



# Huabao International Holdings Limited

(Stock Code:00336.HK)

## 2016/2017 Interim Results Presentation

# Disclaimer

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# Agenda

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## Results Highlights

Financial Review

Industry and Business Review

Future Prospects

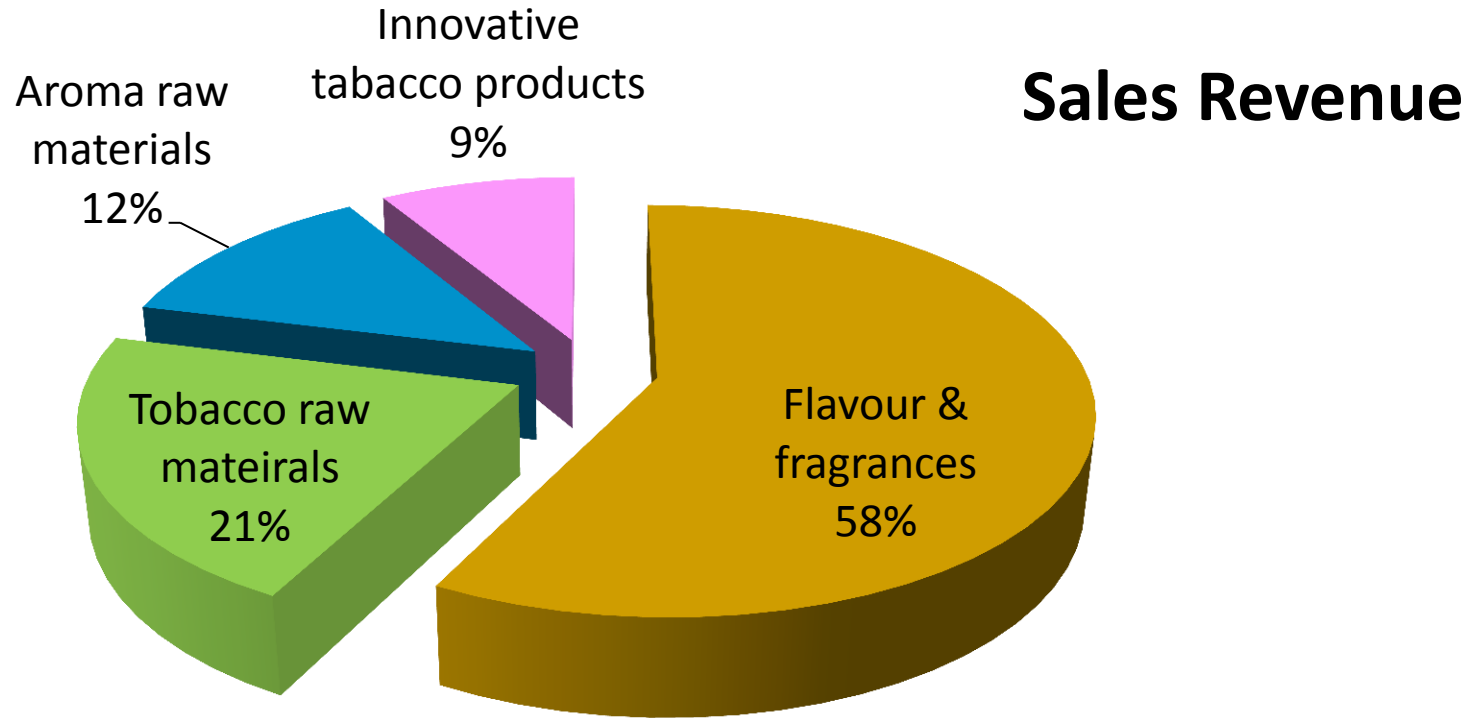


# Interim Results Highlights

	Ended Sept 30, 2016 (HKD'000)	Ended Sept 30, 2015 (HKD'000)	Changes
Sales	1,859,477	1,693,019	+9.8%
Gross Profit	1,210,843	1,171,736	+3.3%
Gross Profit Margin	65.1%	69.2%	
Operating Profit	662,555	733,809	-9.7%
EBITDA Margin	42.4%	49.2%	
EBIT Margin	35.6%	43.3%	
Profit Before Income Tax	686,497	760,290	-9.7%
Profit Attributable to shareholders	557,753	565,340	-1.3%
EPS – Basic (HK Cents)	17.95	18.20	-1.4%
Net Cash	4,723,562	3,017,557	+56.5%



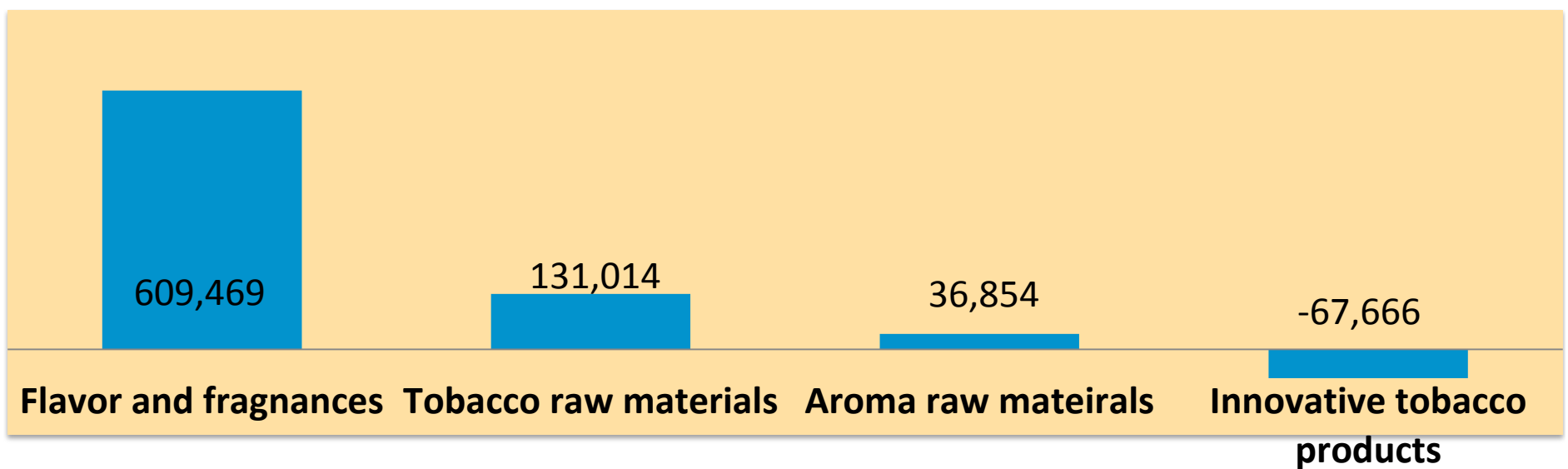
# Main Business Segments



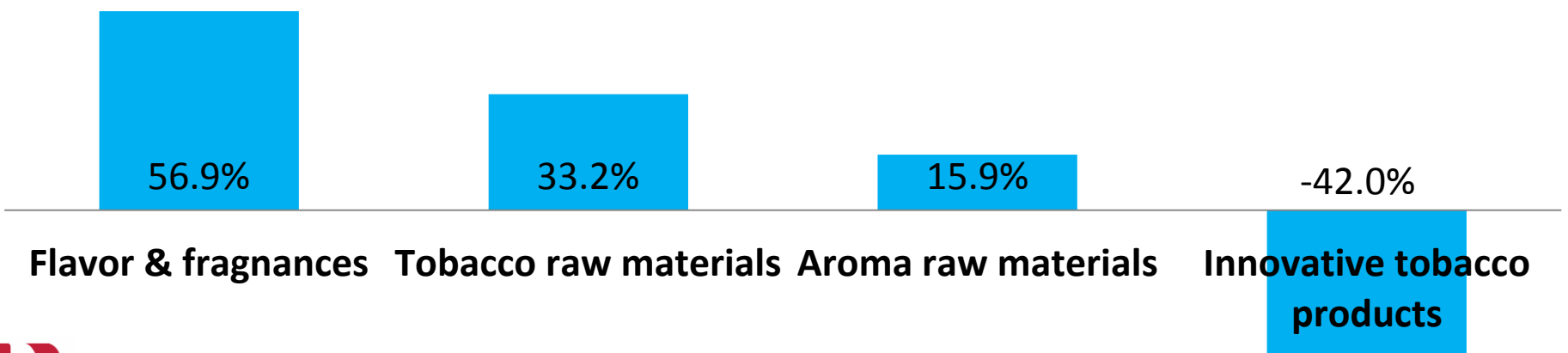
- ❑ **Flavor and fragrances:** *includes food flavors and fragrances*
- ❑ **Tobacco raw materials:** *includes RTL and new materials*
- ❑ **Aroma raw materials:** *includes various natural and synthetic aroma raw materials*
- ❑ **Innovative tobacco products:** *includes e-cigarettes*



# Segments Review



## EBIT Margin



# Agenda

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# Balance Sheet Highlights

	Ended Sep 30 2016 (HKD '000)	Ended March 31 2016 (HKD '000)
Non-Current Asset	5,224,068	5,395,034
Current Asset	7,453,480	6,191,188
-Inventories	834,821	834,024
-Cash and Cash Equivalents	4,811,254	3,521,708
Non-current Liabilities	113,698	123,770
Current Liabilities	775,551	932,034
Net Current Asset	6,677,929	5,259,154





# Cash Flow and Financial Position

	Ended Sep 30 2016 (HKD '000)	Ended March 31 2016 (HKD '000)
Net cash generated from operating activities	336,981	518,776
Net Cash	4,723,562	3,503,706
	Ended Sep 30 2016	Ended March 31 2016
Inventory Turnover (Day)	232	243
AR Turnover(Day)	107	89
AP Turnover(Day)	96	113
Current ratio(times)	9.6	6.6
Liquidity ratio(times)	8.5	5.8



# Agenda

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Results Highlights

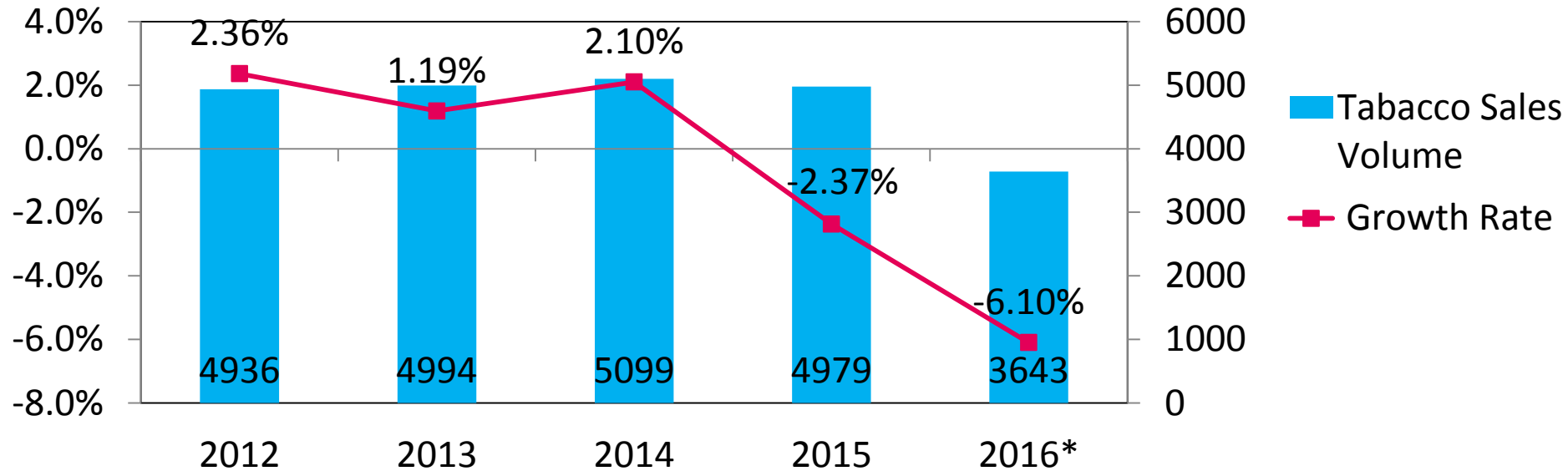
Financial Review

**Industry and Business Review**

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# Review of Tobacco Industry



## Industry Overview

【Source: <China Tobacco>, \*Data till Sept 30,2016】

- ❑ Macro economy continued downward trend, tobacco production and sales volumes both declined, cigarettes inventory stayed high and product portfolio upgrades slowed down.
- ❑ The tax-induced price hike policy raised the consumption tax and whole sale price, and subsequently increased the consumption cost.
- ❑ Tobacco control legislations became stricter, smoking free area was expanding, and the consumption environment became more complicated.
- ❑ Population growth slowed down and people's health awareness was improved, which suppressed the demand to a certain extent for cigarette consumption.



# Review of Flavours & Fragrances Business

	2016/2017 (HKD'000)	2015/2016 (HKD'000)	Changes
<b>Sales Revenue</b>	1,070,724	1,249,999	-14.3%
<b>EBIT</b>	609,469	680,522	-10.4%
<b>EBIT Margin</b>	56.9%	54.4%	+2.5%

## **Business Review**

- ❑ The decline in sales and profits was mainly due to the sluggish of tobacco industry which resulted in the decrease in sales of tobacco flavours.
- ❑ Tobacco flavour – Help tobacco enterprises to develop cigarette products suitable for the youth by introducing various youth-oriented design elements.
- ❑ Food flavour: Be keen to develop new products and explore new customers, reinforce to develop food flavours and ingredients.
- ❑ Fragrances: Maintain and consolidate the leadership in the sector of incense and disinfectant & insecticide products, and step up to develop the market of laundry, soap and other detergents.



# Review of Tobacco Raw Materials

	2016/2017 (HKD'000)	2015/2016 (HKD'000)	Changes
Sales Revenue	394,585	298,864	+32.0%
EBIT	131,014	106,181	+35.5%
EBIT Margin	33.2%	35.5%	-2.3%

## **Business Review :**

- ❑ *Sales volume increased after clearing the RTL inventory of tobacco industry, but the situation continued to be grim for the RTL industry.*
- ❑ *The inventory of tobacco leaves stayed high, demands declined and the continuing released RTL capacities, all of which resulted in oversupply of the market.*
- ❑ *The huge price difference between the RTL and tobacco leaves demonstrates the competitive value of RTL products, which is also one of the driving forces for future development.*
- ❑ *Sales revenue of new tobacco materials decreased due to the sluggish of the industry and the decline in the demands. But two types products, blast beads and wires, still had a good momentum of development and got high market recognition.*

# Review of Aroma Raw Materials

	2016/2017 (HKD'000)	2015/2016 (HKD'000)	Changes
Sales Revenue	231,618	136,687	+69.5%
EBIT	36,854	29,826	+23.6%
EBIT Margin	15.9%	21.8%	-5.9%

## **Business Review:**

- ❑ *Sales and profit Increased due to the consolidation of the financial statements after the acquisition of Yancheng Chunzhu.*
- ❑ *Actively developed new customers while maintaining the relationships with existing customers, achieved a steady growth in the overall sales, and exports remained stable.*
- ❑ *Adjusted the production and marketing strategies, and also spent tremendous energy into R&D and focused on continuous innovation.*
- ❑ *Plan to build a professional aroma raw materials production base with annual capacity of more than 10,000 tons.*



# Review of Innovative Tobacco Products I

The logo for VMR, featuring a stylized red 'V' followed by the letters 'VMR' in a bold, dark grey sans-serif font. A registered trademark symbol (®) is located at the top right of the 'R'.

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The logo for SPV, featuring the letters 'SPV' in a large, bold, dark grey sans-serif font. Below the letters, the words 'STAND POINT VAPOR' are written in a smaller, all-caps, dark grey sans-serif font.

- ❑ Independently engaged in design, production and sales for e-cigarette s, and employed a vertically integrated business model to manage the entire production cycle.

- ❑ Mainly responsible for European and American market;

- ❑ Launched Vertx series products this year. Many designs, including leakage-free and plug and play atomizer, led the trend of e-cigarette

- ❑ Mainly responsible for domestic and surrounding markets.

- ❑ Will improve sales channels and build the e-cigarette platform; set up a strategic partnership with the Sunpower Group and started to build offline physical store.

- ❑ Successfully developed combined Nicotine – “Nicotine Salt”, and expected to bring customers new experience similar with traditional cigarettes.

**R&D and  
Warehousing**

**Procurement  
& Sales**



# Review of Innovative Tobacco Products II



New generation of high- quality tobacco oil



SPV physical store located in Shanghai



OEM factory for VMR & one of its products - V2 Pro



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# Future Prospects

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- ❑ Be cautiously optimistic about the business outlook for the full year.
- ❑ Continue to build multiple capital platforms and put matured and well established business segments into the capital market through multi-channels by way of securitization.
  - ❖ In August, the Group considered the feasibility of a proposed spin-off and separate listing of the flavours and fragrances business by way of proposed A shares listing of the spin-off company on a stock exchange in the PRC.
  - ❖ Currently, the HKEX has confirmed that the Group could proceed the proposed spin-off and the proposed A share listing and granted waiver of assured entitlement of A shares to current shareholders under the listing rules.
  - ❖ New finance platform and new supervising regulatory authorities , will strengthen the Group's corporate governance; on the other hand and also help build a strong foundation for establishing multiple finance platforms.





# Thank You !