



# 2012/2013 Interim Results Presentation

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# Agenda

## Results Overview

Operating Review

Financial Review

Forecast



# Financial review for the first half of the fiscal year

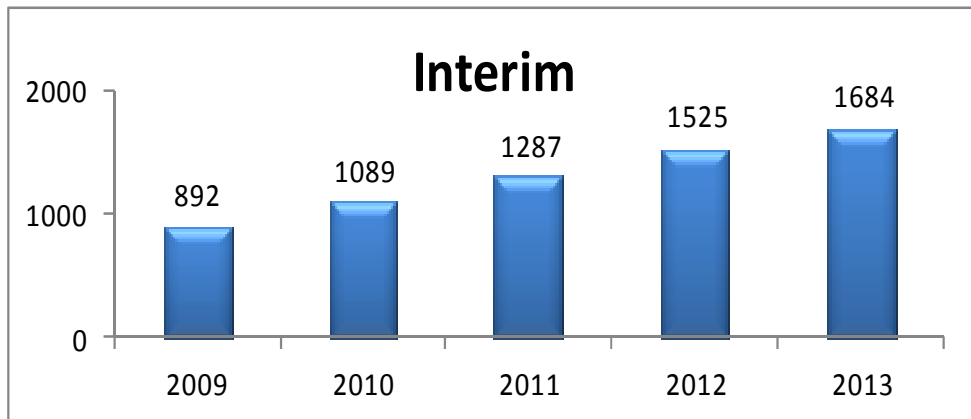
	As at 30 Sept 2012 (HKD '000)	As at 30 Sept 2011 (HKD '000)	Change in Percentage (%)
Sales	1,684,042	1,525,451	+10.4%
Gross profit margin	68.1%	70.6%	
Operating profit	898,188	928,837	-3.3%
--- omit currency exchange loss	914,118	876,319	+4.3%
EBITDA margin *	57.0%	64.4%	
EBIT margin	53.3%	60.9%	
Profit attributable to shareholders	784,903	814,920	-3.7%
--- omit currency exchange loss	800,833	762,402	+5.0%
Basic EPS (HK cents)	24.87	25.85	-3.8%
--- omit currency exchange loss	25.37	24.18	+4.9%
Net cash generated from operating activities	706,608	669,739	+5.5%
Interim dividend per share (HK cents)	7.48	7.8	
Special dividend per share (HK cents)	2.48	5.18	

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

# 5-year historical financial review

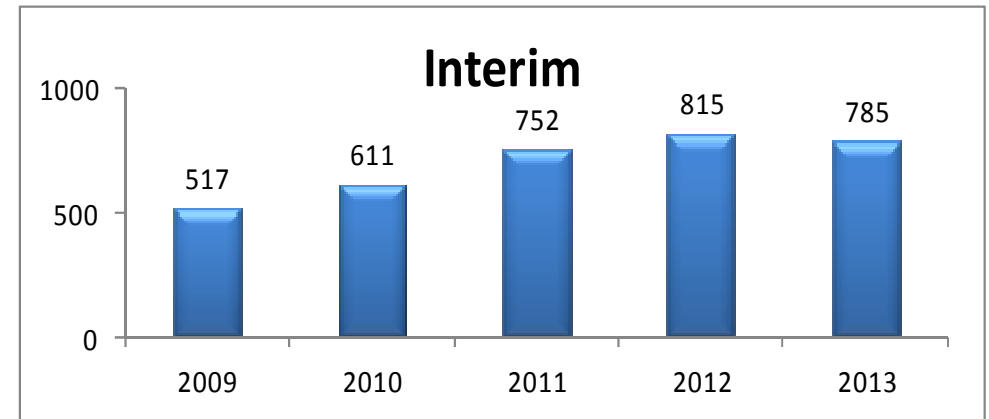
## Sales

HKD million



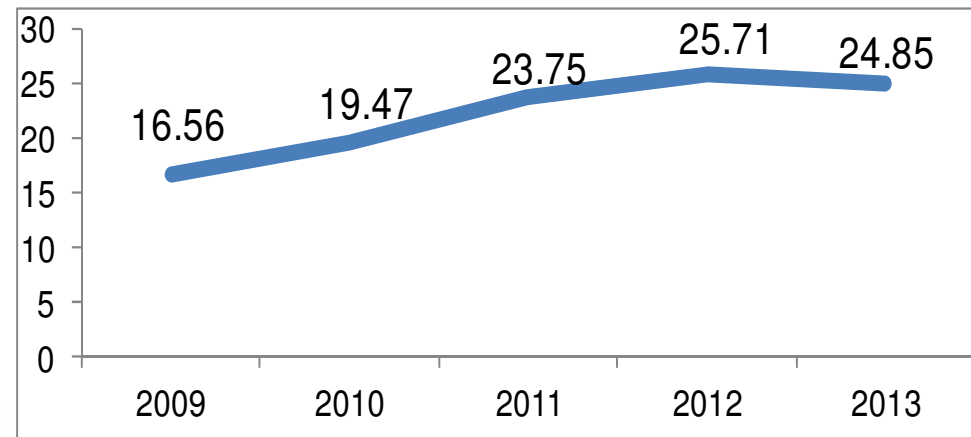
## Profit attributable to equity holders of the Company

HKD million



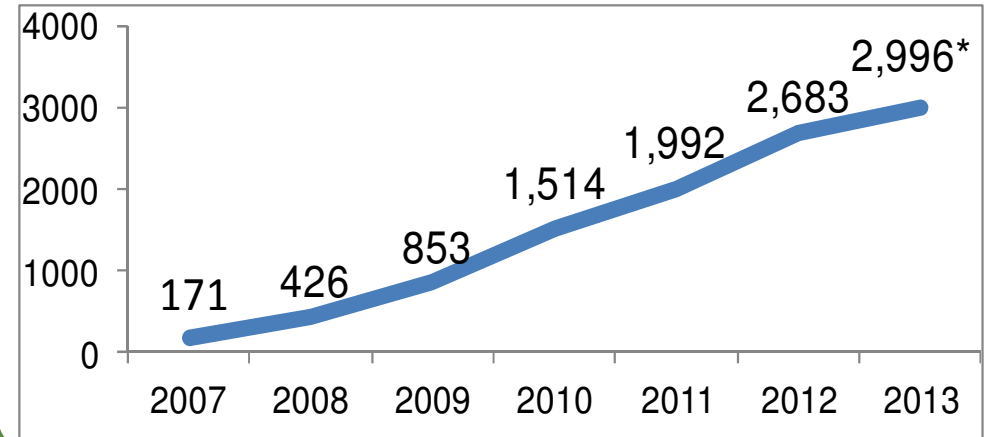
## Diluted EPS

HK cents



## Accumulated total paid and declared dividend

HKD million



\*2012/13 Interim and special dividends total is calculated based on total outstanding shares as at November 19, 2012

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**Operating Review**

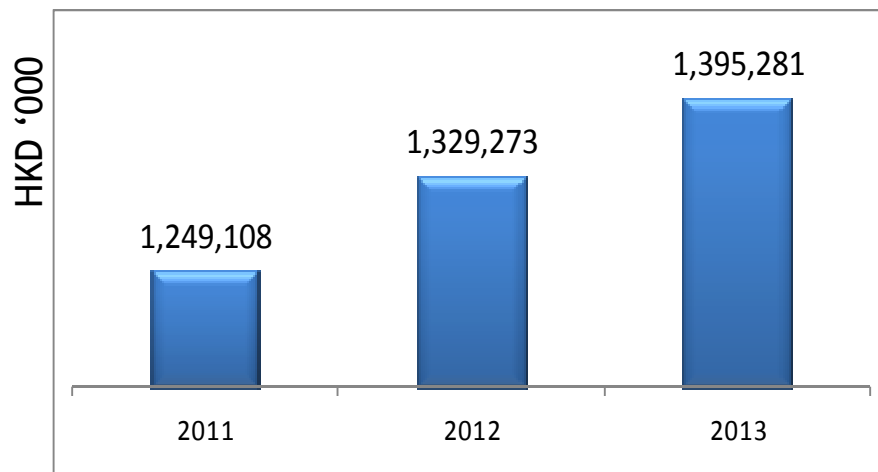
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# Review on flavours segment

Graph 1: Sales in the past 3 years



Graph 2: Sector major financial indicators

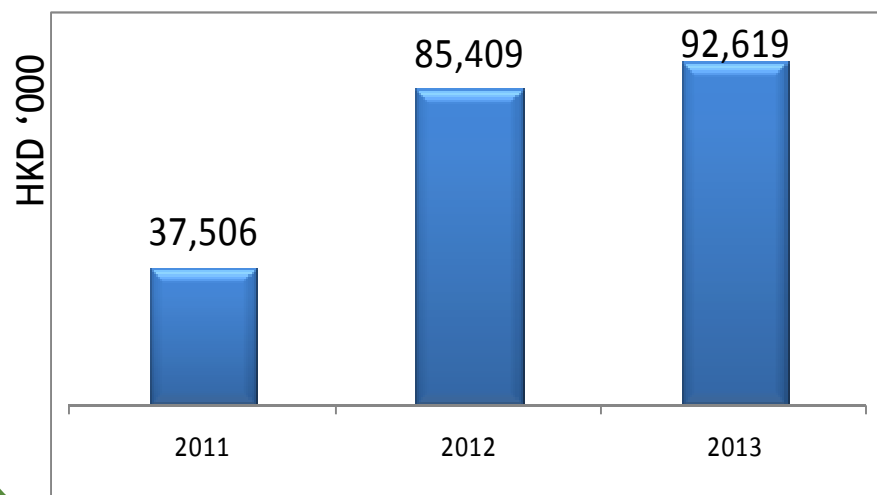
HKD '000	2012	2011
EBIT	<b>843,437</b>	911,826
EBIT margin	<b>60.4%</b>	68.6%

## Results Analysis

- ◆ First half operating environment was tough:
  - China tobacco industry sales growth was 2.8%, consumption structure continues to elevate
  - Due to the slowed down of economies at home and abroad, resulted in weaker domestic food enterprises export business
- ◆ Revenue steadily reached 1.39 billion, represents a 5.0% growth
- ◆ EBIT margin reached 60.4%, representing a drop of 8.2 percentage points, due to:
  - Increased in R&D expenses
  - RMB exchange loss that led to decrease in other income
  - increase in administrative expenses associated with the implementation of a new incentive program by the Group

# Review on fragrances segment

Graph 1: Sales in the past 3 years



Graph 2: Sector major financial indicators

HKD '000	2012	2011
EBIT	<b>5,848</b>	3,568
EBIT margin	<b>6.3%</b>	4.2%

## Results Analysis

- ◆ Sales revenue reached 92.6 million, representing a 8.4% growth
- ◆ EBIT reached 5.85 million, representing a strong growth of 63.9%, EBIT margin also recovered to 6.3%
- ◆ Actively streamlined customer base and product categories of Xiamen Amber as well as increased efforts in managing operating funds of Yunnan Huaxiangyuan
- ◆ Fragrances segment will focus mainly on aromatic and pesticide markets, with an aim to strengthen cooperation with leading domestic enterprises



# Review on RTL segment

Graph 1: Brand new 20,000-ton RTL production line smoothly underway



Graph 2: Sector major financial indicators

HKD '000	2012	2011
Sales	196,142	110,769
EBIT	60,482	16,835
EBIT margin	30.8%	15.2%

## Results Analysis

- ◆ Sales revenue reached 196 million, representing a growth of 77.1% over last year
- ◆ EBIT recorded a strong increase of 259.3% to 60.5 million, while EBIT margin is becoming stable at 30.8%
- ◆ With Guangdong Jinke undergoing continuous technical upgrade, its customer base, product quality and ASP were elevated
- ◆ Second phase of Guangdong Jinye 20,000-ton production line has completed installation and has commenced trial production. Internal target is to reach capacity in 2013
- ◆ Huangguoshu Jinye joint venture with China Tobacco Guizhou has completed layout design

# New cigarette materials' development strategy

- ◆ Using end market as a pivot point
- ◆ Using the Group's systemic technology integration as core competitiveness
  
- ◆ Set up joint laboratories and brand joint laboratories with customers
- ◆ To design and construct innovative and competitive products for customers, and a wide array of value-added services
- ◆ To create larger values for customers to achieve win-win scenarios
  
- ◆ Promote new approaches such as the Korea JV
- ◆ Relentlessly to strive for different cooperation and to team-up with certainly domestic enterprises in such industry, so as to jointly perform R&D, production and promotion of new cigarette materials' commercializing operations



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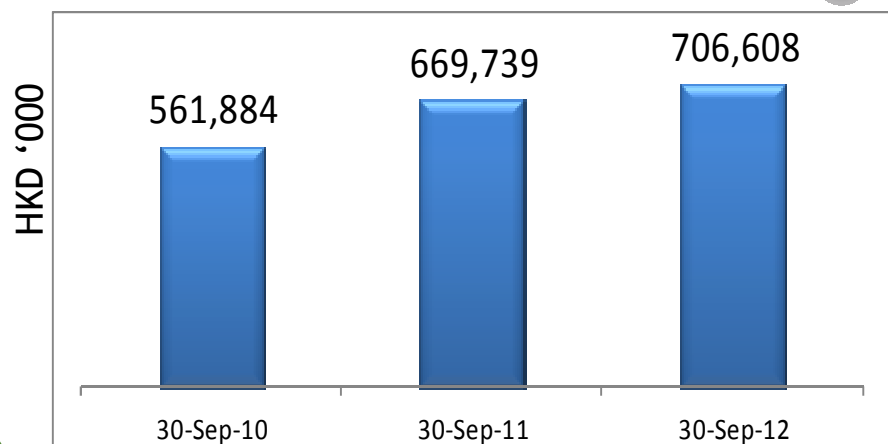
# Stable financial indicators

(HKD '000)	As at 30 September 2012	As at 30 September 2011
Sales revenue	<b>1,684,042</b>	1,525,451
Breakdown of sales: Flavours (82.9%)	<b>1,395,281</b>	1,329,273
Fragrances (5.5%)	<b>92,619</b>	85,409
RTL (11.6%)	<b>196,142</b>	110,769
Gross Profit margin	<b>68.1%</b>	70.6%
EBIT margin *	<b>53.3%</b>	60.9%
Breakdown : Flavours	<b>60.4%</b>	68.6%
Fragrances	<b>6.3%</b>	4.2%
RTL	<b>30.8%</b>	15.2%
SG&A to revenue	<b>18.1%</b>	15.7%
Breakdown : R&D to Sales	<b>5.8%</b>	5.4%
Income tax expenses	<b>109,702</b>	111,385
Income tax rate	<b>12.1%</b>	11.9%

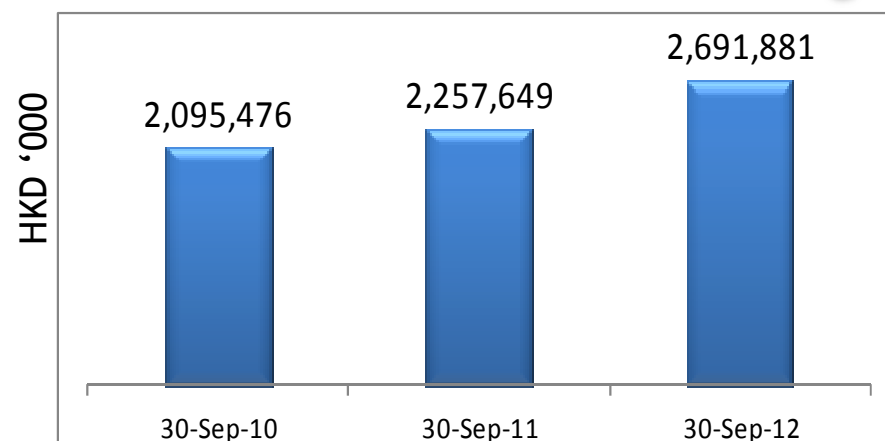
\* EBIT = operating profit

# Stable cash flow and capital expenditures

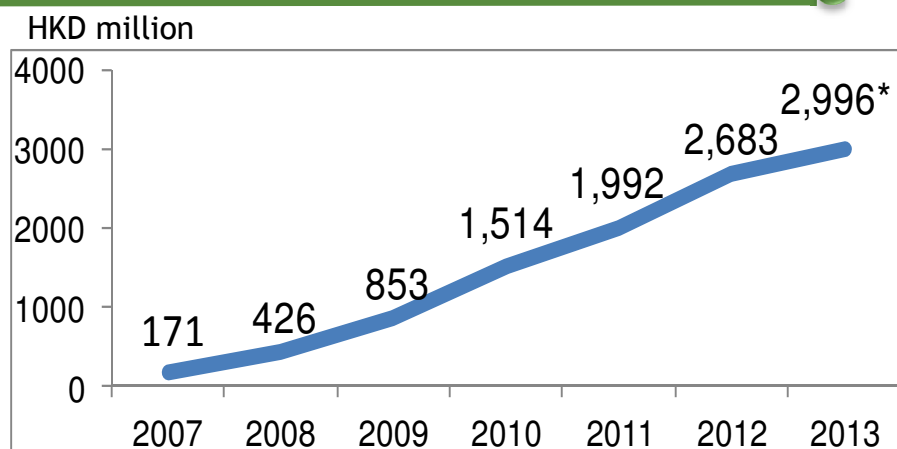
## Net cash generated from operating activities



## Cash and cash equivalents



## Accumulated total paid and declared dividend



## Updates on Capex

◆ Full year budget is HKD700-900 million, net cash used in investing activities in first half amounted to HKD219 million, mainly on:

- 2<sup>nd</sup> phase of Guangdong Jinye project
- Yingtang new production base
- Setup Korea JV
- New domestic operation headquarter

\*2012/13 Interim and special dividends total is calculated based on total outstanding shares as at November 19, 2012

# Working capital overview

HKD '000	As at September 30 2012	As at March 31 2012	Change in percentage	Reason
Inventory (a)	<b>656,396</b>	667,871	<b>-1.7%</b>	Increased inventory control
Trade and other receivables	<b>1,010,101</b>	928,969	<b>+8.7%</b>	
-trade receivable (b)	<b>700,344</b>	627,872	<b>+11.5%</b>	The two (b) receivable items are stable
-note receivable (b)	<b>129,331</b>	169,760	<b>-23.8%</b>	
-pre-payment and others	<b>148,049</b>	110,640	<b>+33.8%</b>	
Trade and other payables	<b>884,387</b>	584,226	<b>+51.4%</b>	
-trade payable (c)	<b>326,967</b>	359,310	<b>-9.0%</b>	Certain suppliers shortened credit period and increase in natural aromatic raw materials procurement amount
-dividend payable	<b>310,961</b>	14,497	<b>+2045.0%</b>	280 million was dividend payable from last financial year
-others	<b>47,265</b>	31,923	<b>+48.1%</b>	
Working capital employed (a+b-c)	<b>1,159,104</b>	1,106,193	<b>+4.8%</b>	Working capital management is sound



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Results Overview

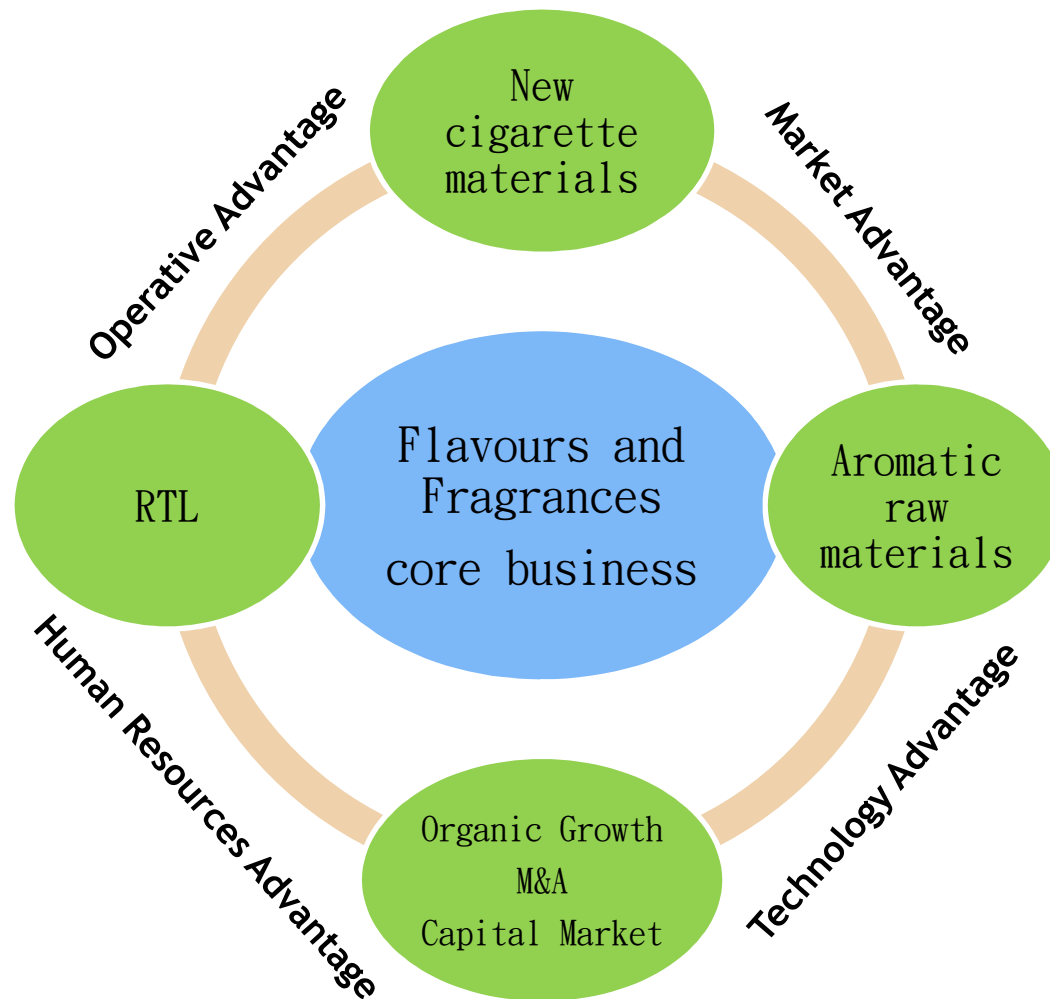
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# Multi-pronged, focus growth strategy



To establish an integrated core value chain,  
and achieve multi-engine growth





# Q&A

