



# Huabao International Holdings Limited

(Stock Code:0336.HK)

## 2015/2016 Annual Results Presentation

# Disclaimer

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# Results Highlights

	Year Ended March 31 2016 (HKD'000)	Year Ended March 31 2015 (HKD'000)	Change
Sales	<b>3,928,217</b>	4,326,486	-9.2%
Gross Profit Margin	<b>68.9%</b>	69.9%	
Operating Profit	<b>1,748,103</b>	2,320,145	-24.7%
EBITDA Margin	<b>50.1%</b>	58.2%	
EBIT Margin	<b>44.5%</b>	53.6%	
Profit Attributable to Shareholders	<b>1,450,250</b>	1,986,584	-27.0%
Basic EPS (HK Cents)	<b>46.69</b>	64.02	-27.4%
Net Cash Generated from Operating Activities	<b>1,472,229</b>	2,141,895	-31.0%
Net Cash	<b>3,503,706</b>	2,875,813	+21.8%
Total Equity	<b>10,530,418</b>	9,403,842	+12.0%
Total Dividend and special dividend per share (HK Cents)	<b>0</b>	31.72	



# Balance Sheet Highlights

	Year Ended March 31 2016 (HKD'000)	Year Ended March 31 2015 (HKD'000)
Non-Current Asset	5,395,034	5,022,115
Current Asset	6,191,188	5,878,752
-Inventories	834,024	818,433
-Bank deposit and cash	3,521,708	3,626,091
Non-current Liabilities	123,770	72,607
Current Liabilities	932,034	1,424,418
Net Current Asset	5,259,154	4,454,334



# Cash Flow and Financial Position

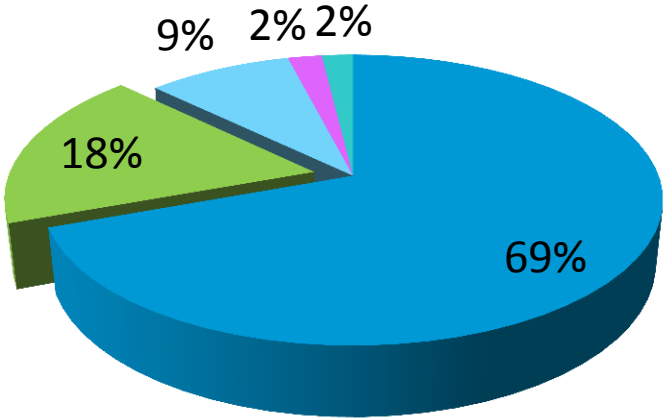
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Cash Generated from Operating Activities	<b>1,472,229</b>	2,141,895
Net Cash	<b>3,503,706</b>	2,875,813
	Year Ended March 31 2016	Year Ended March 31 2015
Inventory Turnover (Day)	<b>243</b>	232
AR Turnover (Day)	<b>89</b>	79
AP Turnover (Day)	<b>113</b>	116
Current Ratio (Times)	<b>6.6</b>	4.1
Liquidity Ratio (Times)	<b>5.7</b>	3.6



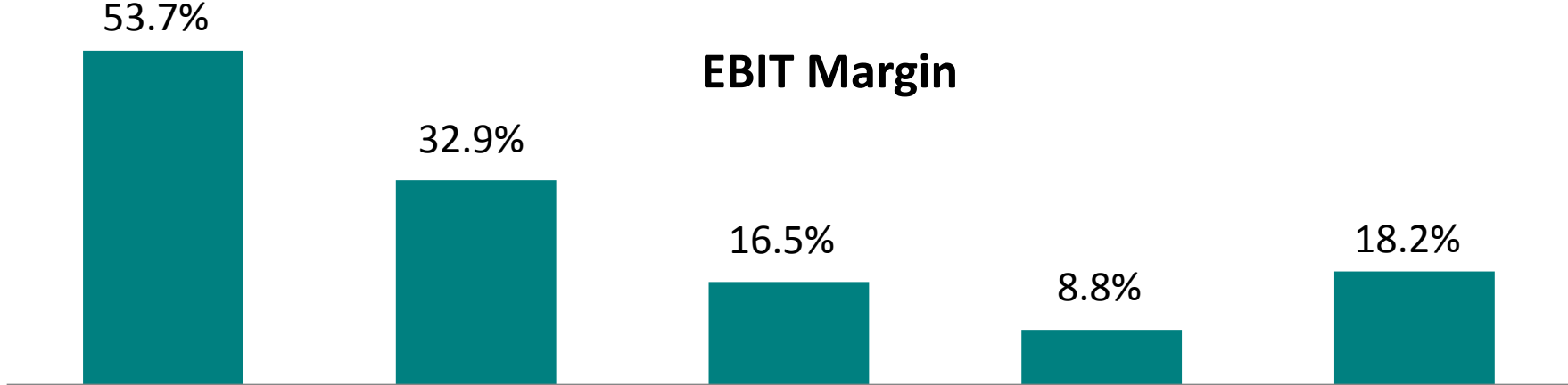
# Main Business Segments

### 2015-2016 Sales Revenue

■ Flavors ■ RTL ■ Aroma Raw Materials ■ Fragrances ■ New Materials



### EBIT Margin



Flavors      RTL      Aroma Raw Materials      Fragrances      New Materials

# Flavors Segment Review

	2015/2016	2014/2015
Sales*	Down 7.2% to 2.73 billion	2.94 billion
EBIT*	Down 21% to 1.46 billion	1.85billion
EBIT Margin*	53.7%	63.0%

Note\*: Because of the reorganization, one of the Group's subsidiaries Guangdong Zhao Qing has been excluded from food flavors segment, and recounted in Aroma raw materials segment.

## Business Review:

- ❖ With the slowdown of China's economy, the stepping up efforts to ban or control smoking and the rising awareness of public health, the traditional tobacco industry faced increasing pressure
- ❖ Sales volume of cigarettes 2015 was about 49.79 million cases, decreased by 1.2 million cases or 2.36% as compared with last year; production decreased by 0.88%; Q1 sales and production volumes decreased by 6.8% and 7.1% respectively
- ❖ As the food industry in China is suffering from being squeezed by "rising costs" and "falling prices", the food industry has been slowing down for five consecutive years and profit margins continue to decline, which resulted in the declines in both revenue and profits.



# RTL Segment Review

	2015/2016	2014/2015
Sales	Down 26.2% To 698 million	946 million
EBIT	Down 41.4% To 245 million	418 million
EBIT Margin	35.1%	44.2%

## Business Review:

- ❖ The inventory of tobacco leaves remained high, new RTL capacities have been emerging from areas such as Jiangsu, Yunnan, and Anhui
- ❖ With the release of the capacities, RTL become oversupplied as the adoption rate is not changed
- ❖ When Guangdong Jinye put effort to improve features of RTL products , it also tried to produce RTL products with different features according to various cigarette brands and to improve the functionality for RTL products. It tried to improve cigarette taste while reducing the tar and harm.





# Aroma Raw Materials Segment Review

	2015/2016	2014/2015
Sales*	Up 28.3% To 348 million	270 million
EBIT*	Up 24.8% to 57.33 million	45.93 million
EBIT Margin*	16.5%	17.0%

Note\*: Includes subsidiaries of Guangdong Zhaoqing and Yanchen Chunzhu

## Business Review:

- ❖ **Successfully acquired Yancheng Chunzhu in 2015 and established Aroma raw materials segment; Currently owns 83.29% equity interest in Yanchen Chunzhu**
- ❖ **Yancheng Chunzhu is one of the leading aroma raw materials enterprises in China and specialized in manufacturing of natural and synthetic aroma**
- ❖ **Guangdong Zhaoqing's business is stable. It not only actively developed its pool of big customers, but also worked with prestigious flavour companies and put more efforts in brand promotion and formed a sound channel marketing network**



# New Materials, Fragrances Segments Review

	2015/2016	2014/2015
Sales	Down 13.9% To 74.75 million	86.77 million
EBIT Margin	18.2%	17.6%

- ❖ The sales of new materials segment is about 1.9% of total sales revenue, and the EBIT margin is slightly increased as compared with the last financial year
- ❖ Made some progress in the combination of dry-pressed RTLs and filters, the sales of particle stems have been stabilizing
- ❖ Plan to work with tobacco new materials company to establish a filter platform

	2015/2016	2014/2015
Sales	Down 3.5% to 82.03 million	85.04 million
EBIT Margin	8.8%	12.5%

- ❖ The sales for fragrance is about 2.1% of total sales revenue, which remained stable
- ❖ Made some progress in product structure adjustment. The sales proportion of incense and disinfection fragrances decreased by 2.2% while the sales proportion of detergent fragrances increased by 4.3%
- ❖ In August 2015, Xiamen Amber was successfully admitted by the NEEQ



# E-cigarette Updates

SPV | Acquired 51% equity interest of a US independent e-cigarette company



SPV | Self-developed brands



SPV PRO

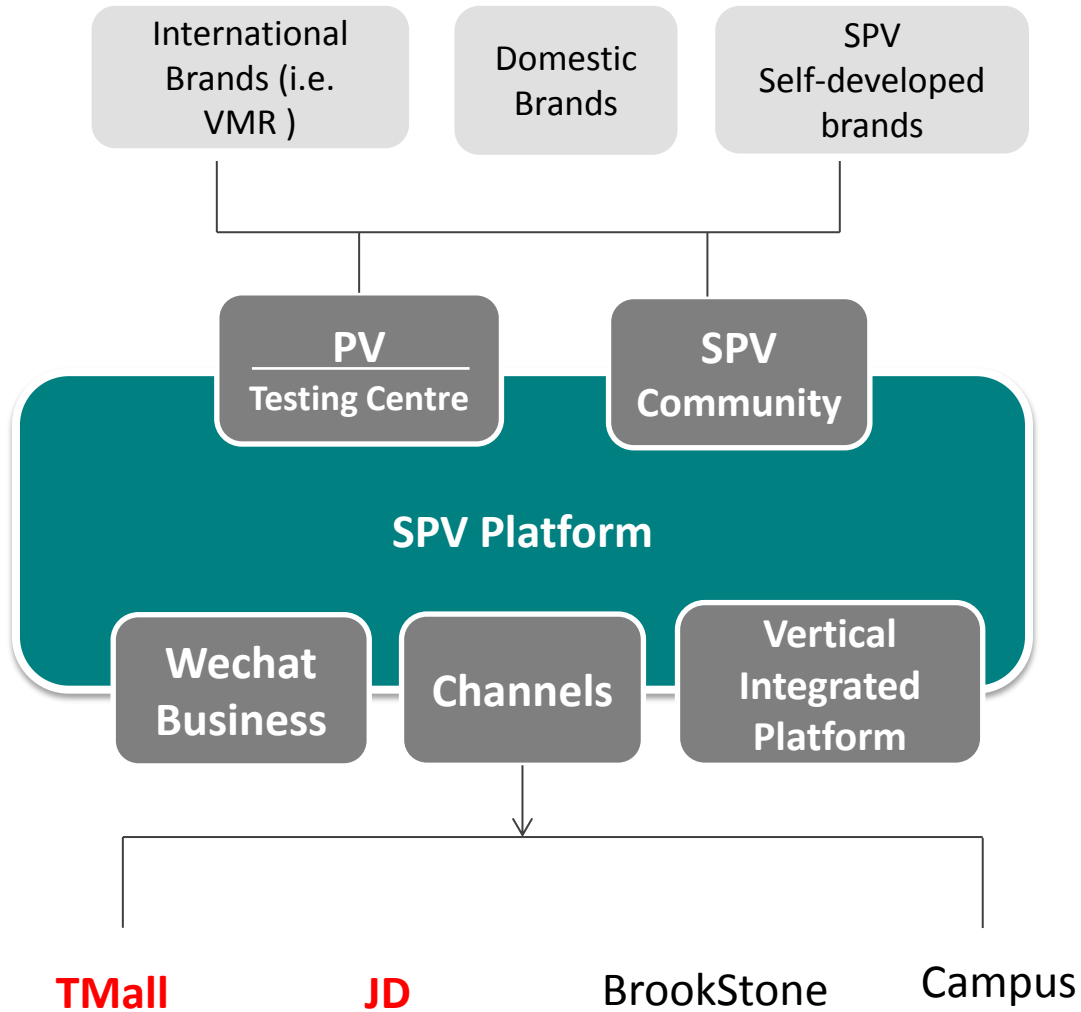


Noctilucent Edition -rechargeable



Storm Music Festival Edition





**TMall**

**JD**

BrookStone

Campus



# Finance, Industry Investment and Innovation Business Unit (In Progress)

- ❖ China's economy is transforming, and the challenges from tobacco industry and consumer goods industry bring new opportunities
- ❖ Will take various models of FOF, direct investment, financial leverage, capital operation and so on to spread the risk, based on the principle of prudence
- ❖ Participate in the growth of the global leading and revolutionary technology start-ups through flexible and controllable FOF model
- ❖ To invest through incubation, and catch revolutionary innovation opportunities through the new system by the internal innovation team
- ❖ Actively promote the establishment of strategic capital platform, promote strategic upgrades and realize strategic investment returns



- 2<sup>nd</sup> largest number of Start-ups in the World
- 3<sup>rd</sup> Largest presence on NASDAQ, making 20% of all foreign companies
- World largest number of biotech start ups
- 8 Nobel Prize Winners in Science & Economy
- R&D centers of international corporations

"Israel's scientific and technological policies have produced outstanding outcomes on a world scale" OECD statement, 2013



**Thank You**