



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

2019 Annual Results Presentation
27 March 2020



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

Agenda

1 Financial Review

2 Business Review

3 Outlook

4 Summary





1 **Financial Review**

Results Highlights

RMB('000)	FY ended 31 December 2019 (Audited)	Nine months ended 31 December 2018 (Audited)
Sales	4,241,040	3,058,707
Gross Profit	2,745,410	1,949,805
Gross Profit Margin	64.7%	63.7%
EBIT	1,728,811	1,287,750
EBITDA Margin	47.0%	46.9%
EBIT Margin	40.8%	42.1%
Profit Before Tax	1,745,817	1,374,957
Profit from continuing operations for the year/period	1,373,741	1,054,152
Profit from continuing and discontinued operations attributable to the equity holders of the Company	1,112,004	1,017,959
Earnings per share (basic and diluted, RMB cents)		
-Continuing operations	35.78	27.78
-Discontinued operations	0.00	4.97
Proposed/Paid final and special dividend per share (HKD cents)	10.0	27.7
Total dividend for the year/period	18.8	37.7
Dividend payout ratio for the year/period	47.3%	100.9%

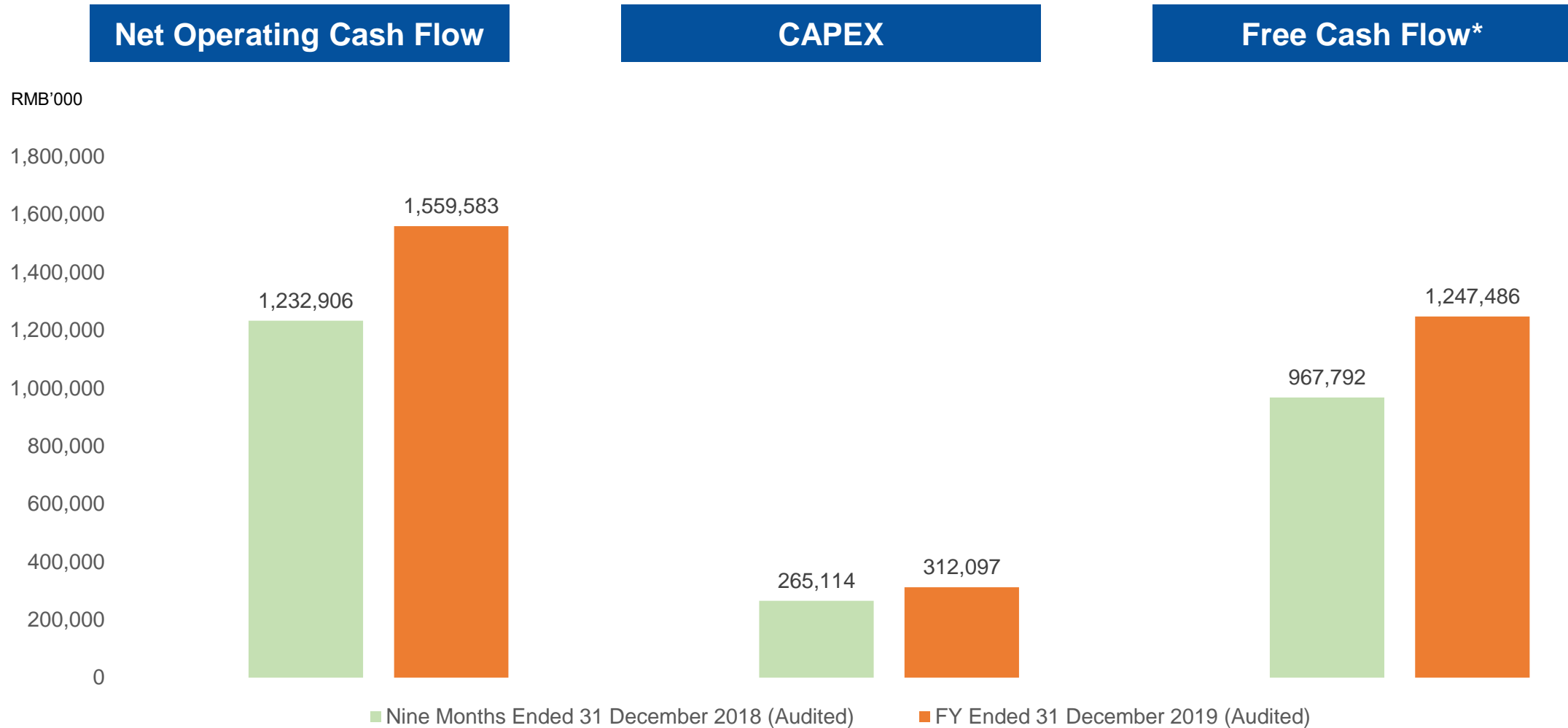
Results Highlights-Cont'd

RMB('000)	FY ended 31 December 2019 (Audited)	Twelve months ended 31 December 2018 (Unaudited*)	Change
Sales	4,241,040	3,981,536	6.5%
Gross Profit Margin	64.7%	65.1%	-0.4 p.p.
Sales and Marketing Expense	358,305	264,169	35.6%
(% to Sales)	8.4%	6.6%	1.8 p.p.
Administrative Expense	867,398	760,668	14.0%
(% to Sales)	20.5%	19.1%	1.4 p.p.
EBIT	1,728,811	1,744,950	-0.9%
EBIT Margin	40.8%	43.8%	-3.0 p.p.
Profit before tax	1,745,817	1,872,114	-6.7%
Profit from continuing operations for the year/period	1,373,741	1,441,585	-4.7%



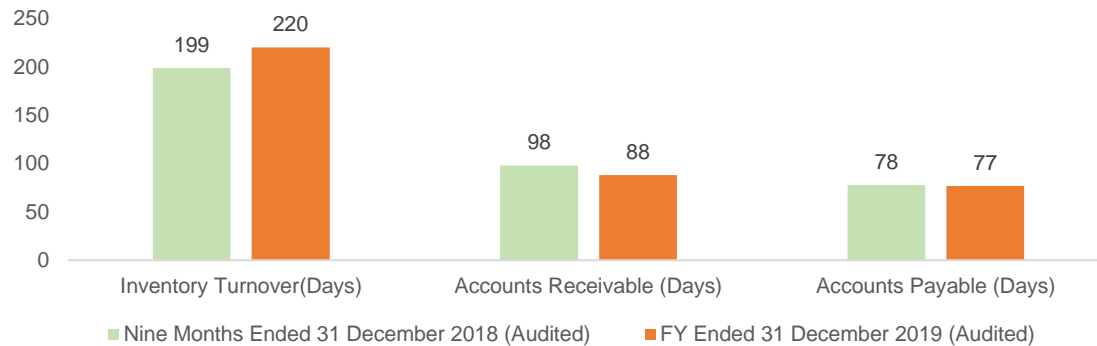
*In order to let our shareholders and other stakeholders better understand the Group's operating results, the Group also presents the unaudited financial results for the twelve-month period from 1 January to 31 December 2018 ("the Corresponding Period Last Year") on a voluntary basis for year-on-year comparison.

Cash Flow Analysis



Operational Efficiency and Financial Condition Analysis

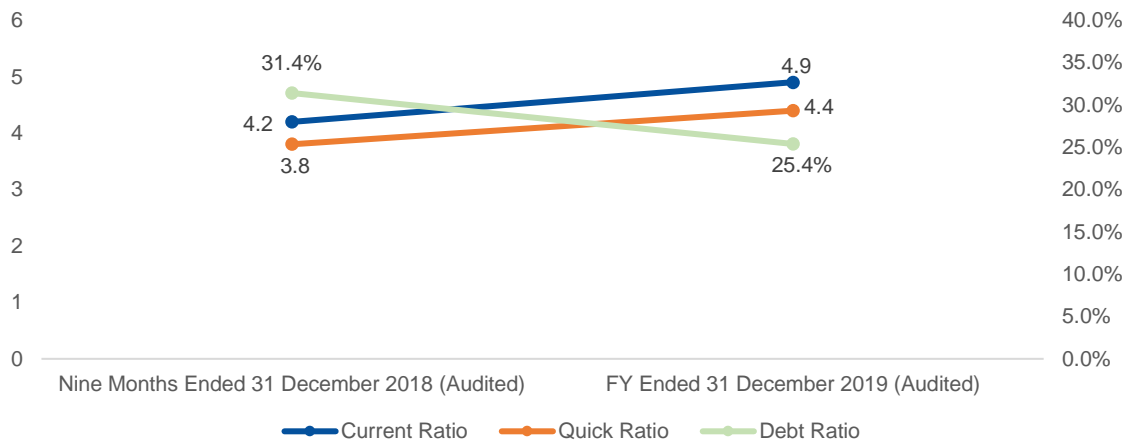
Operational Efficiency



Commentary

- Inventory turnover days slightly increased by 21 days as the Group stored raw materials to respond to the fluctuation in their prices
- Accounts receivable and accounts payable days remained stable, indicating the Group's solid funds management capability

Financial Condition



Commentary

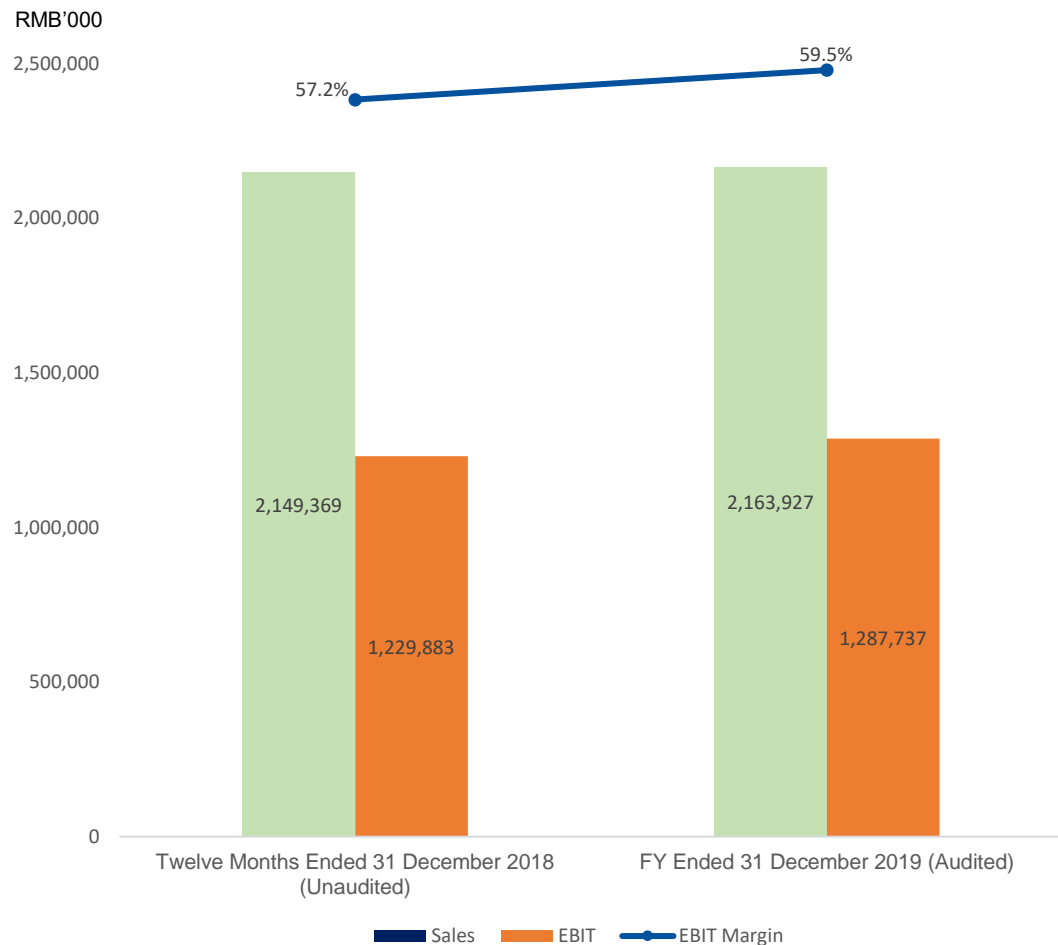
- The current ratio and quick ratio's increase demonstrated the Group's adequate working capital and solid short-term debt solvency
- The decrease in debt ratio was mainly due to the Group's repayment of the loan related to the acquisition of the condiment business. The capital structure and debt ratio of the Group are reasonable



2 Business Review

Flavours and Fragrance

Profitability



Commentary

60.0%

Sales +0.7%

50.0%

EBIT +4.7%

40.0%

EBIT Margin +2.3 p.p.

30.0%

- Sales remained stable and was in line with the development of the Chinese cigarettes market and the Group's expectation
- The slight increase in sales and operating profit was due to improved management efficiency and increased government grants
- The Group delayed the investment projects of food flavours and food ingredients to control project risk

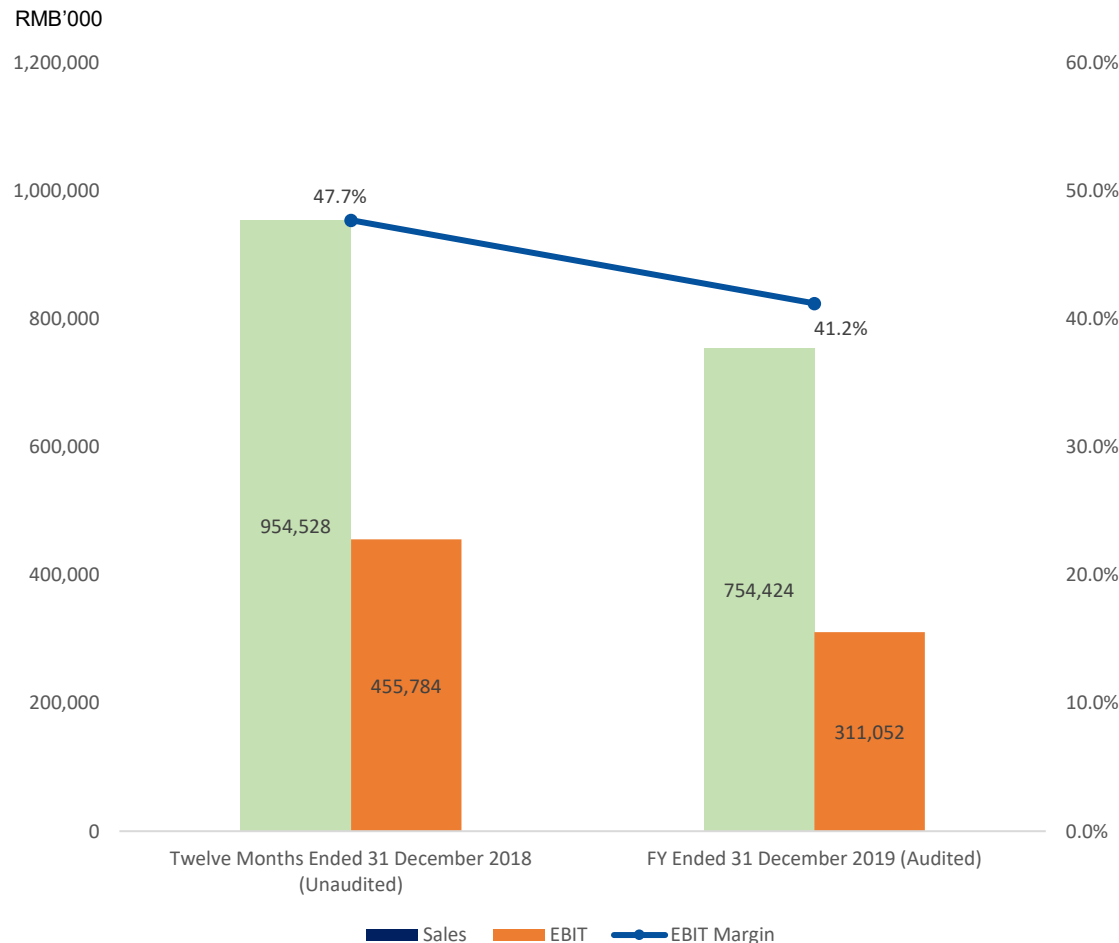
20.0%

10.0%

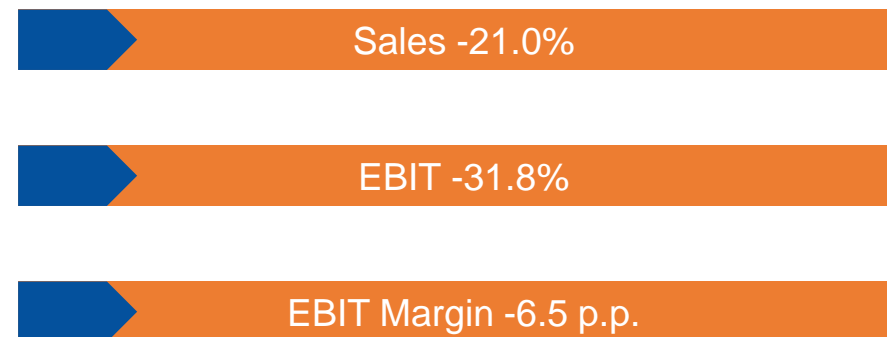
0.0%

Tobacco Raw Materials

Profitability



Commentary



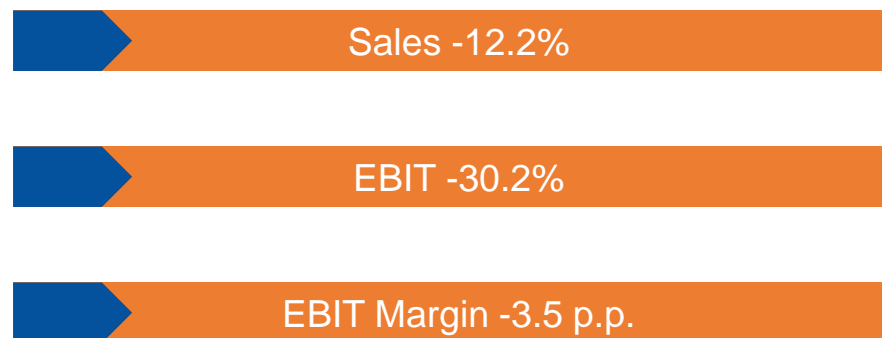
- The decrease in sales and operating profit was due to the decrease in the sales volume of reconstituted tobacco leaves and the selling price of flavour capsule
- The sales of the reconstituted tobacco leaves in the overseas markets increased, which expanded the income source of the tobacco raw materials division
- Competition in the reconstituted tobacco leaves and flavour capsule is fierce and the Group has been conducting R&D in innovative tobacco related materials to seek new growth point for the division

Aroma Raw Materials

Profitability



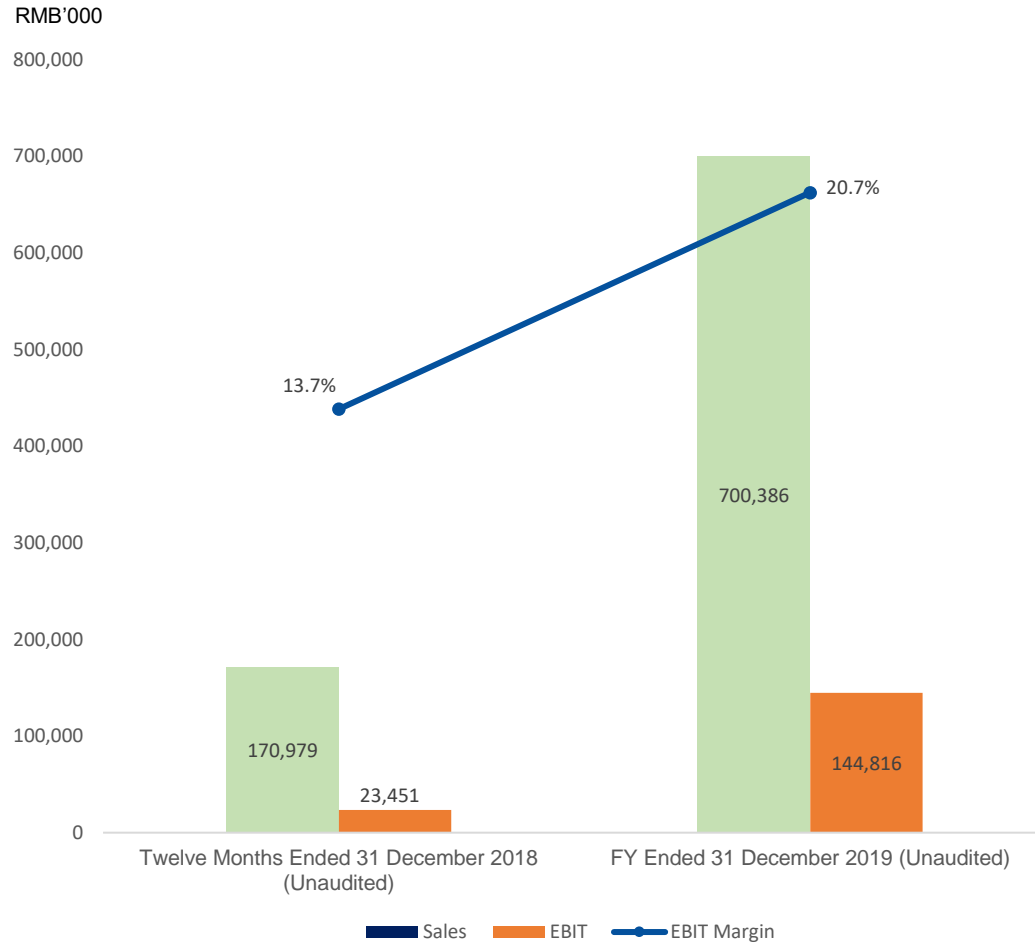
Commentary



- Decrease in sales was due to the fierce competition in the maltol industry and the maintenance work on the factories of Yancheng Chunzhu
- Phase I Project of Jiangxi Xianghai was put into production, land development and equipment installation of Phase II Project were near completion, and the land development work in Phase III Project were near completion

Condiments

Profitability



Commentary

EBIT Margin +7.0 p.p.

1 Enriched Product Mix

2 Expanded Distribution Channels

3 Optimized Marketing Strategies



Jiahao launched new products such as chilli liquid seasoning and rich flavoured chicken powder



Jiahao launched its Taobao Tmall flagship store



Raising Jiahao products' awareness, recognition, and influence among professional chefs

The background features a detailed, light green pattern of leaf veins on a slightly darker green background. A large, solid orange triangle is positioned on the left side, pointing towards the center. The text '3 Outlook' is centered within the orange triangle.

3 Outlook

Outlook

Strategy

Flavours and Fragrances

- ✓ Improve products and services quality to consolidate existing market share
- ✓ Continue to construct investment projects
- ✓ Leverage the economic downturn to find M&A targets that of high quality and reasonable price

Tobacco Raw Materials

- ✓ Further improve the sales of reconstituted tobacco leaves in overseas markets
- ✓ Improve the technology and craftsmanship of flavour capsules to stabilize market share
- ✓ R&D in innovative tobacco related materials

Aroma Raw Materials

- ✓ To advance the construction of the Phase II and Phase III project of Jiangxi Xianghai
- ✓ Improve safety and environmental protection training to achieve sustainable development

Condiments

- ✓ Promote new products such as chilli liquid seasoning, fragrant chicken bouillon, rich flavoured chicken bouillon, etc.
- ✓ Interact with professional chefs to strengthen Jiahao's brand image "Chinese tastes expert" among them
- ✓ Strengthen distribution channel penetration to improve market share



The background features a detailed, light green pattern of leaf veins, resembling a microscopic view of a leaf's structure. A large, solid orange triangle is positioned on the left side, pointing towards the center. The text '4 Summary' is overlaid on the orange triangle.

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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