



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

2019 Interim Results Presentation
23 August 2019



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

Agenda



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Summary



1 Financial Review

Results Highlights

RMB('000)	Six Months Ended 30 June 2019	Six Months Ended 30 September 2018	Change(%)
Sales	2,069,317	1,651,556	+25.3
Gross Profit	1,310,461	1,080,003	+21.3
Gross Profit Margin	63.3%	65.4%	-2.1 p.p.
Selling and Marketing Expense (% to sales)	187,160 (9.0%)	118,729 (7.2%)	+57.6 +1.8 p.p.
Administrative Expense (% to sales)	416,160 (20.1%)	339,746 (20.6%)	+22.5 -0.5 p.p.
EBITDA	938,800	797,214	+17.8
EBITDA Margin	45.4%	48.3%	-2.9 p.p.
EBIT	806,098	711,101	+13.4
EBIT Margin	39.0%	43.1%	-4.1 p.p.
Profit Before Tax	805,290	789,384	2.0
Profit Attributable to the Equity Holders of the Company	480,289	477,125	0.7
Net Profit Margin	23.2%	28.9%	-5.7 p.p.
Basic and Diluted Earnings Per Share Attributable to the Equity Holders of the Company(RMB cents per share)	15.45	15.35	0.70
Interim Dividend Per Share(HKD cents per share)	8.8	10.0	

Results Highlights (Cont'd)

RMB('000)	Six Months Ended 30 June 2019	Six Months Ended 30 June 2018 (Unreviewed management accounts)	Change (%)
Sales	2,069,317	1,738,121	+19.1
-Flavours and Fragrances	967,408	948,835	+2.0
-Tobacco Raw Materials	366,109	462,862	-20.9
-Aroma Raw Materials	359,453	326,224	10.2
-Condiments	376,141	N/A	N/A
Profit Before Tax	805,290	913,900	-11.9

*In 2018, the Group changed its financial year ended to 31 December. The 2019 interim report is the first report after the change of the financial year. The interim report covers the period from 1 January to 30 June 2019, which is different from the 2018-2019 interim report covering the period from 1 April to 30 September. In order to let shareholders and investors have a better analysis of our performance, we hereby extracted the sales and profit before tax during the period from 1 January to 30 June 2019 of the unreviewed management accounts for reference.

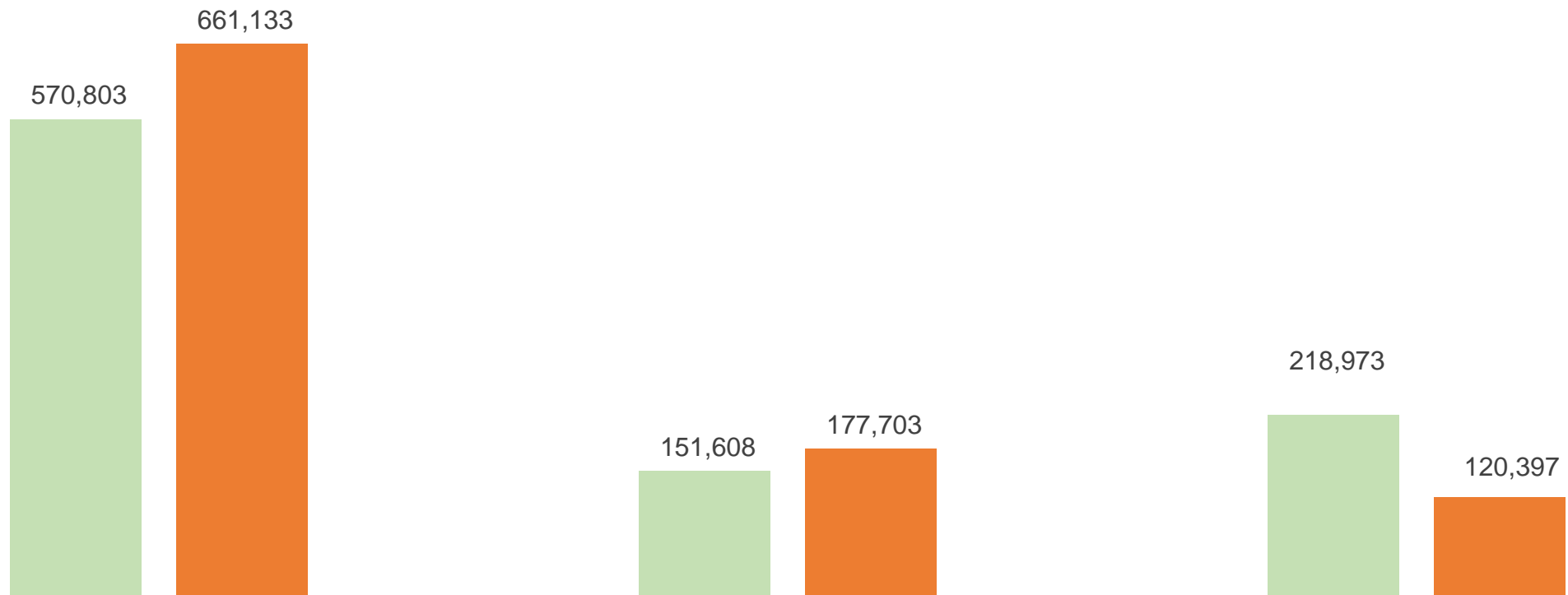
Cash Flow Analysis

Operating Cash Flow

CAPEX

Free Cash Flow*

RMB ('000)



Six Months Ended 30 September 2018



Six Months Ended 30 June 2019

Operational Efficiency and Financial Condition Analysis

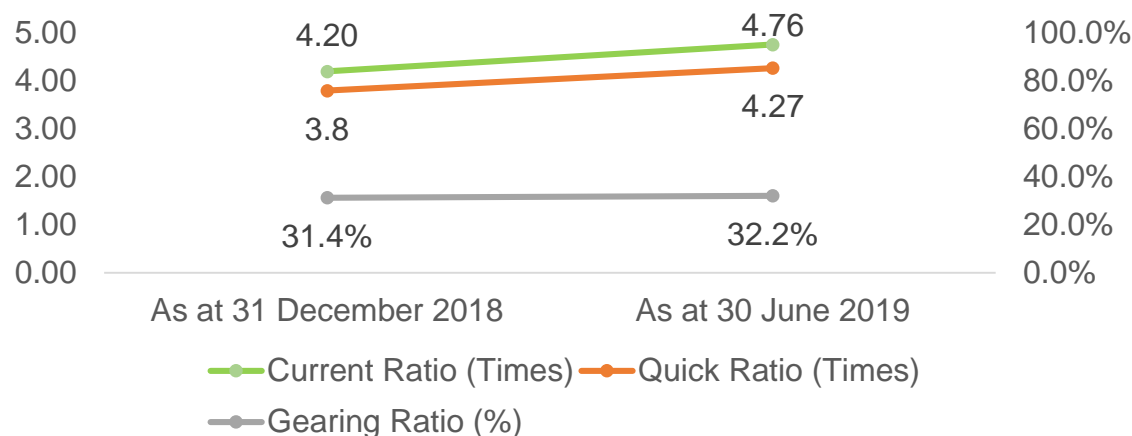
Operational Efficiency



Commentary

- Inventory turnover rose slightly 15 days, the increase in inventory was mainly attributable to the business expansion of the Group
- Accounts receivable and accounts payable turnover remained stable, representing the Group's capability of effectively managing funds

Financial Condition



Commentary

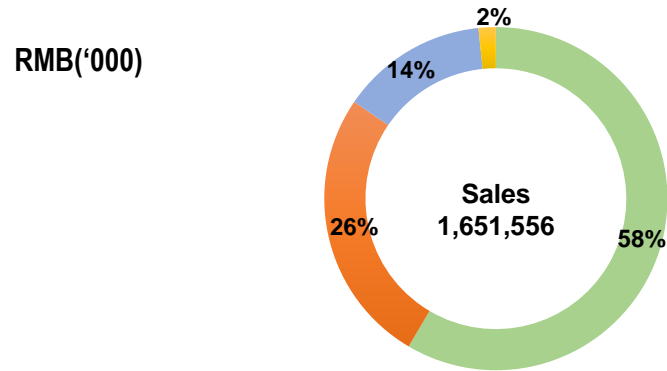
- Current ratio and quick ratio amounted to 4.76 and 4.27 times, representing the Group's strong capability to repay short-term debt
- Gearing Ratio remained stable
- Financial condition of the Group remains good



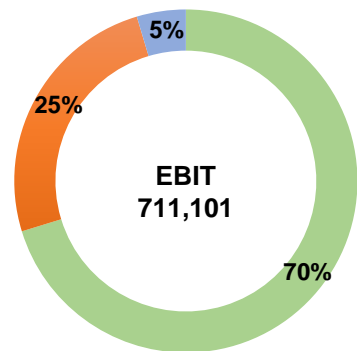
2 Business Review

Revenue and Profit Mix

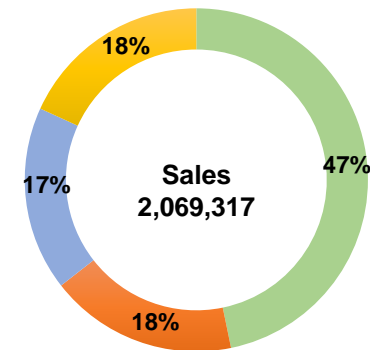
For the Six Months Ended 30 September 2018



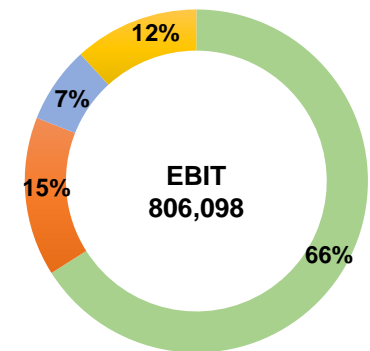
For the Six Months Ended 30 September 2018



For the Six Months Ended 30 June 2019



For the Six Months Ended 30 June 2019

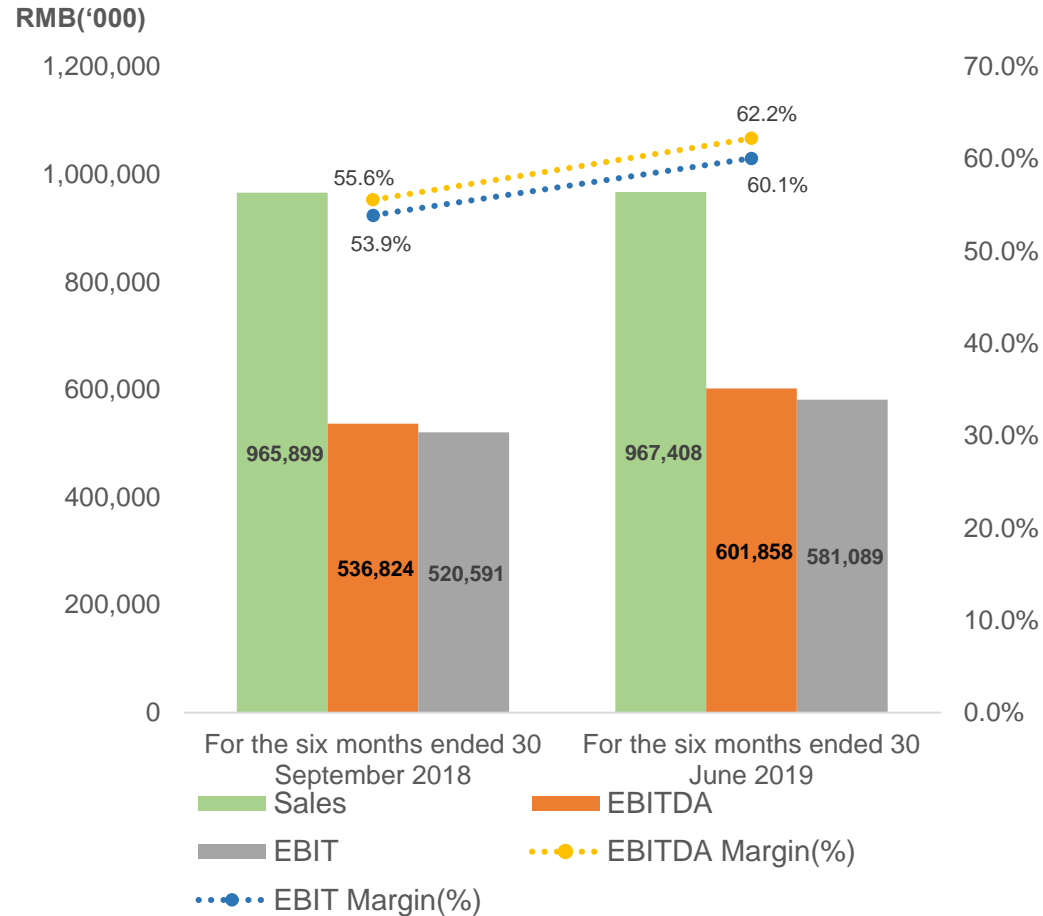


- Flavours & Fragrances
- Tobacco Raw Materials
- Aroma Raw Materials
- Condiments

The proportion of Aroma Raw Materials and Condiments in sales and profit increased, which optimized the Group's profitability structure

Flavours and Fragrances

Profitability



Commentary



Sales +0.2%



EBITDA +12.1%

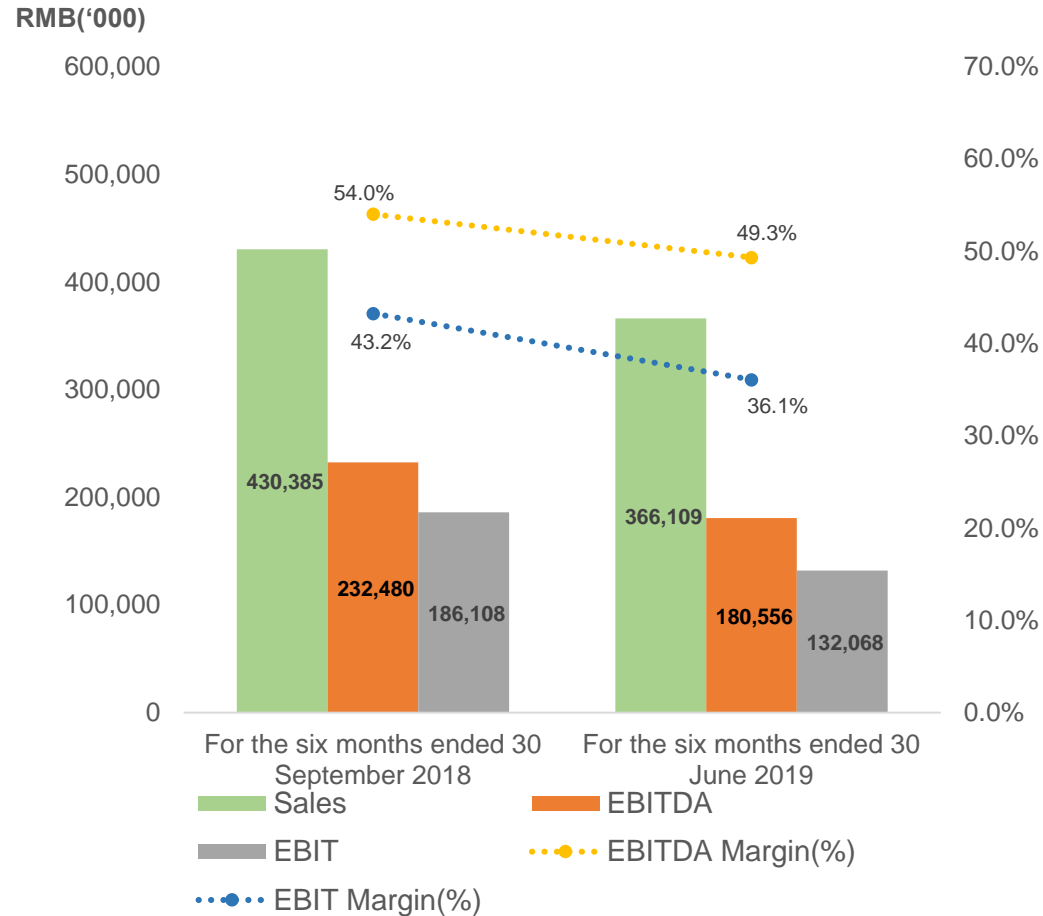


EBIT +11.6%

- Against the backdrop of China's stable tobacco market, the Group's F&F business remained stable, which is line with expectations
- Profit and profit margins increased owing to the improvement in management efficiency and effective control in operating expense
- The investment projects of food flavours and food ingredients are in progress

Tobacco Raw Materials

Profitability



Commentary



Sales -14.9%



EBITDA -22.3%

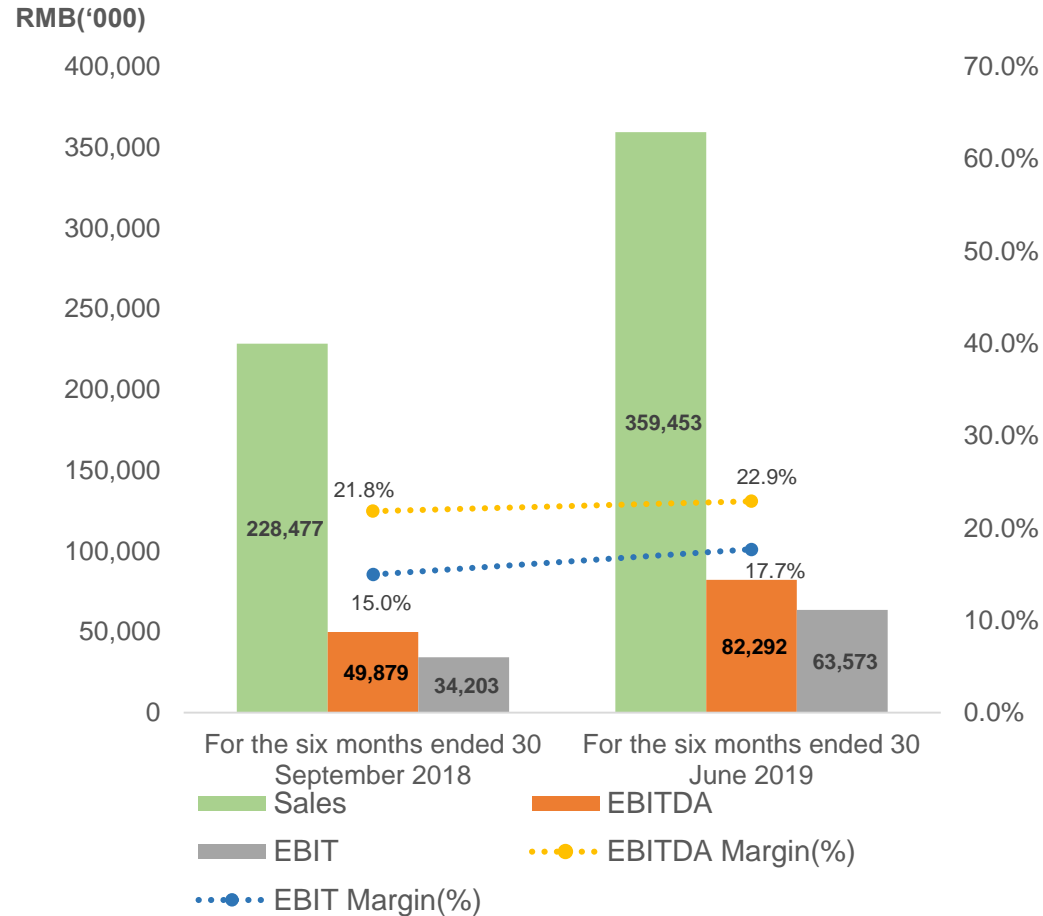


EBIT -29.0%

- Sales and profit dropped due to the decrease in the sales volume of RTL and the downward pressure on the price of flavour capsule caused by intensifying competition in the industry
- During the reporting period, the Group continued to introduce its RTL products to Southeast Asia markets

Aroma Raw Materials

Profitability



Commentary



Sales +57.3%



EBITDA +65.3%

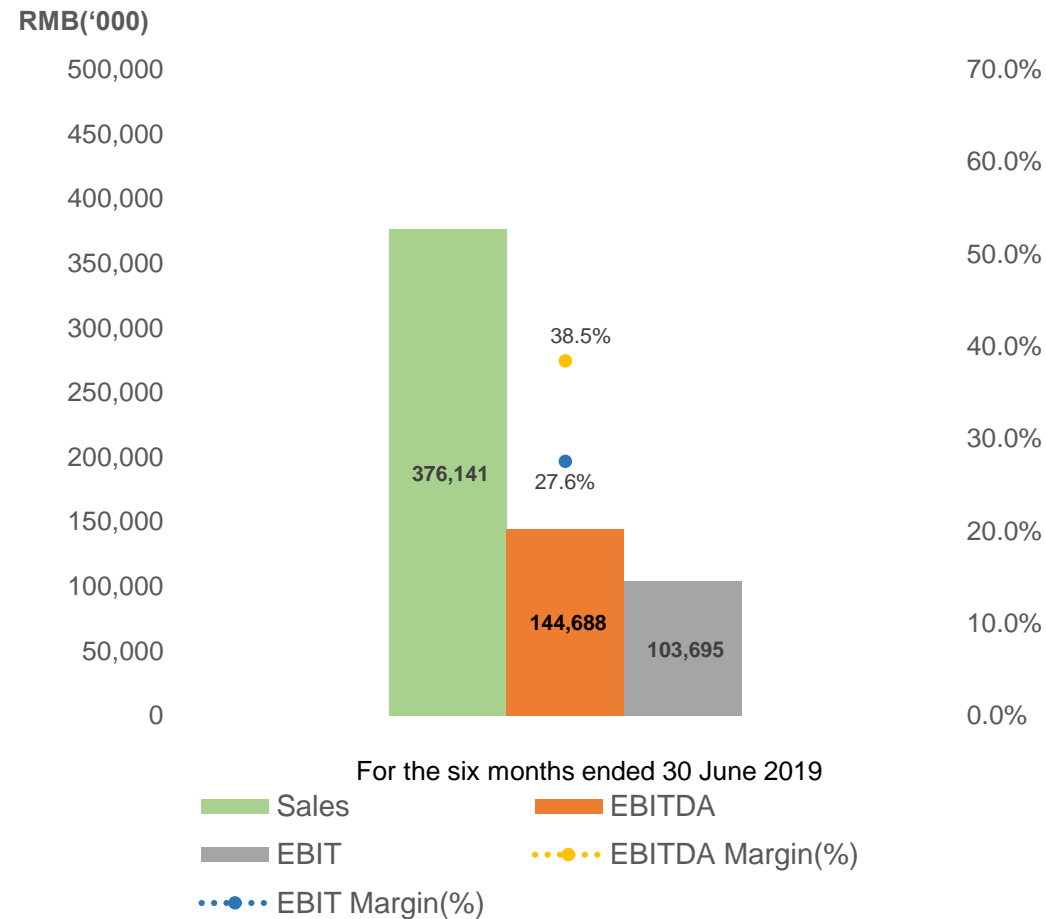


EBIT +85.9%

- The increase in sales and profit are mainly attributable to the improvement in management efficiency
- During the reporting period, Jiangxi Xianghai Phase I Project was completed, and furanone has been put into production. Phase II and Phase III Project of Jiangxi Xianghai are under construction
- Industry competition is intensifying, the Group aims to optimize its product mix while simultaneously improving its product quality, R&D and marketing capabilities

Condiments

Profitability



Commentary

- 1 Brand repositioned as “Chinese Tastes Expert”
- 2 Launched new products to enrich product mix to build new growth points
- 3 Expanded sales channels and customer base to widen the sales network
- 4 Optimized human resources and incentive mechanism to improve working efficiency



New products launched during the reporting period, from left to right: fragrant chicken bouillon, lightly salted chicken powder, chili liquid seasoning.



3 Outlook

Outlook

	CAPEX	Annual Target	Strategy
Flavours & Fragrances	Maintenance Capex	Stable Sales	<ul style="list-style-type: none"> ✓ Continue to provide clients with customized tobacco flavour products and services ✓ Facilitate the construction progress of food flavour investment projects
Tobacco Raw Materials	Approx. RMB135 million for the full year	Stabilise existing market share, develop new markets and products	<ul style="list-style-type: none"> ✓ Boost the sales and sales volume of RTL in overseas markets such as Southeast Asia ✓ Strengthen the R&D in innovative tobacco products-related materials
Aroma Raw Materials	Approx. RMB160 million for the full year, approx. RMB65 million has been invested in the 1H 2019	15% Sales Growth	<ul style="list-style-type: none"> ✓ Expedite the construction of Jiangxi Xianghai to establish it as the manufacturing base of the Group's aroma raw materials ✓ Increase product's quality and reinforce market research capability, leverage differentiation strategy to meet the market's demands and maintain and improve pricing power
Condiments	Maintenance Capex	25% Sales Growth	<ul style="list-style-type: none"> ✓ Establish Jiahao as the "Chinese Tastes Expert", aiming to achieve brand premium ✓ Continue to develop sales channels and expand sales network ✓ Launch new products to enrich product mix, increase production and sales capabilities and to achieve economy of scale



4 Summary

Summary

Goal

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

Strategy

Concentric Diversification Strategy

Vision

Leader to a Better Life



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