



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



**2020 Interim Results Presentation**  
**21 August 2020**

# 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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## Financial Review

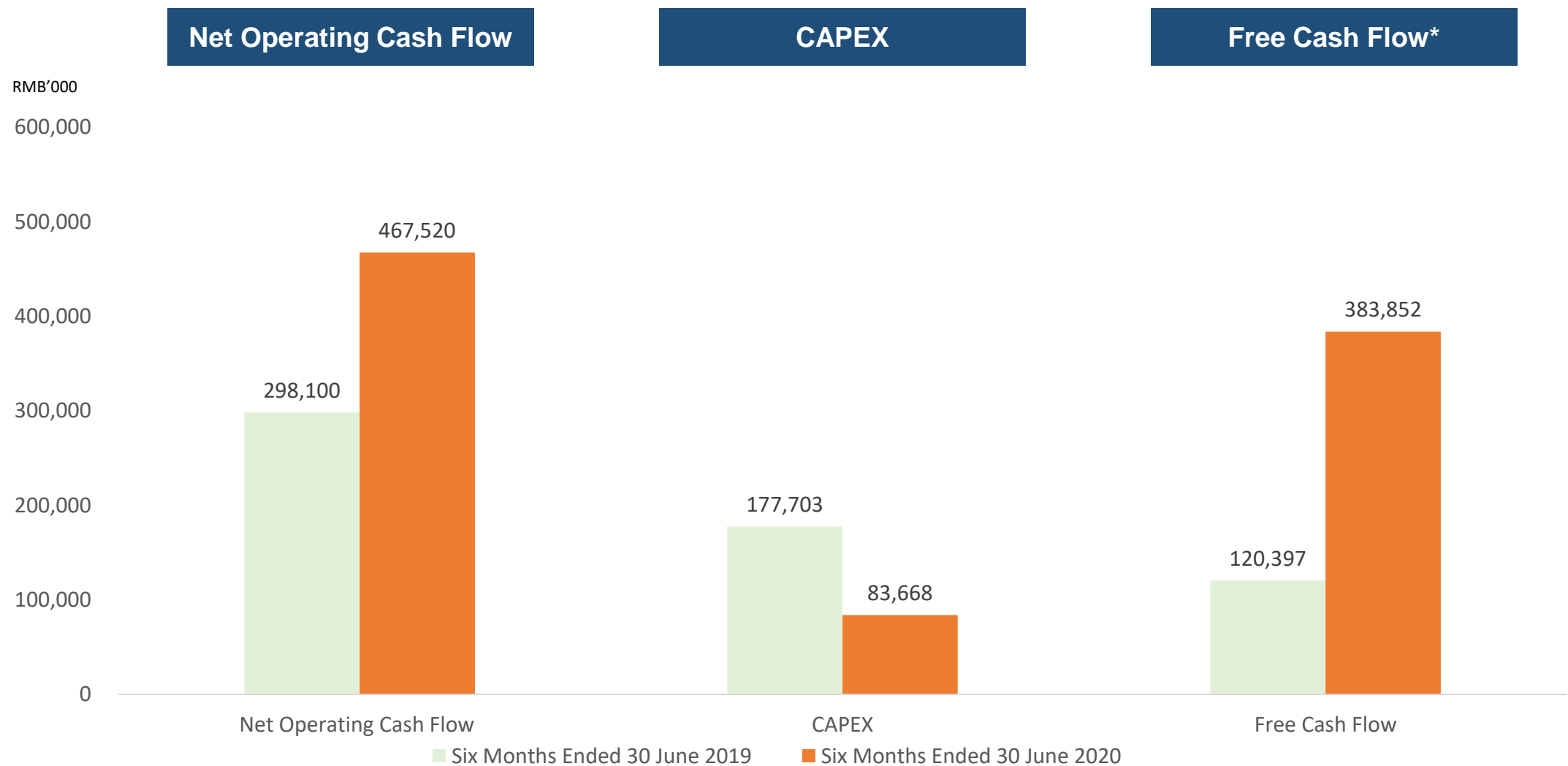




# Results Highlights

RMB('000)	Six Months Ended 30 June 2020	Six Months Ended 30 June 2020	Change
Revenue	1,715,710	2,069,317	-17.1%
Gross Profit	1,088,700	1,310,461	-16.9%
Gross Profit Margin	63.5%	63.3%	+0.2 p.p.
Selling and Marketing Expense	161,248	187,160	-13.8%
(% to sales)	9.4%	9.0%	+0.4 p.p.
Administrative Expenses	390,920	416,160	-6.1%
(% to sales)	22.8%	20.1%	+2.7 p.p.
EBITDA	321,364	938,880	-65.8%
EBITDA Margin	18.7%	45.4%	-26.7 p.p.
EBITDA Margin*	47.6%	45.4%	+2.2 p.p.
EBIT	185,778	806,098	-77%
EBIT Margin	10.8%	39.0%	-28.2 p.p.
EBIT Margin*	39.7%	39.0%	+0.7 p.p.
Profit before income tax	203,346	805,290	-74.7%
Profit for the period	66,192	609,173	-89.1%
Profit for the period*	561,690	609,173	-7.8%
(Loss) Profit attributable to the equity holders of the Group	(45,434)	480,289	-109.5%
Profit attributable to the equity holders of the Group*	450,064	480,289	-6.3%
Basic and diluted (losses)/ earnings per share (RMB cents)	(1.46)	15.45	-109.5%
Basic and diluted earnings per share* (RMB cents)	14.48	15.45	-6.3%
Interim Dividend per share (HKD cents)	N.A.	8.8	N.A.
Proposed Special dividend per Share* (HKD cents)	6.0	N.A.	N.A.

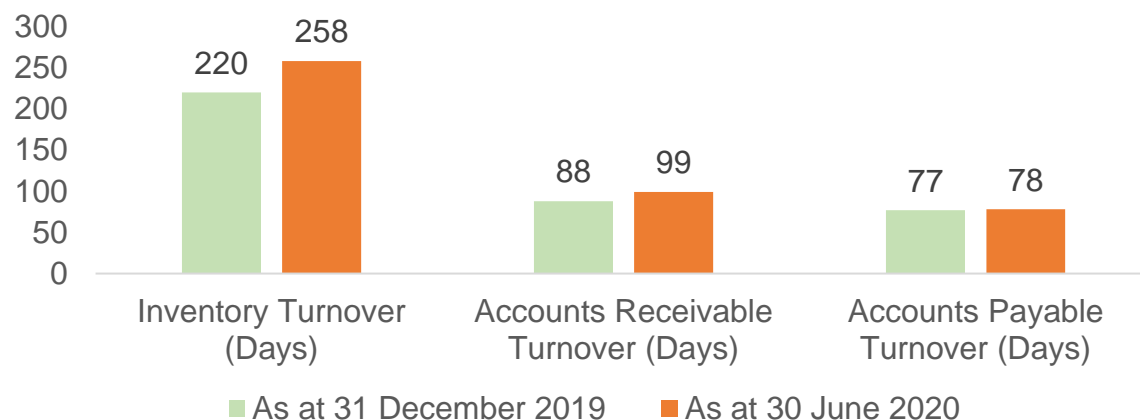
# Cash Flow Analysis



\*Free Cash Flow=Net Operating Cash Flow-CAPEX

# Operational Efficiency and Financial Condition Analysis

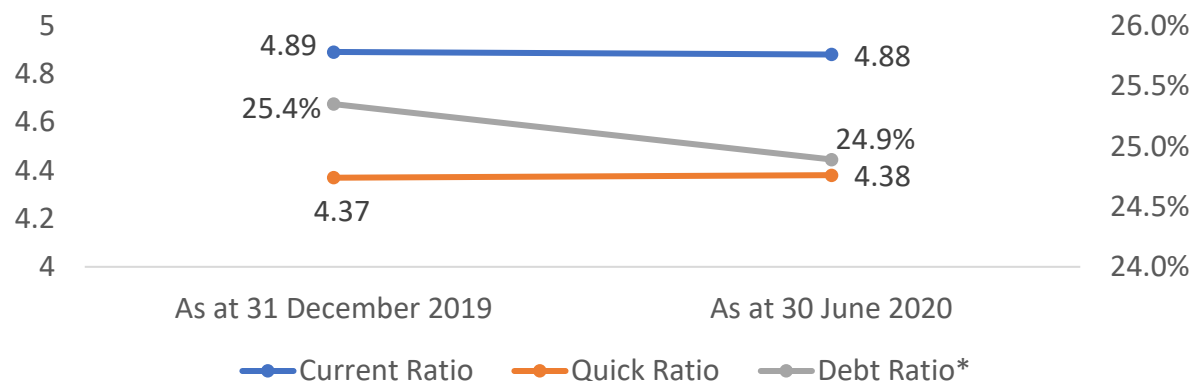
## Operational Efficiency



## Commentary

- Inventory turnover increased by 38 days and was mainly attributable to the Group's adjustment in inventory strategy in response to impact on the supply chain by the Covid-19 pandemic and the US-China trade war
- Accounts receivable and accounts payable turnover remained stable overall, representing the Group's stable funds managing capability

## Financial Condition



## Commentary

- Current ratio and quick ratio remained stable, representing the Group's affluent working capital
- Debt ratio decreased slightly by 0.5 percentage point
- The Group's financial condition is good overall



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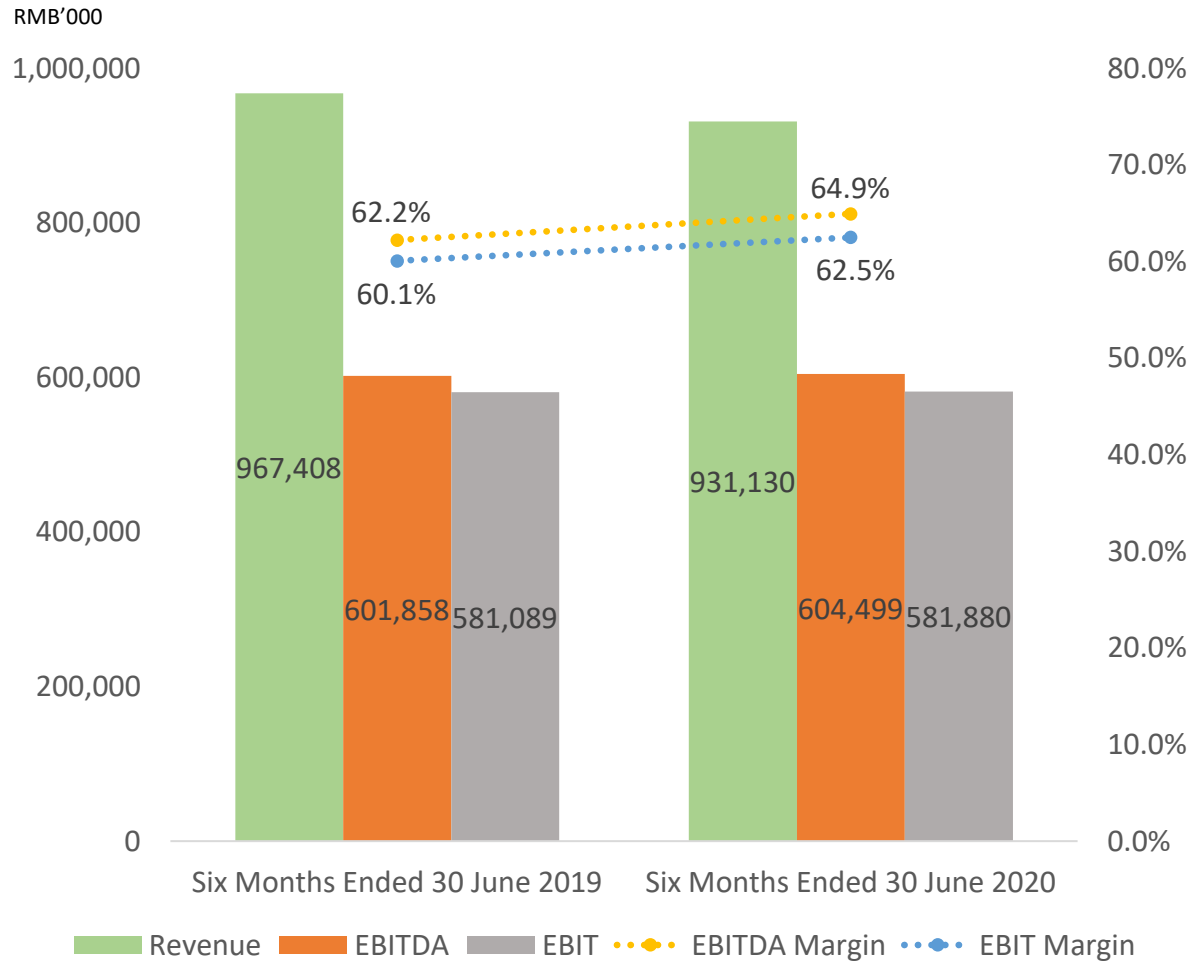
## Business Review



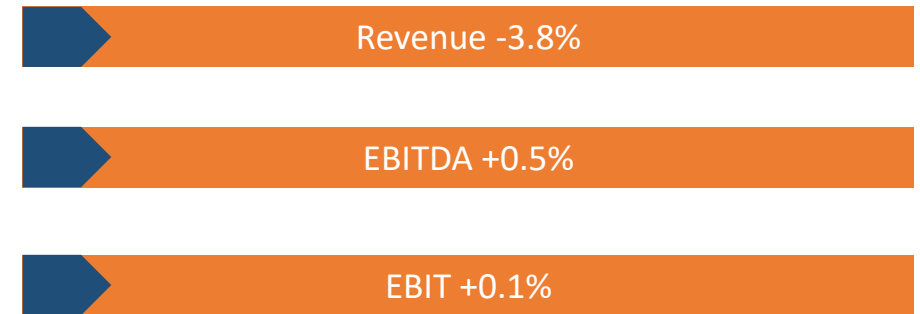


# Flavours and Fragrances

## Profitability



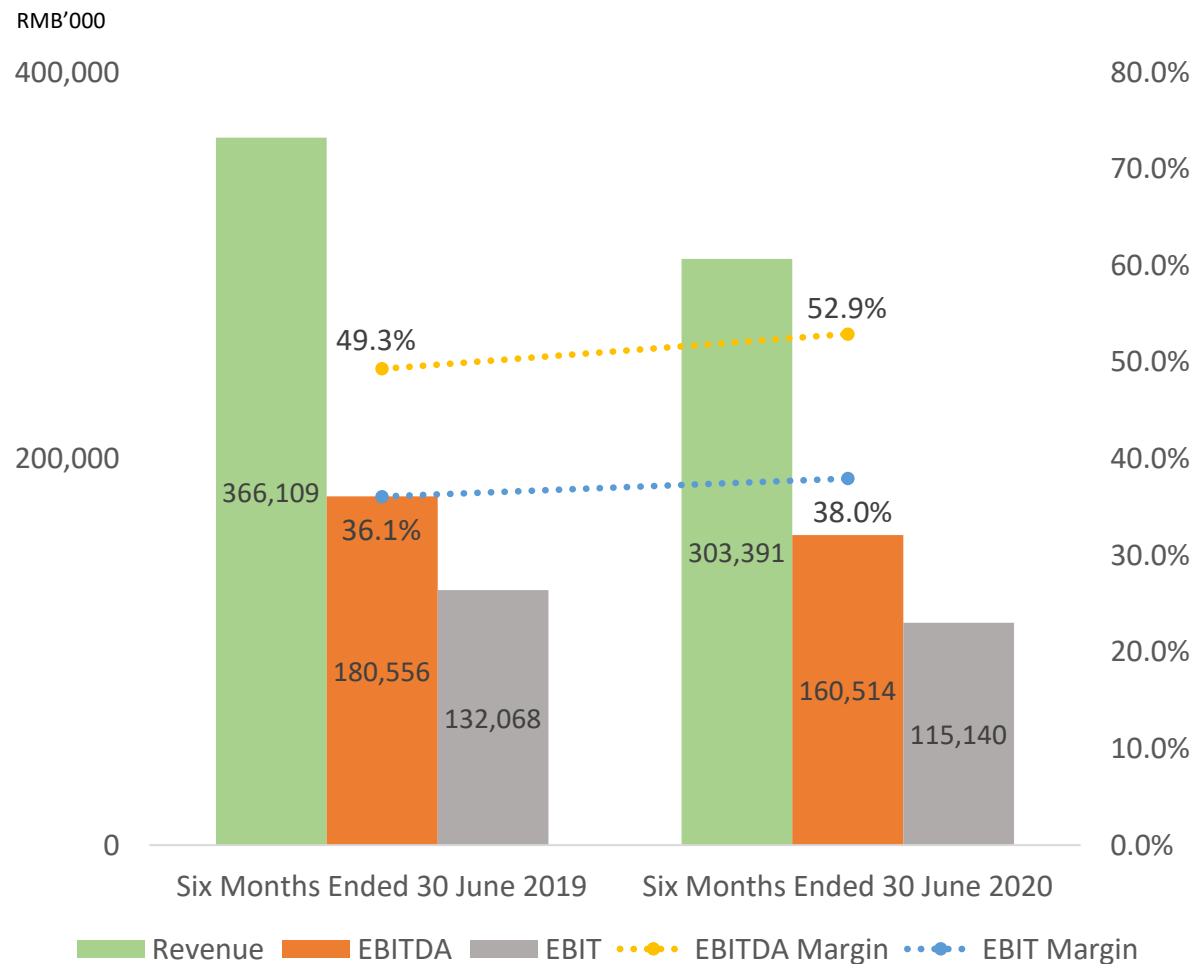
## Commentary



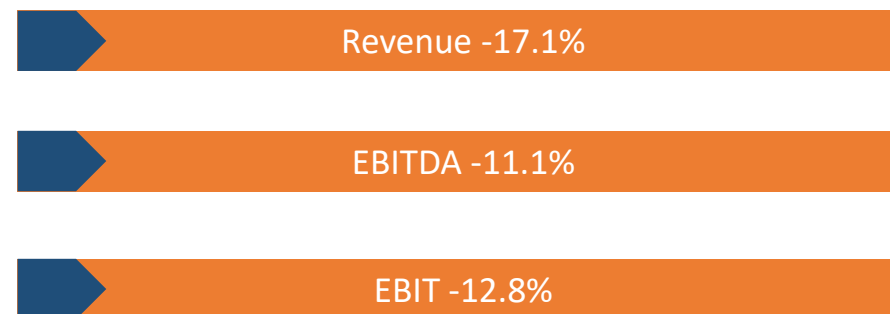
- The decrease in revenue was mainly attributable to the drop in downstream clients' demand
- The slight increase in EBIT margin was due to the decrease in expenses
- The overall performance was stable and met the Group's expectation

# Tobacco Raw Materials

## Profitability



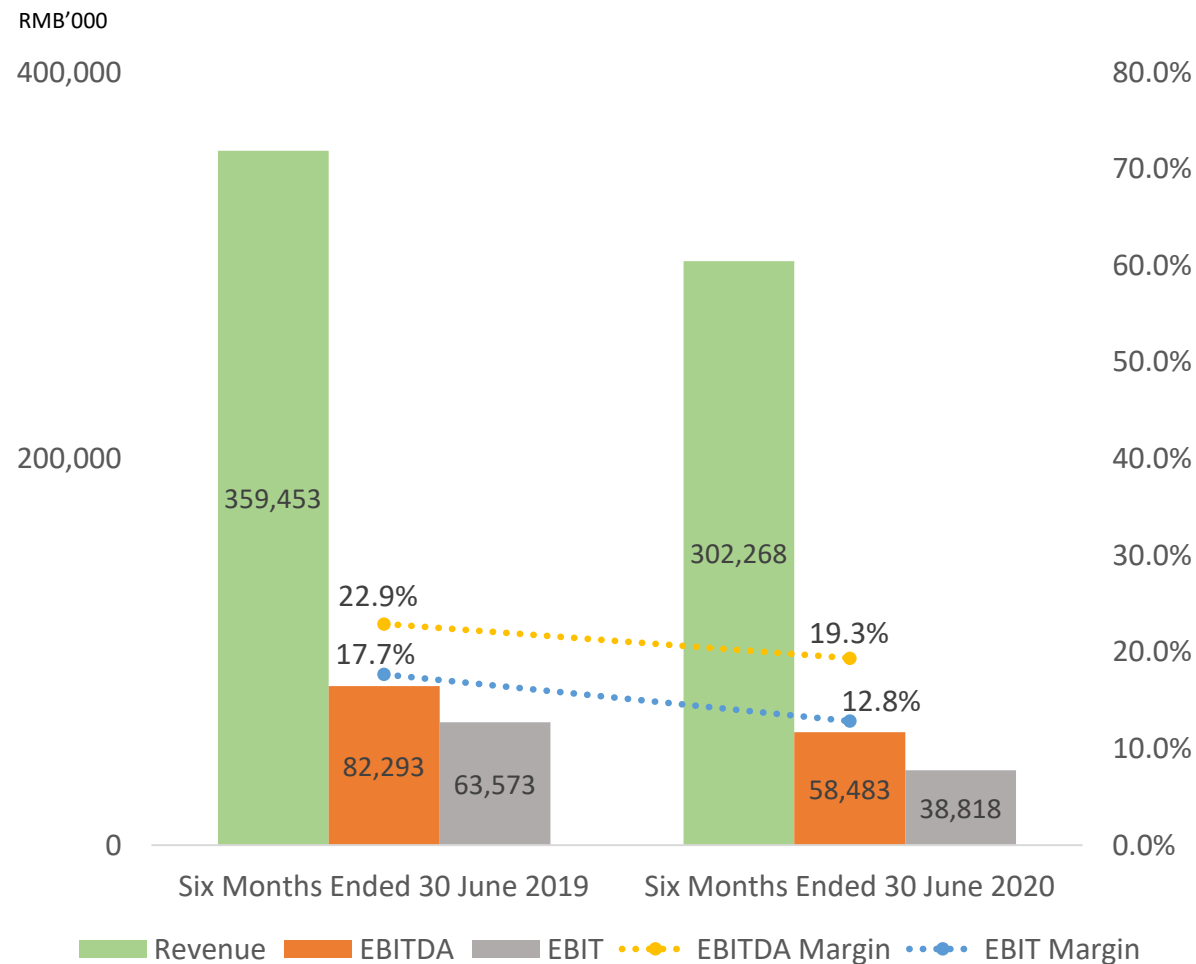
## Commentary



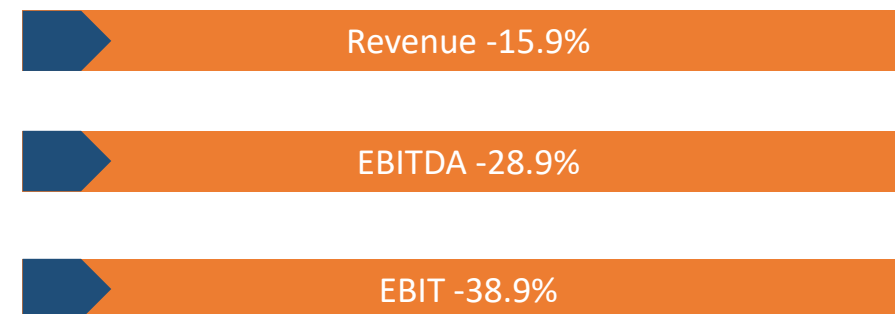
- The decrease in revenue was mainly attributable to the weak market demand for reconstituted tobacco leaves, and the fierce competition in the cigarette capsules industry that resulted in the drop in sales volume and price of cigarette capsules
- The Group successfully developed overseas markets for reconstituted tobacco leaves and cigarette capsules
- The Group invested more resources in the R&D, application, and market analysis of the innovative tobacco related products
- Leveraged the Group's competitive edge in capsule manufacturing and taste modulation to market the products to food manufacturers, aiming to develop more business

# Aroma Raw Materials

## Profitability



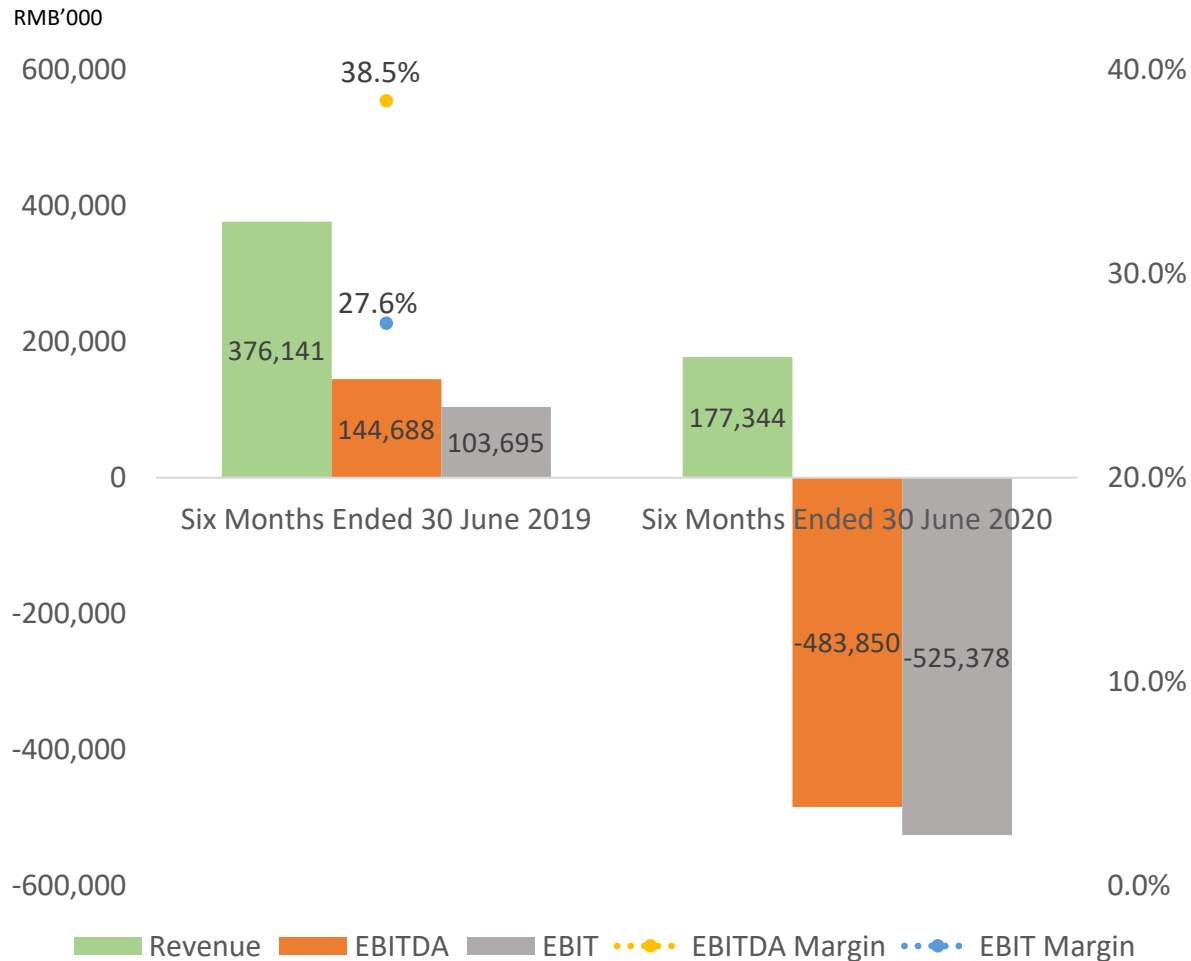
## Commentary



- Affected by the COVID-19 pandemic, both domestic and overseas demand for aroma raw materials declined; the US-China trade war put pressure on the price of the aroma raw materials products as well
- The Group has been monitoring the market demand and industry development condition to adjust its production and operation arrangement

# Condiments

## Profitability



## Commentary

- Affected by the COVID-19 pandemic, the revenue in Chinese catering industry dropped significantly by 32.8% year-on-year in the first half of 2020, which resulted in the drop in customers' demand for condiments
- Based on the applicable accounting principles on a prudent basis, the Group recognised an impairment of the goodwill of the cash generating unit of Jiahao of approximately RMB495 million. Excluding the impact of the impairment of the goodwill, the operating loss of the segment was approximately 29.88 million
- The Group provided its customers with quality products and services by enriching product mix, optimising sales channels and marketing strategies



The Group analysed the popular tastes in the market and launched new products with different flavours. From left to right: Sour and Chilli sauce, spicy and umami sauce, rattan pepper sauce.



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## Outlook





# Outlook

Closely monitor the impact of the COVID-19 pandemic on the Group's business and operation and flexibly adjust operation strategies to handle the challenges

Facilitate the establishment of the digital management system and strengthen the establishment of the open-ended R&D platform

Proactively seek M&A opportunities that could create synergies in the upstream and downstream of the industry chain

## Flavours and Fragrances

- ✓ Carry out in-depth R&D in natural and functional food flavours and related products
- ✓ Strengthen the studies on the application of food flavours and food ingredients in plant protein-based meat and meat products, and develop related products
- ✓ Conduct specific R&D on flavours used in HNB tobacco products

## Aroma Raw Materials

- ✓ Increase investment in environmental protection to ensure safe and sustainable development

## Tobacco Raw Materials

- ✓ Strengthen the market analysis and R&D investment in raw materials of HNB tobacco related products

## Condiments

- ✓ Promote Jiahao's brand image of "Chinese tastes experts" by marketing activities
- ✓ Further strengthen customers' brand loyalty by providing them with gourmet solutions and market insights
- ✓ Deepen the partnership with distributors to boost their sales



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## Summary

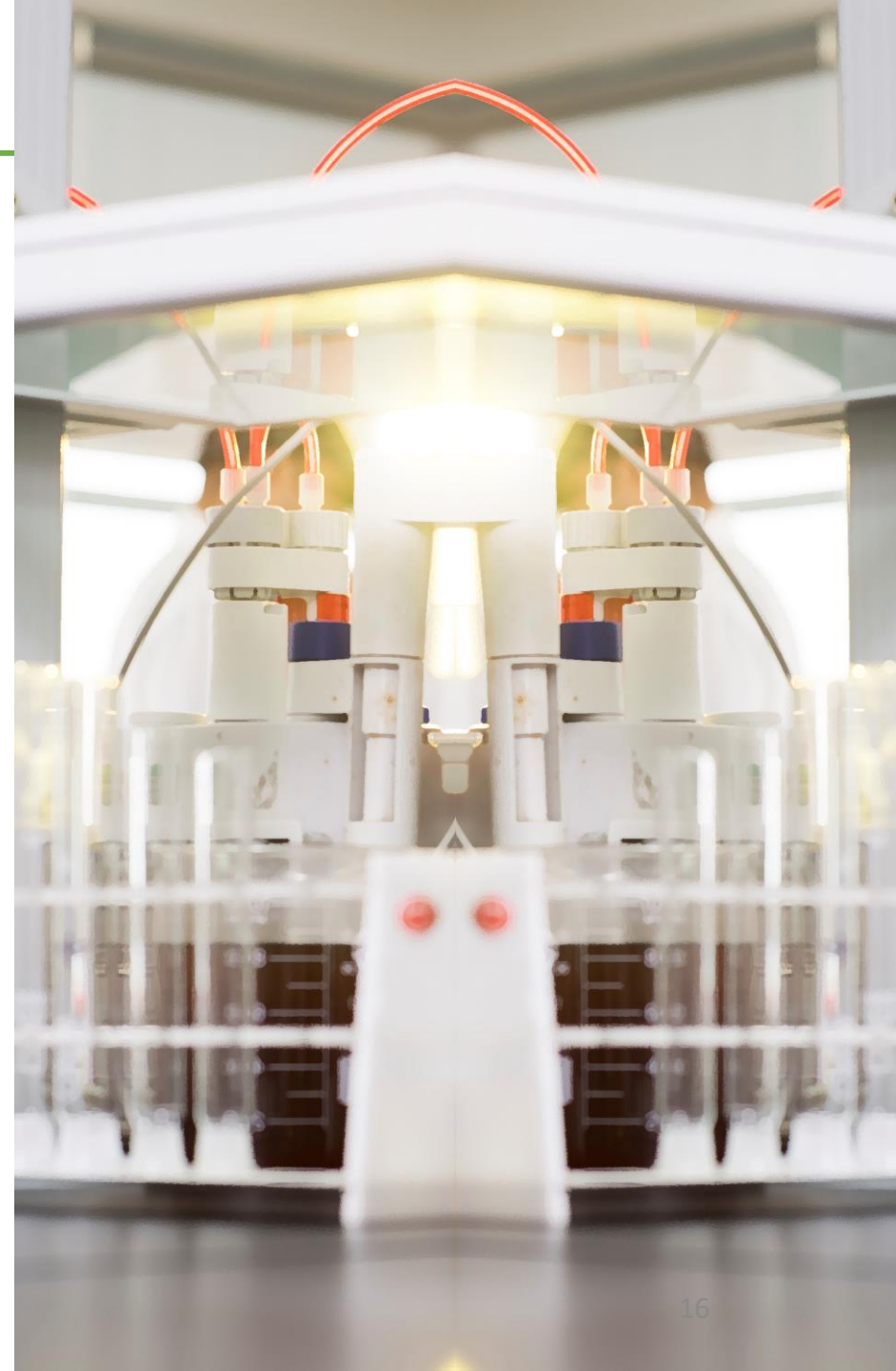


# Summary

**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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