



# **2020 Annual Results Presentation**

**19 March 2021**



# Disclaimer

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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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**1**

**Financial Review**

**2**

**Business Review**

**3**

**Outlook**



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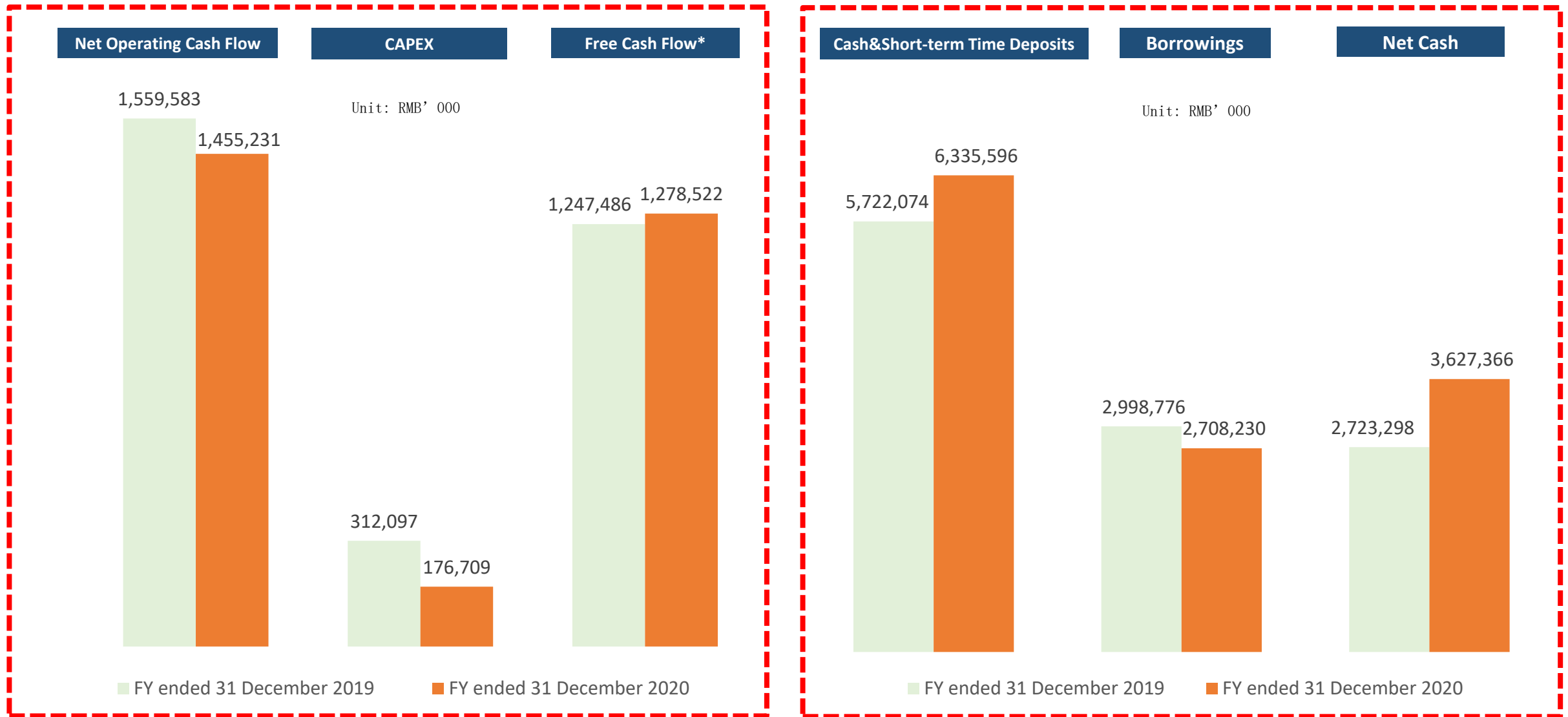
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# **Financial Review**

# Results Highlights

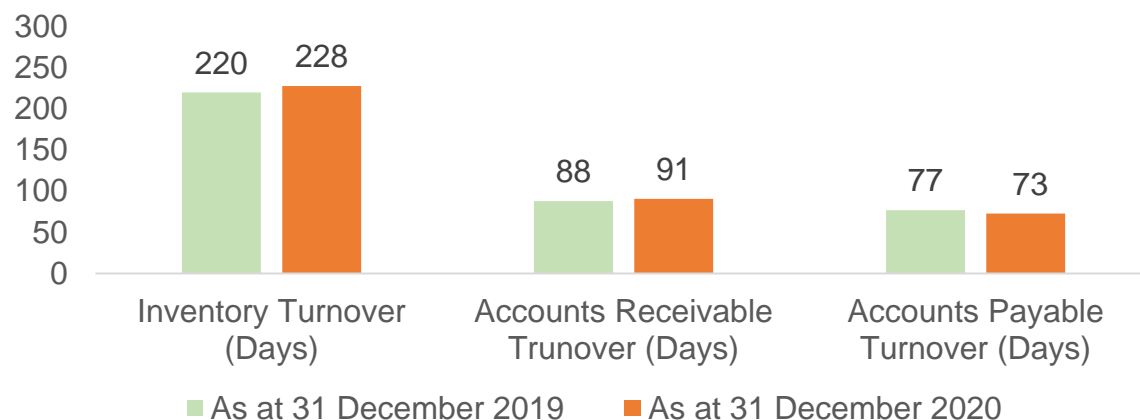
RMB ('000)	FY ended 31 December 2020	FY Ended 31 December 2019	Change
Revenue	3,854,058	4,241,040	-9.1%
Gross Profit	2,442,407	2,745,410	-11.0%
Gross Profit Margin	63.4%	64.7%	-1.3 p.p.
Selling and Marketing Expense	317,001	358,305	-11.5%
(% to revenue)	8.2%	8.4%	-0.2 p.p.
Administrative Expenses	820,221	867,398	-5.4%
(% to revenue)	21.3%	20.5%	+0.8 p.p.
Impairment of goodwill	495,498	N.A.	N.A.
EBITDA	1,175,887	1,991,770	-41.0%
EBITDA Margin	30.5%	47.0%	-16.5 p.p.
EBITDA*	1,671,385	1,991,770	-16.1%
EBITDA Margin*	43.4%	47.0%	-3.6 p.p.
EBIT	902,792	1,728,811	-47.8%
EBIT*	1,398,290	1,728,811	-19.1%
EBIT Margin	23.4%	40.8%	-17.4 p.p.
EBIT Margin*	36.3%	40.8%	-4.5 p.p.
Profit before income tax	948,821	1,745,817	-45.7%
Profit for the period	668,439	1,373,741	-51.3%
Profit for the period*	1,163,937	1,373,741	-15.3%
Profit attributable to the equity holders of the Group	418,399	1,112,004	-62.4%
Profit attributable to the equity holders of the Group*	913,897	1,112,004	-17.8%
Basic and diluted earnings per share attributable to the equity holders of the Group (RMB cents)	13.46	35.78	-62.4%
Basic and diluted earnings per share attributable to the equity holders of the Group (RMB cents)	29.41*	35.78	-17.8%
Proposed/paid final dividend per share (HKD cents)	9.0	10.0	
Total Dividend for the year (HKD cents)	15.0	18.8	
Dividend Payout Ratio for the Year	43.8%*	47.3%	

# Cash Flow Analysis



# Operational Efficiency and Financial Condition Analysis

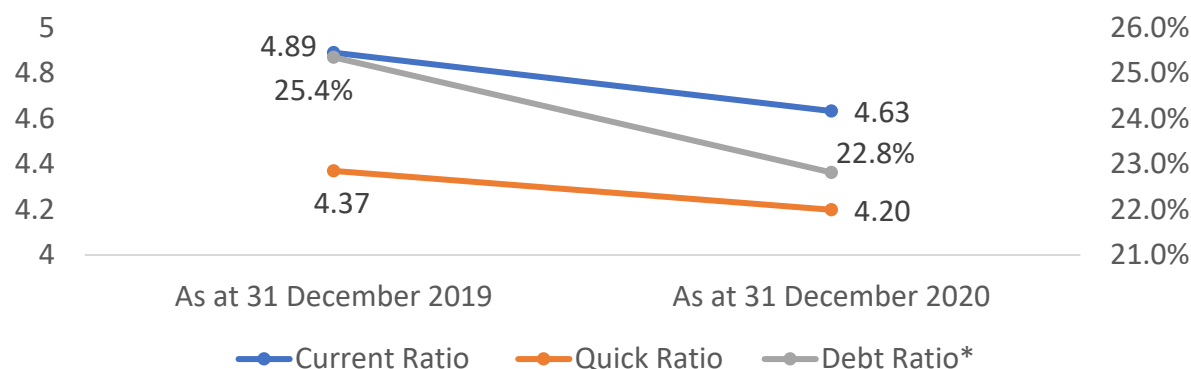
## Operational Efficiency



## Commentary

- Inventory Turnover increased by 8 days and was mainly attributable to the Group's adjustment in inventory strategy in response to the impact on the supply chain by the Covid-19 pandemic and the US-China trade war
- Accounts receivable and accounts payable turnover remained stable as compared to last year

## Financial Condition



## Commentary

- Current ratio and quick ration remained stable, representing the Group's affluent working capital
- Debt ratio decreased by 2.6 p.p. and was mainly due to the repayment of a portion of the loan incurred by the acquisition of the condiment business
- The Group's financial condition is good overall



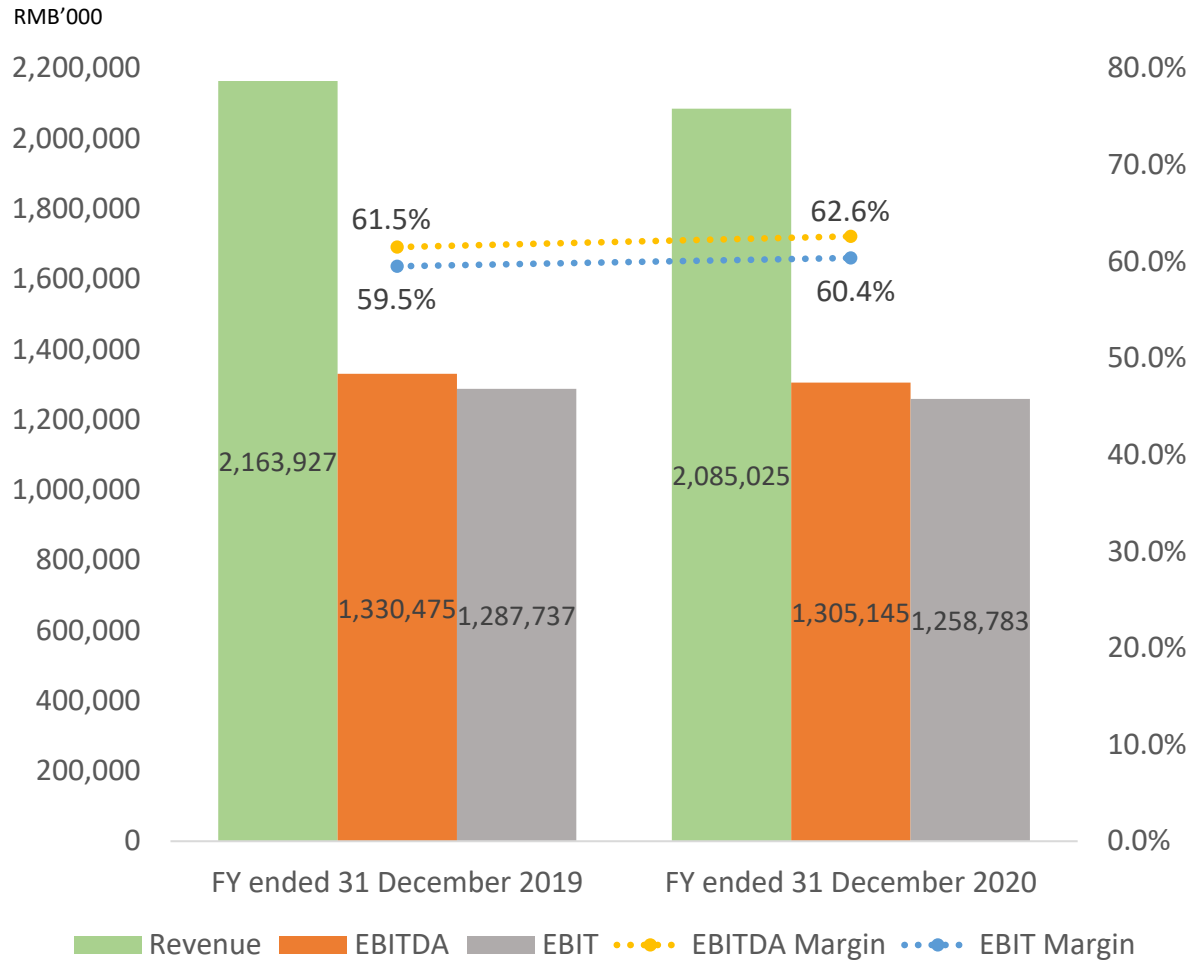
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## Business Review

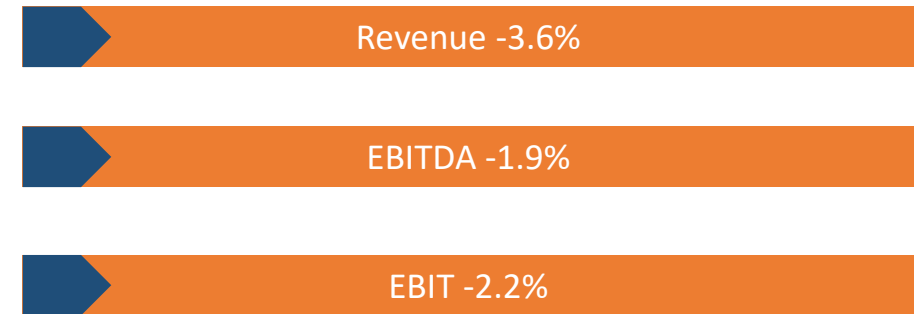


# Flavours and Fragrances

## Profitability



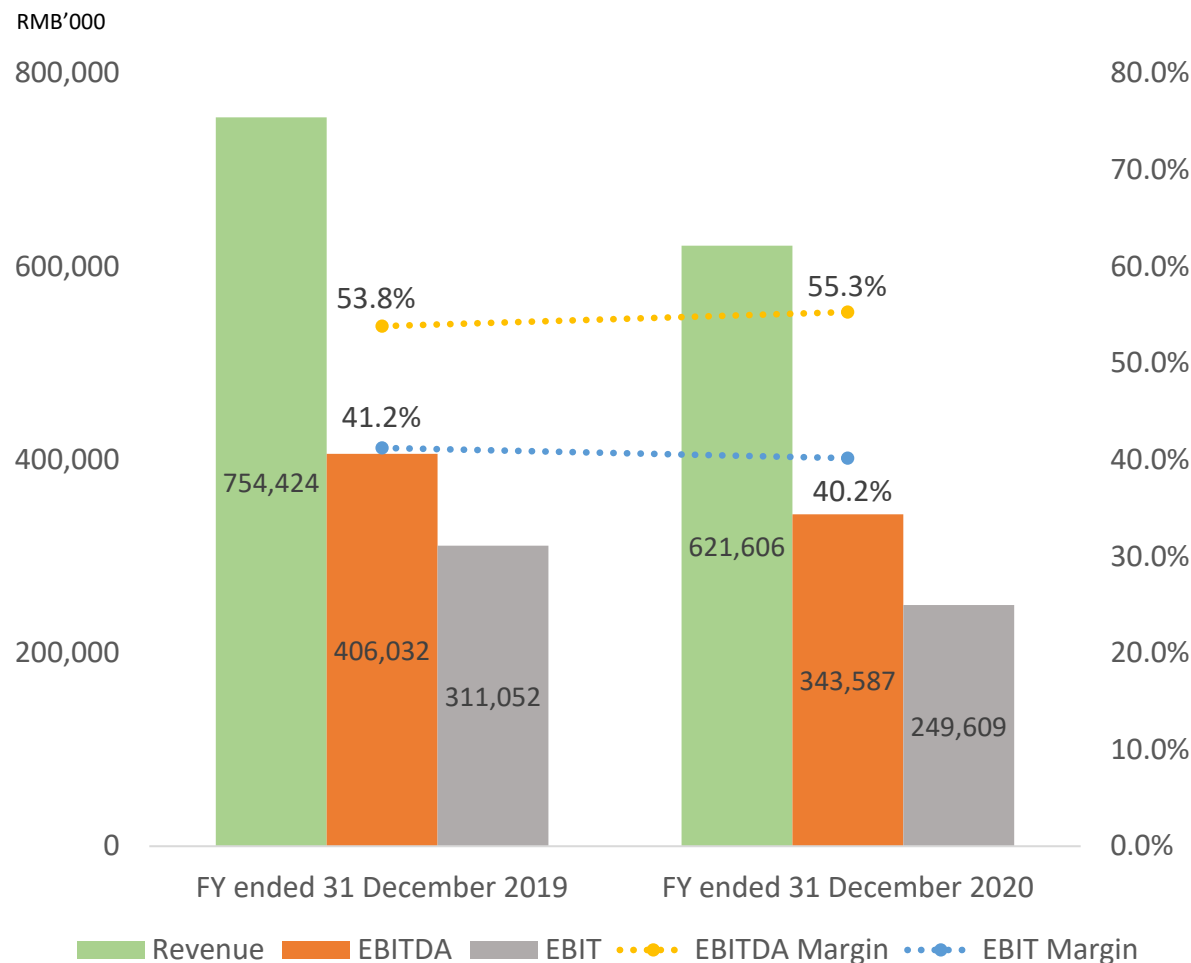
## Commentary



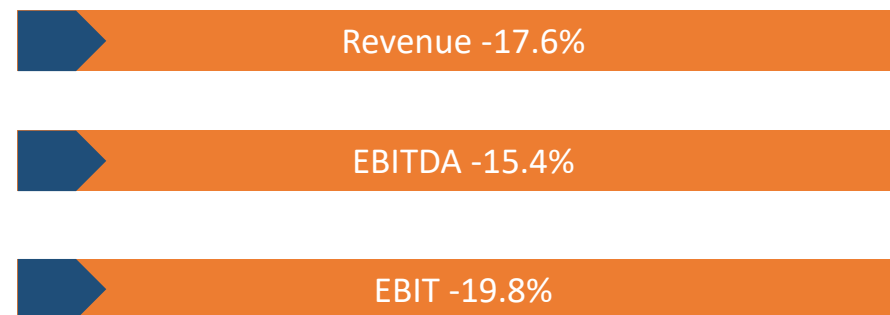
- Decrease in revenue was mainly attributable to the change in downstream clients' demand
- Increase in EBIT margin was mainly due to the reduction in travelling expenses caused by the Covid-19 pandemic

# Tobacco Raw Materials

## Profitability

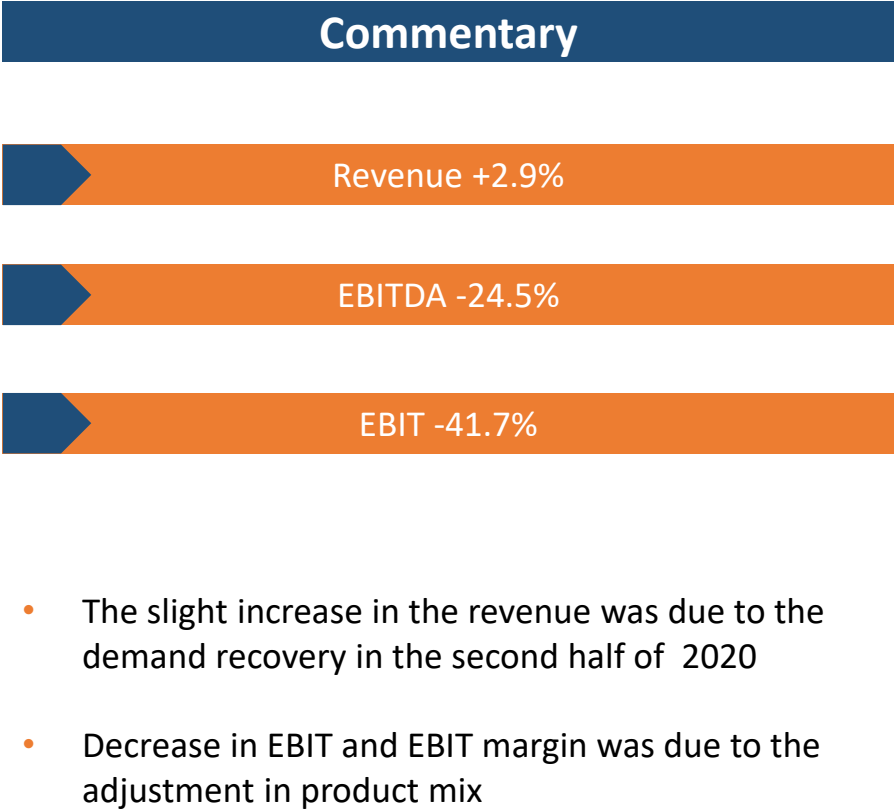
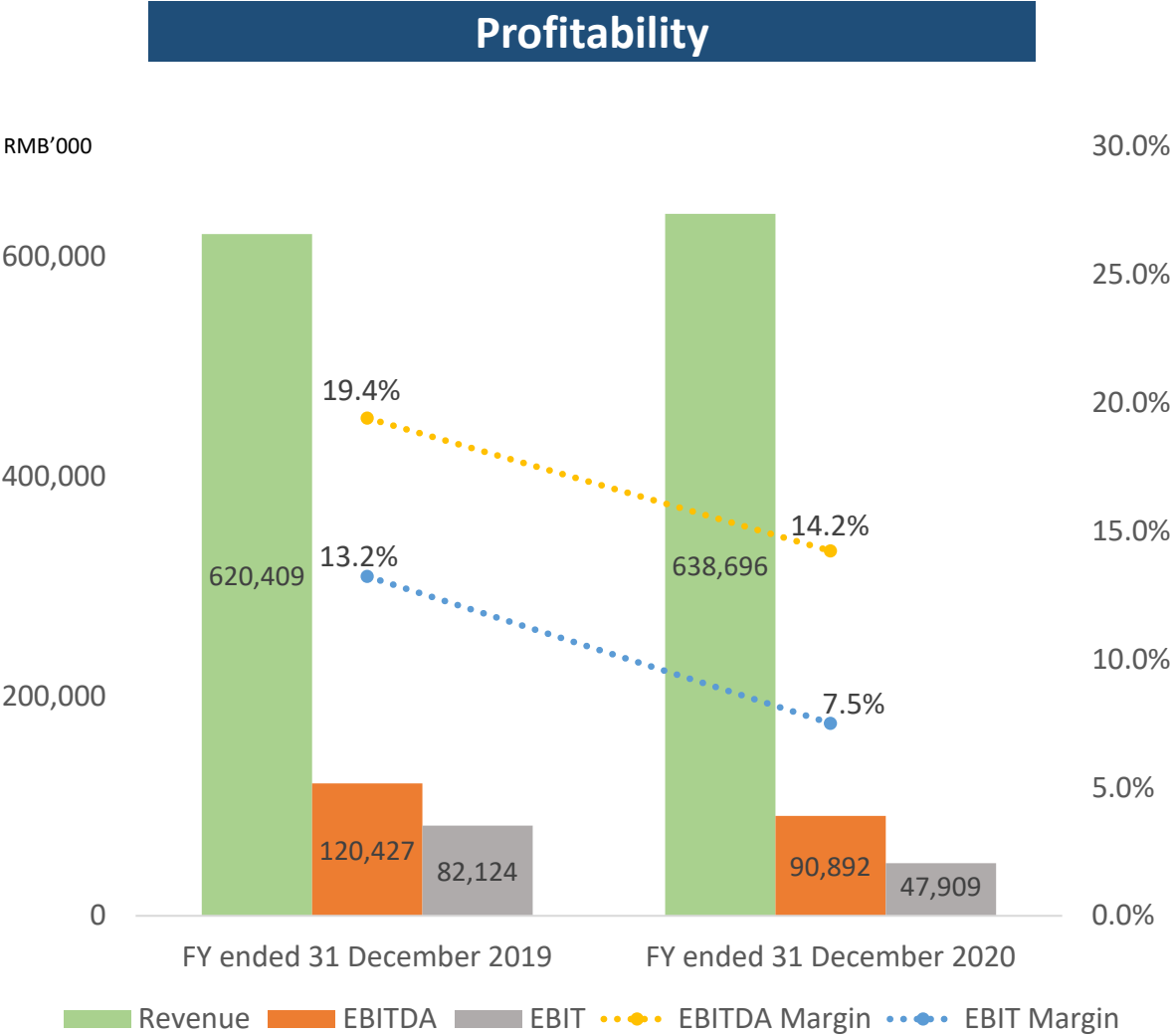


## Commentary



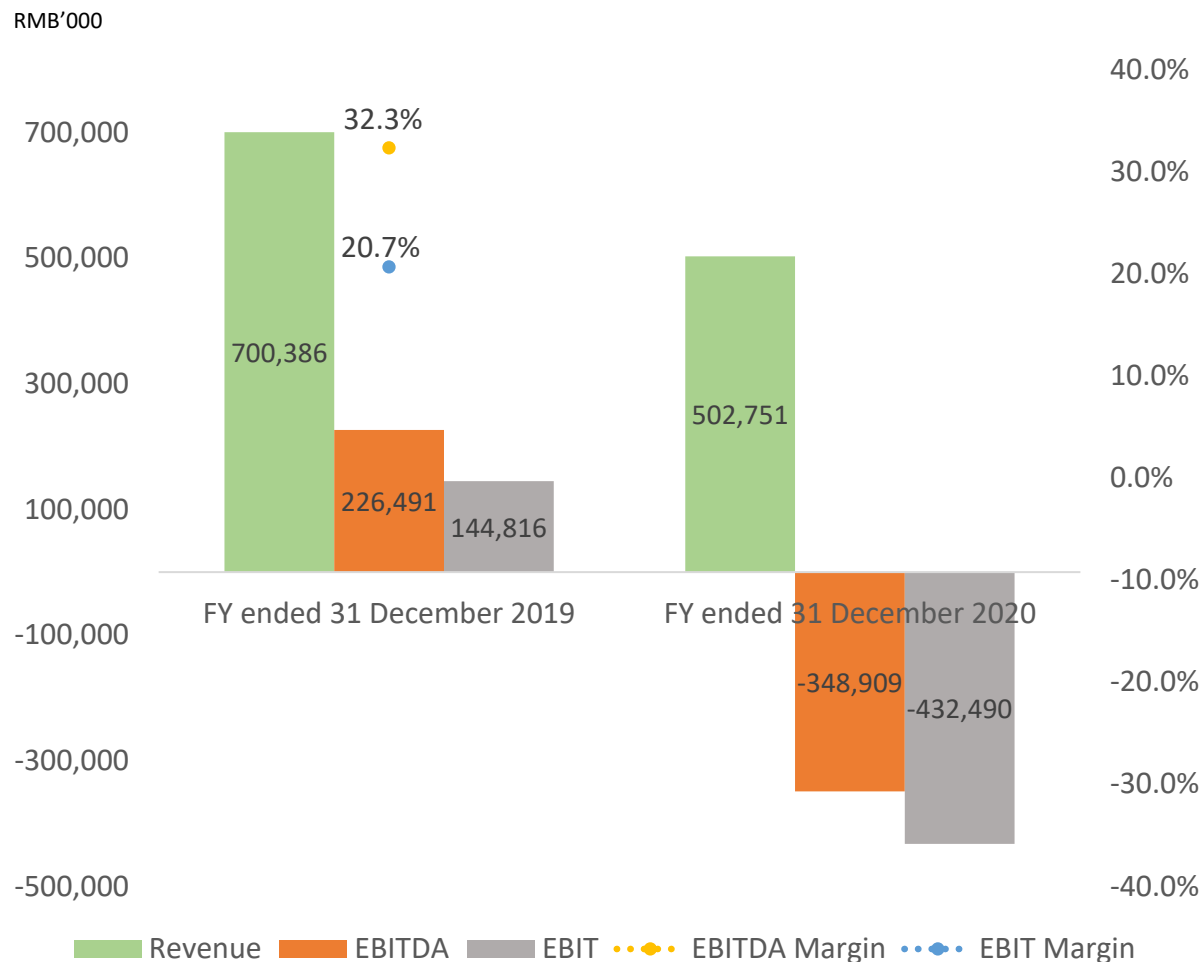
- Decrease in revenue was mainly due to the drop in the market's demand for reconstituted tobacco leaves and price drop resulted from the intensifying competition in the cigarette capsule industry
- The segment is in preparation to build the factory for manufacturing reconstituted tobacco leaves for heat-not –burn products in the Southeast region to meet the market's demand
- The segment is working to improve its capabilities in manufacturing specialized cigarette filter and heat-not-burn cigarette filter

# Aroma Raw Materials



# Condiments

## Profitability



## Commentary

- Impacted by the Covid-19 pandemic, Chinese catering industry revenue decreased by 16.6% year-on-year and led to the drop in demand for the Group's condiment products
- Based on prudent and applicable accounting principles, the Group recognized the goodwill impairment of approximately RMB495 million, which led to the segment's operating loss of approximately RMB432 million. Excluding the goodwill impairment, the operating profit of the segment was approximately RMB63.01 million
- Due to the intensive competition in the condiment industry, the Group is actively exploring the feasibility for establishing a financing platform for the segment



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## **Outlook**

# Outlook



## Flavours & Fragrances

- ✓ Stabilise the tobacco flavour market share
- ✓ Develop natural and plant-based related products
- ✓ Develop products for fragrances, personal care, and detergent products
- ✓ Facilitate the construction of the investment projects



## Tobacco Raw Materials

- ✓ Establish overseas R&D centre and production site to develop business and market
- ✓ Enrich and improve products' flavours and quality to stabilise market share



## Aroma Raw Materials

- ✓ Flexibly adjust product mix to stabilise customer base
- ✓ Enhance environmental facilities to achieve safe and sustainable development



## Condiments

- ✓ Improve and optimize products based on customer needs
- ✓ Collaborate with distributors and sales partners to improve products' coverage and penetration ratio
- ✓ Leverage online and offline marketing activities to deliver the brand value to strengthen customers' loyalty



## Development Plan

Seize consumption stimulation policies set out in China's "14<sup>th</sup> Five Year Plan" to optimize operation strategies to improve the Group's future performance



### Strategy

- ❖ Concentric Diversification
- ❖ Green, Healthy, Nutritious
- ❖ Products+Services



### Culture

- ❖ Leader to a better life
- ❖ Innovative, pragmatic, loyal, and cooperative
- ❖ Client first, value creation, and shared achievements



### Digital Management

- ❖ Integrated digital system to manage procurement, production, and sales data, which makes decision making scientific and efficient
- ❖ Digitalized communication channels to improve efficiency



### Globalization

- ❖ Establish R&D centres and production sites along the regions of "Belt and Road Initiative" to increase the proportion of overseas revenue and improve the Group's brand influence
- ❖ Recruit people with diverse backgrounds to boost innovation



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