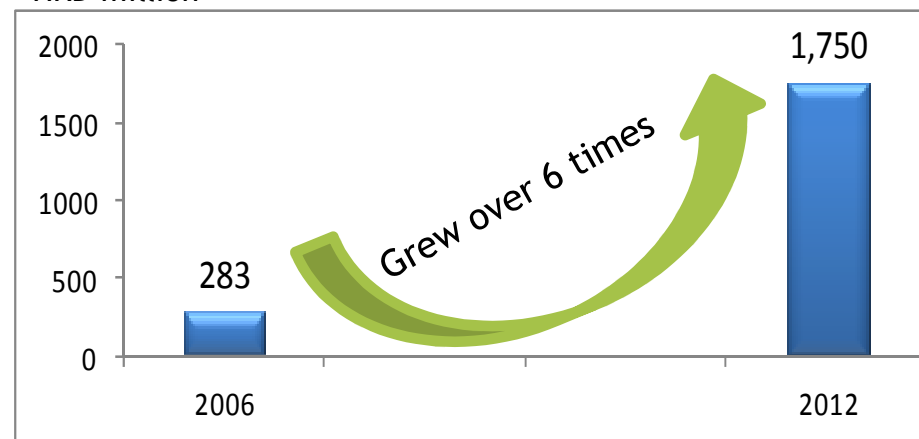
Sales

HKD million



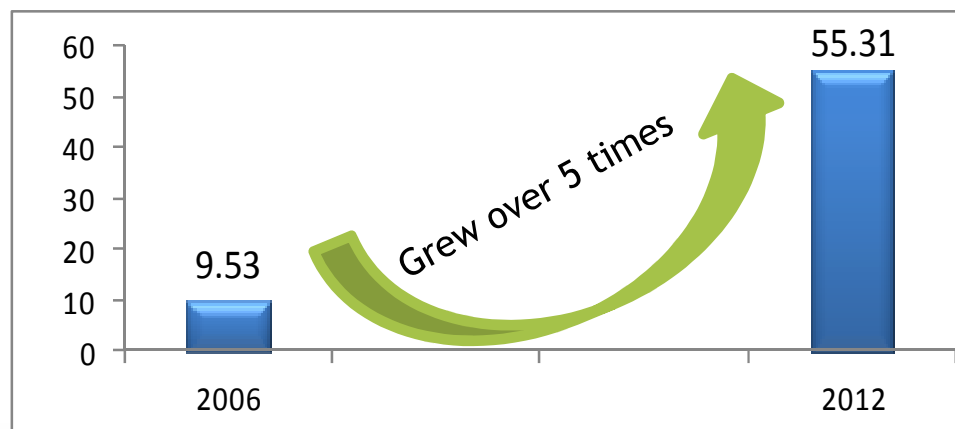
Profit attributable to equity holders of the Company

HKD million



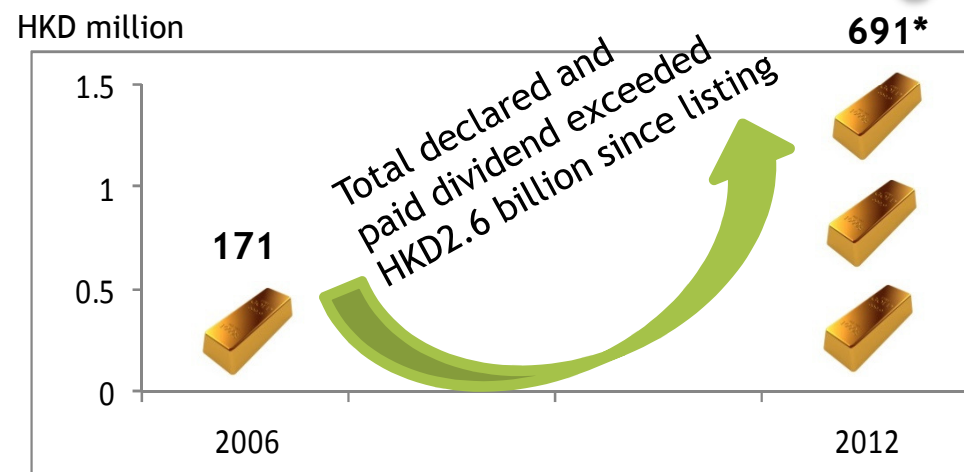
Diluted EPS per share

HK cents



Yearly dividend amount

HKD million



*calculated based on total shares issued 3,159,850,961 shares as at June 20th

M&A and cooperation updates

Projects	Business	Deal terms	Rationale of projects
Yongzhou Shanxiang (April 2011)	Upstream, for flavours side of business	<ul style="list-style-type: none"> ■ Consideration was RMB23.50 million, for 67.14% ownership ■ Through independent third parties 	<ul style="list-style-type: none"> ■ Mainly for producing litsea cubeba oil and natural lemon citrus, where its output accounts for a leading position domestically ■ To increase the Group's competitive position in the food flavours industry, further expand its vertically integrated core production chain
Yunnan Zhengbang (June 2011)	R&D, for new cigarette materials side of business	<ul style="list-style-type: none"> ■ Consideration was approximately HKD6.93 million, for 100% ownership ■ Through independent third parties 	<ul style="list-style-type: none"> ■ To establish a R&D platform for new cigarette materials business
Established a joint venture with a Korean enterprise (June 2012)	For new cigarette materials side of business	<ul style="list-style-type: none"> ■ Total investment of the joint venture is 11.1 billion Korean Won (equivalent to approximately HKD70 million) ■ The Group will invest in accordance to 60% holdings in cash ■ Korean counterparty will invest in accordance to 40% of holdings in cash and tangible assets 	<ul style="list-style-type: none"> ■ An innovating attempt in exploring new cigarette materials business ■ Synergy realized between the two parties, mutually grow so as to achieve win-win situations



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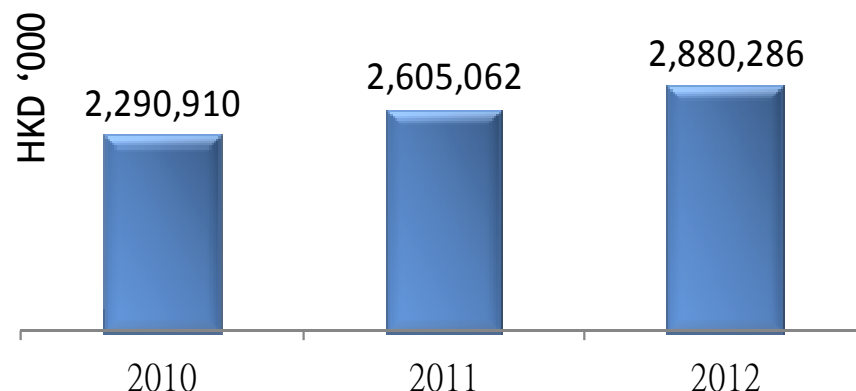
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Review on flavours segment

Graph 1: Sales in the past 3 years



Graph 2: Sector major operating margins

HKD '000	2012	2011
EBIT	1,980,782	1,837,579
EBIT margin	68.8%	70.5%
EBITDA	2,048,121	1,899,273
EBITDA margin	71.1%	72.9%

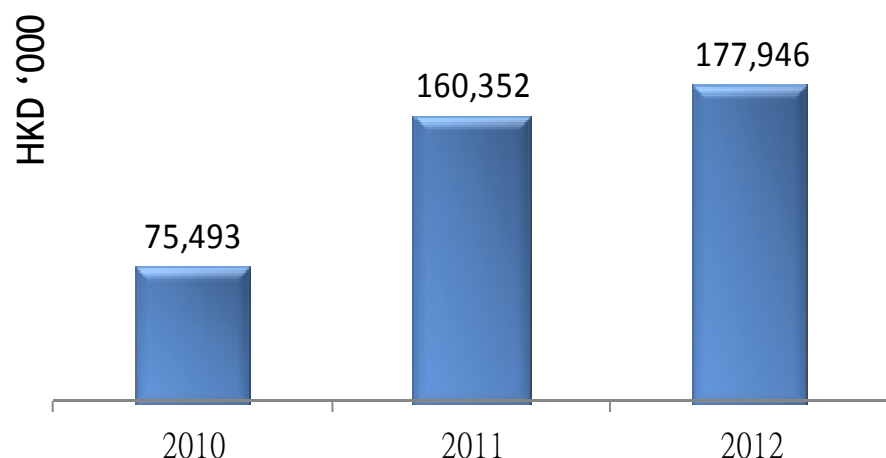
Results Analysis

- ◆ External operating environment:
 - Tobacco industry consolidation slowed down
 - Chinese government controls over corporate spending and on premium tobacco consumption
 - Endless food additives incidents
- ◆ Achieved a 10.6% of revenue growth to HKD2.88 billion
- ◆ EBIT margin and EBITDA margin decreased compared with last year, mainly due to increase in R&D and labor cost
- ◆ Management is satisfied with achieving the above results through a series of negative impacts, once again proved the team's execution and responding capabilities

EBITDA = EBIT + depreciation + intangible asset amortization + options expense

Review on fragrances segment

Graph 1: Sales in the past 3 years



Graph 2: Sector major operating margins

HKD '000	2012	2011
EBIT	8,016	30,632
EBIT margin	4.5%	19.1%
EBITDA	11,180	33,173
EBITDA率	6.3%	20.7%

Results Analysis

- ◆ Industry environment and business streamlining:
 - Negative effects from European debt crisis on export of China fragrances industry
 - Negative effects from Plasticizer incidents on the demand of daily personal care products
 - Negative effects from trade-up behaviour, and safety issues on the usage of low end daily products
 - The overly grown business in the past is under streamlining and adjustment
- ◆ Segment sales maintained a growth momentum, where Xiamen Amber's business dropped, Yunnan Huaxiangyuan's business recorded rapid growth
- ◆ EBIT and EBITDA margins dropped significantly, mainly due to Yunnan Huaxiangyuan which has lower GP margin is becoming a bigger share in the segment rapidly and its GP margin dropped because of rise in raw materials prices
- ◆ The management will finish the business's streamlining and adjustment and integration of Yunnan Huaxiangyuan as soon as practicable, strive to gradually recover segment's profitability and growth pace

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

Review on RTL

Graph 1: Second phase of Guangdong Jinye production line under construction



Graph 2: Sector major operating margins

HKD '000	2012	2011
EBIT	85,316	14,905
EBIT margin	33.7%	17.2%
EBITDA	124,516	29,062
EBITDA率	49.2%	33.5%

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

Results Analysis

- ◆ Sales of RTL reached HKD253 million
- ◆ Segment EBIT margin greatly increased to 33.7%, profitability significantly improved
- ◆ Guangdong Jinke's 10,000-ton capacity production line has completed technical upgrade, which saw product quality, ASP and customer foundations greatly improved
- ◆ Second phase of Guangdong Jinye, the 20,000-ton capacity production line is in installation stage
- ◆ Finalized technology injection into Huangguoshu Jinye, which the Group's holdings increased from 30% to 40%. Meanwhile, designing work of such 10,000-ton production line has commenced
- ◆ Management is satisfied with the development and operating results of RTL

New cigarette material opportunities, the Group will see new growth momentum

◆ Spectrum of new cigarette materials:

- New cigarettes materials refer to a range of new auxiliary materials used in the production of cigarettes, including new filtering material, rolling paper, shaping paper and inflated stem powder, etc.

◆ Functions of new cigarette materials:

- Affecting smoke characteristics, adjusting taste profile, lowering of tar and harm content, giving cigarette unique appearance, increasing brand competitiveness
- New cigarette materials' influences on consumers' selection is increasing

◆ Development of new cigarette materials:

- Using the trend of end consumer market as its momentum
- Seamless integration and cooperation between Huabao and suppliers
- Develop products with market competitiveness for customers

◆ Huabao's opportunities and advantages:

- Comprehensive technical advantages: advantages in cigarette chemistry, flavouring, and RTL and other new materials
- Advantages in comprehensive understanding in market's future trend: a clear understanding of the China tobacco industry
- Management advantages: effective and modernized management system with execution abilities



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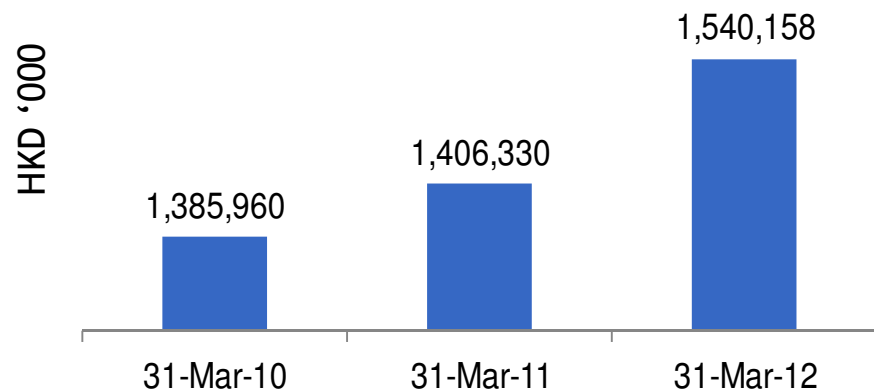
Rapid revenue growth and operation efficiency maintained stable

(HKD '000)	As at 31 March 2012	As at 31 March 2011
Sales revenue	3,311,304	2,852,173
Breakdown: Flavours (87.0%)	2,880,286	2,605,062
Fragrances (5.4%)	177,946	160,352
RTL (7.6%)	253,072	86,759
Gross Profit margin	70.5%	74.3%
EBIT margin *	62.3%	65.6%
Breakdown: Flavours	68.8%	70.5%
Fragrances	4.5%	19.1%
RTL	33.7%	17.2%
SG&A to revenue	16.0%	13.0%
Breakdown : R&D to Sales	5.6%	4.3%
Tax rate	15.1%	13.3%

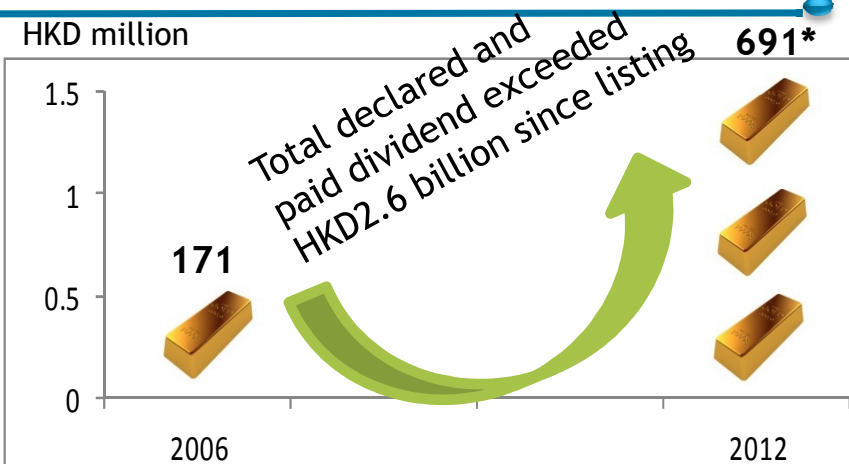


Ample cash flow, capital expenditure, and focus on shareholders return

Net cash generated from operating activities



Yearly dividend amount



Capex and capital structure (HKD)

- ◆ Capex: 597 million
- ◆ M&A: 40.47 million
- ◆ Second half last year and first half this year dividend payout: 662 million
- ◆ Cash balance of 2.29 billion as at end of March 2012, clean loan of 928 million, net cash of 1.36 billion
- ◆ Internal estimation of capex this year around 7-900 million

*calculated based on total shares issued
3,159,850,961 shares as at June 20th

Working capital overview

HKD '000	As at March 31 2012	As at September 30 2011	Change in percentage
Inventory (a)	667,871	570,740	+17.0%
Trade and other receivables	928,969	1,095,100	-15.2%
-trade receivable (b)	635,047	660,493	-3.9%
-note receivable (b)	169,760	129,717	+30.9%
-pre-payment and others	110,640	294,051	-62.4%
Trade and other payables	584,226	899,981	-35.1%
-trade payable (c)	359,310	291,715	+23.2%
-dividend payable	-	273,155	
-others	46,420	164,059	-71.7%
Working capital employed (a+b-c)	1,113,368	1,069,235	+4.1%

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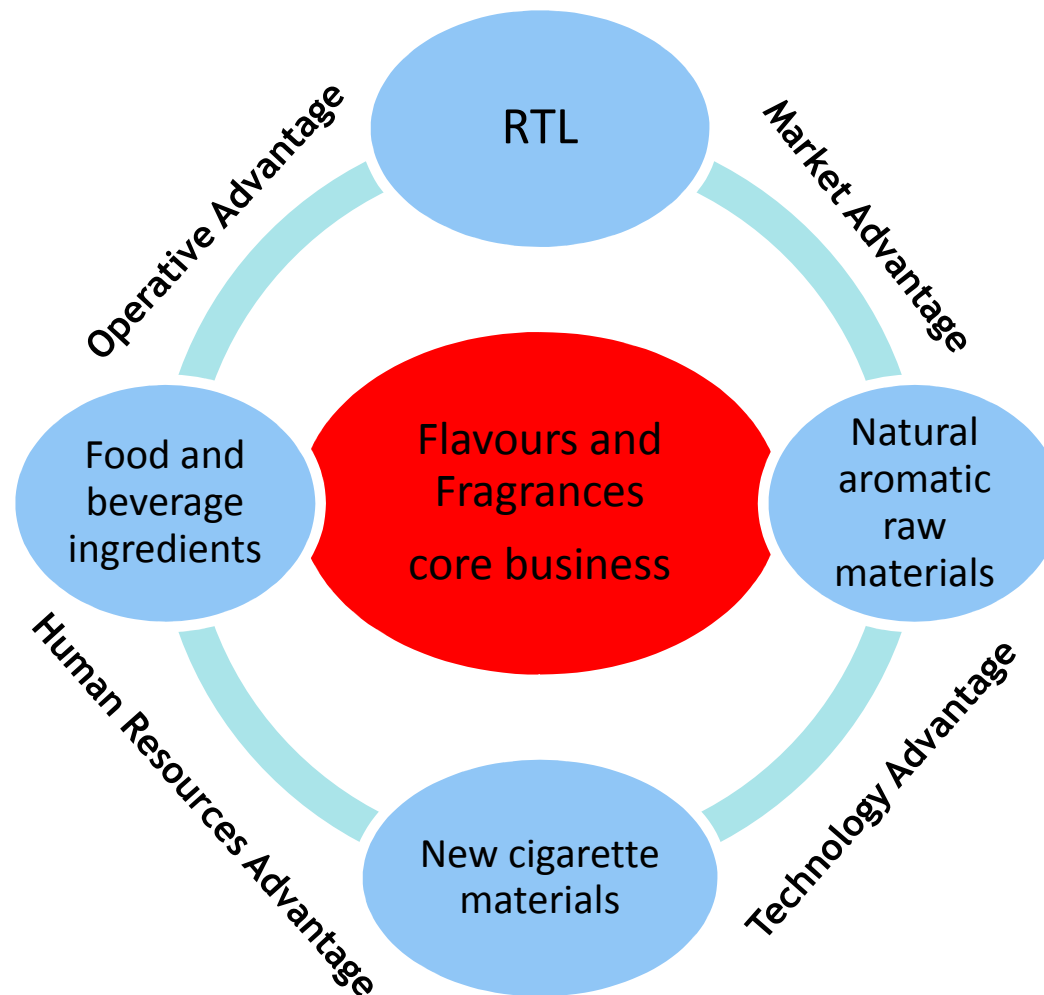
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Adhere to “Multi-pronged, focus growth” strategy, to construct a natural, green, and healthy production chain



To develop into a China-focused leading player in tasty life