



Huabao International Holdings Limited  
華寶國際控股有限公司



# 2018/2019 Interim Results Presentation 23 November 2018

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- The latest developments of the Company are subject to the official announcement on the HKEX by the Company.

# Management in Conference



**Executive Director and  
Chief Financial Officer  
Mr. XIONG Qing**



**Executive Director  
Mr. POON Chiu Kwok**



# Management in Conference



**Chief Executive Officer of Jiahao  
Foodstuff Limited**

**Mr. XU Hanqing**



**Chief Growth Officer of Jiahao  
Foodstuff Limited**

**Mr. QUE Jiahua**





# Results Highlights and Financial Review



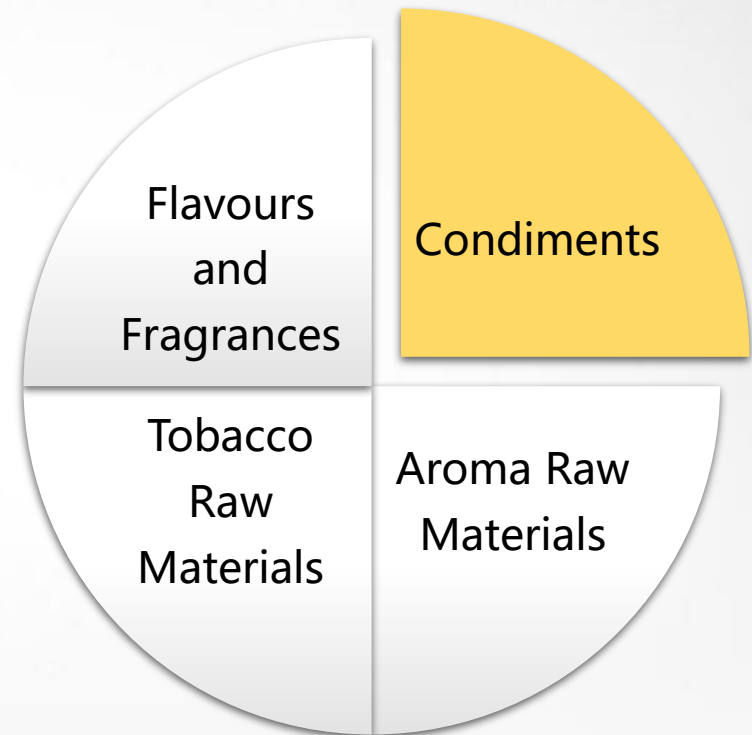
# Business Segments Adjustment



## Previous Business Segments



## Current Business Segments



# Business Segments Adjustment



## Acquisition of Jiahao Foodstuff Limited



**Chicken bouillon**



**Wasabi paste**



**Concentrated juice**



**Sauce**

### Consideration

- Approximately USD694 million.

### Rationale

- Break into China's trillion-yuan foodservice market and the hundred-billion-yuan condiment market
- Jiahao has advantages in products, distribution channels, and high-quality customers in the condiment industry
- Take advantage of Huabao's genes in the taste industry and deep insights into upstream and downstream value chains
- In line with Huabao's "Concentric Diversification Strategy" and accelerated Huabao's goal of "being the world's leading taste-based consumer product industrial holdings group"

# Business Segments Adjustment



## Disposal of E-cigarette Business

### Disposal of VMR Products



#### Consideration

- Premium RMB198 million as compared to the book value of VMR Products
- Losses before tax amounted to RMB46.03 million, which was consolidated to the financial statement
- Expected to record a revenue of USD 31,352,380, which was almost the same as our initial investment in VMR Products

#### Reasons for the disposal

- Decided to dispose of the business after prudent consideration over the regulations facing the e-cigarette business in the U.S.
- The disposal improved the Group's financial conditions and accumulated experience for the Group's development in the HNB (Heat-Not-Burn) business



# Results Highlights



Sales Revenue\*  
RMB1,652 million  
9.1% Yoy growth

Operating Profit  
RMB711 million  
12.8% Yoy growth

Net Profit  
RMB568 million  
12.8% Yoy growth

EPS  
RMB15.35 cents  
4.4% Yoy growth

Dividend per share  
HKD10.0 cents  
Payout ratio 57.3%

# Sales Structure and Proportion



	Flavours and Fragrances Business			Tobacco Raw Materials Business		Aroma Raw Materials Business	Condiments Business
Sales and proportion	RMB966 million (58.5%)			RMB430 million (26.1%)		RMB228 million (13.8%)	RMB26.78 million* (1.6%)
<b>Sales proportion after adjustment #</b>	<b>50.4%</b>			<b>22.4%</b>		<b>11.9%</b>	<b>15.2%</b>
Segment	Tobacco Flavours	Food Flavours	Fragrances	RTL (Reconstituted tobacco leaves)	Tobacco new materials (flavour capsule)		
Applied areas	Mainly applied to tobacco leaf raw materials. It is necessary to constantly adjust the formula according to the change of tobacco leaf raw materials.	Applied to grain and oil raw materials.	Applied to a variety of daily chemicals.	Applied to moisturize and enhance the flavor of the tobacco leaves.	Added to the cigarette's filters to enhance the smoking experience.	Applied to the production of flavours.	Over 200,000 restaurants.

\* Only included the sales from September 4, 2018 to September 30, 2018

# If the acquisition of Jiahao Foodstuff Limited were completed on 1<sup>st</sup> April 2018.

# Results Highlights



	Ended Sept 30, 2018 (RMB'000)	Ended Sept 30, 2017 (RMB'000)	Changes
Sales	<b>1,651,556</b>	1,514,248	+9.1%
Gross Profit Margin	<b>65.4%</b>	65.7%	
Operating Profit	<b>711,101</b>	630,515	+12.8%
EBITDA Margin	<b>48.3%</b>	47.1%	+1.2 pp
EBIT Margin	<b>43.1%</b>	41.6%	+1.5 pp
Profit attributable to equity holders of the Company	<b>477,125</b>	456,894	+4.4%
EPS – Basic (RMB Cents)	<b>15.35</b>	14.70	+4.4%
Total Equity	<b>13,347,210</b>	13,118,337 (As at 31 March 2018)	
Interim Dividend Per Share (HKD Cents)	<b>10.0</b>	10.30	

# Cash Flow and Financial Position



	Ended Sept 30, 2018 (RMB'000)	Ended Sept 30, 2017 (RMB'000)	Changes
Net cash generated from operating activities	370,581	721,649	-48.6%
	Ended Sept 30, 2018 (RMB'000)	Ended Sept 30, 2017 (RMB'000)	Changes
Inventory Turnover (Days)	243	236	+7 Days
AR Turnover(Days)	121	116	+5 Days
AP Turnover(Days)	86	92	-6 Days
Current Ratio (Times)	4.85	8.47	
Liquidity Ratio (Times)	4.42	7.59	

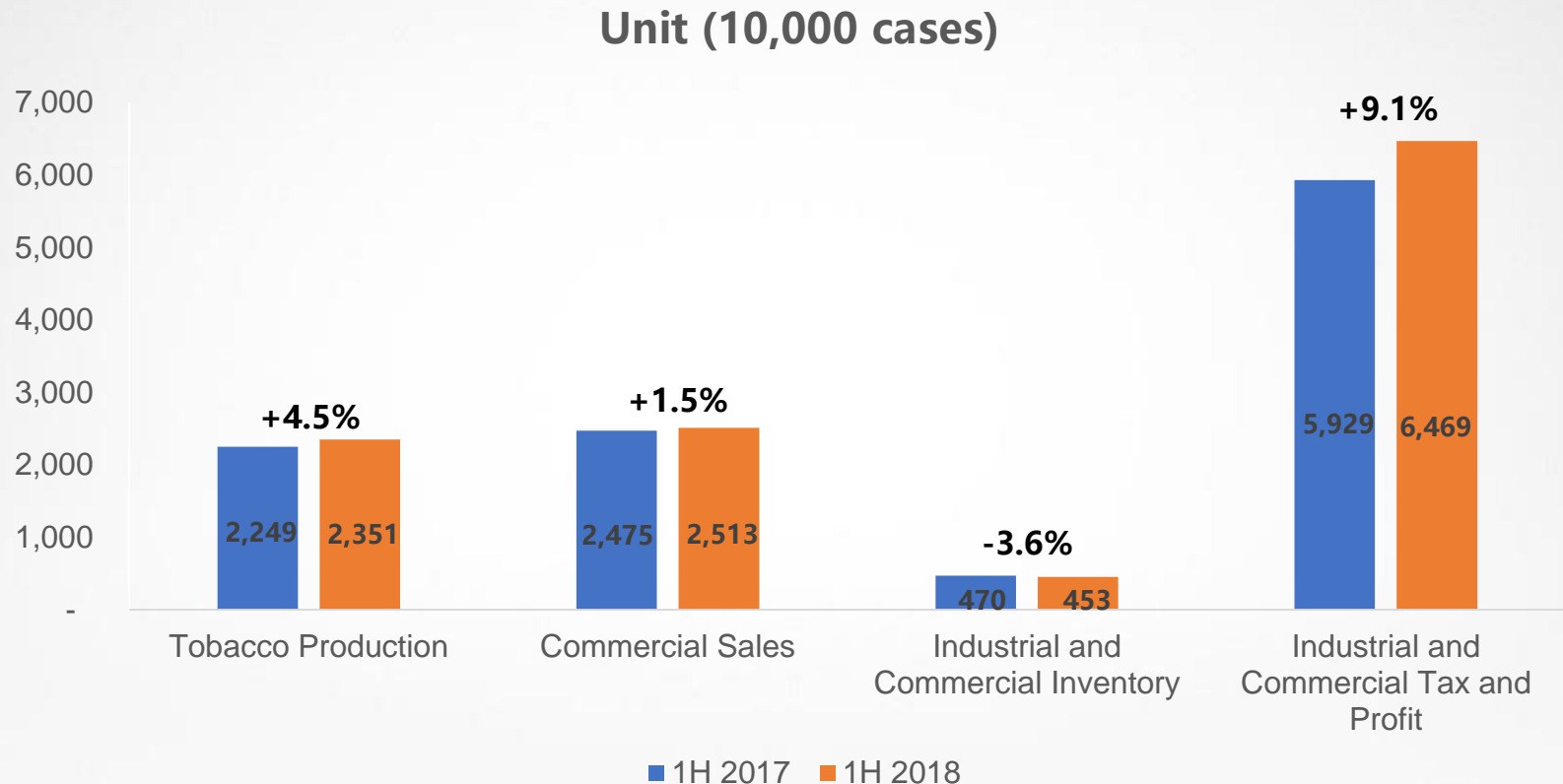
# Business Review



# Review of Tobacco Industry



**The tobacco industry continued to be stable and improved, and has accomplished the half of the annual year's sales target**



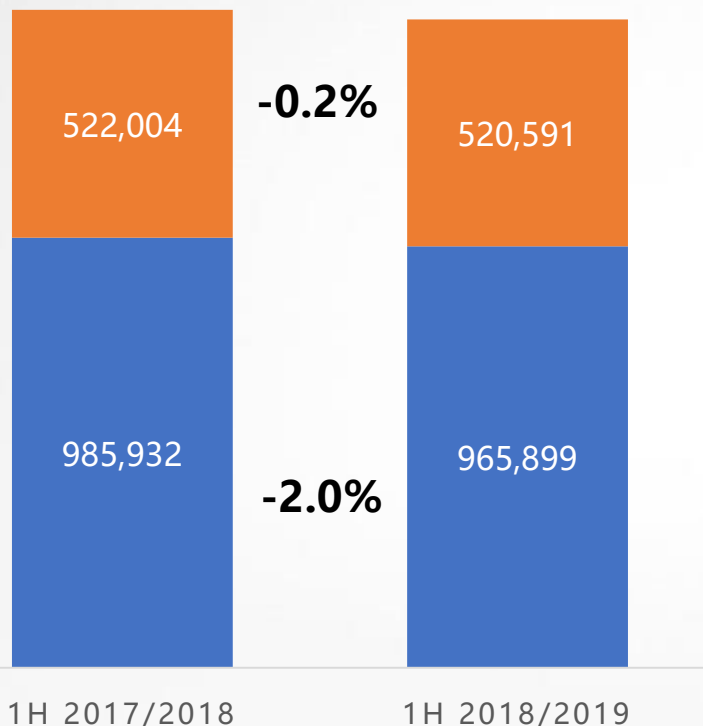
# Flavours and Fragrances Segment

## Sales and Profit Remained Stable



RMB' 000

■ Sales ■ Operating Profit



RMB'000	First half of 2017/2018	First half of 2018/2019	Changes
EBIT Margin	52.9%	53.9%	+1 pp
EBITDA	545,772	536,824	-2%
EBITDA Margin	55.4%	55.6%	+0.2 pp

- Conducted R&D in customized tobacco flavor products.
- Devise a complete set of solution for the customers.

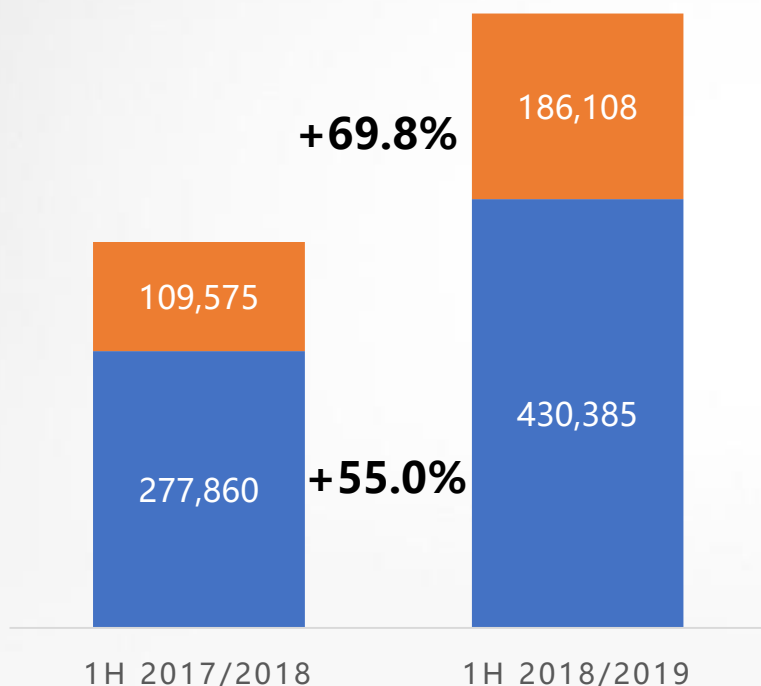


# Tobacco Raw Materials Segment

## New Materials Continued to Drive Growth

RMB' 000

■ Sales ■ Operating Profit



	First half of 2017/2018	First half of 2018/2019	Changes
EBIT Margin	39.4%	43.2%	+3.8 pp
EBITDA	152,841	232,480	+52.1%
EBITDA Margin	55.0%	54.0%	-1 pp

- Flavour capsule is in short supply, and the new production line will be put into production.
- Tobacco leaves inventory remains high, the demand for RTL is limited. In order to digest the inventory, the RTL business started the strategy of “Going Out”.



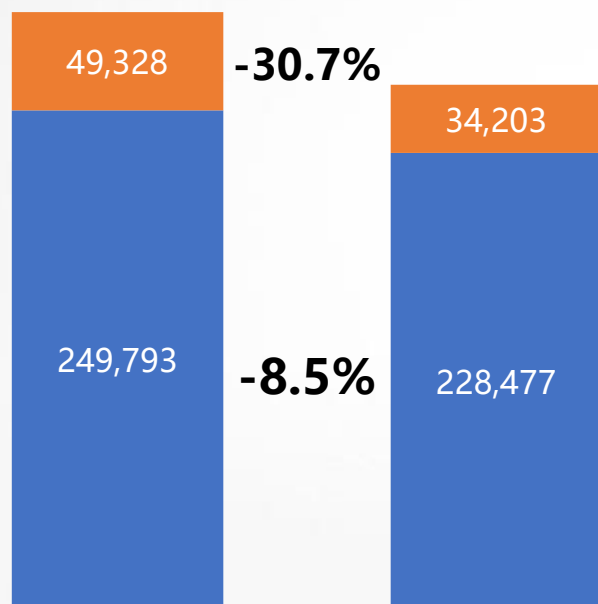


# Aroma Raw Materials Segment

## Product Mix Enriched and New Plant Expected to Put into Production

RMB' 000

■ Sales ■ Operating Profit



1H 2017/2018

1H 2018/2019

	First half of 2017/2018	First half of 2018/2019	Changes
EBIT Margin	19.7%	15.0%	-4.7 pp
EBITDA	62,430	49,879	-20.1%
EBITDA Margin	25.0%	21.8%	-3.2 pp

- To respond to the State's environmental protection requirements, production capacity has been reduced, which caused the decrease of sales and profit.
- Litsea cubeba oil and citral products are favoured by the market.



# Condiment Segment

## Upstream and downstream Integration to Achieve Synergy

### Upstream

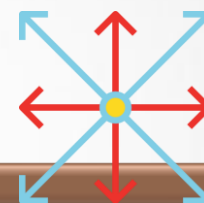
Technical and capital support

### Existing advantages

Unicorn in the niche market

### Downstream

Expand Distribution Channels and sales power



- ✓ Rich experience in flavours and fragrances industry and the proportion of R&D investment is equivalent to that of international peers.
- ✓ Rich capital, experienced management and sales experience in the industry.

- ✓ Chicken bouillon and wasabi paste are ranked No. 2 and No. 1 in the Chinese market.
- ✓ Stable customer base, "Close Connection" marketing strategies .
- ✓ Introducing talents to the Company

- ✓ Leverage innovative strategic platform to strengthen sales power

**Jiahao's Goal: Double the sales in three years**



# Outlook



# R&D Investment and Capacity Expansion Drive Growth

- ✓ In the first half of 2018, the Group's R&D expense was approximately RMB126 million, accounting for 7.6% of the total sales revenue, which was higher than the domestic average level.
- ✓ Multiple production bases will be put into production to contribute revenue to the Group.
- ✓ Management is optimistic about the full-year results.



**September 2018**  
The Group's subsidiary was awarded a patent for invention in food flavour.

**October 2018**  
Yingtan, Jiangxi  
Food flavour project is under construction.

**October 2018**  
Yingtan, Jiangxi  
Yingtan Xinhui will start mass production in November with Japanese production line.

**November 2018**  
Zhongshan, Guangdong  
Start integration after acquisition, Jiahao will gradually contribute revenue for the group.

**January 2019**  
Xinyu, Jiangxi  
Jiangxi Xianghai is optimizing equipment and the plant is in trial production, and will officially put into production in January 2019.

# Our Vision



## Goal

**World's Leading Taste-based Consumer Product Industrial Holdings Group**



## Strategy

**Concentric Diversification Strategy**



## Vision

**Leader to a Better Life.**

# Q&A



# Investor Relations Contact



## Investor Relations Calendar

27 November, 2018

Huachuang Securities 2019  
Annual Investment Strategy-  
Shenzhen

## Investor Relations Contact

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