

寰世藥中

BaWang International (Group) Holding Limited
霸王國際 (集團) 控股有限公司

2011中期業績發佈
2011 Interim Results Announcement



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2. Financial Highlights

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Major Accomplishments



Major Accomplishments

● Successfully launched three series of enhanced and new products: Anti-hair Fall, Hair Blackening & Nutri-repairing



● Three product series - “Bawang Anti-hair Fall Shampoo”, “Bawang Hair Blackening Shampoo” & “Royal Wind Anti-dandruff Shampoo” honored as “Guangdong New Hi -Tech Products” by Guangdong Provincial Department of Science and Technology



姓名	性别	出生年月	民族	籍贯	学历	职称	工作单位	职务	主要业绩
陈启源	男	1968.08	汉族	广东潮阳	本科	高级工程师	霸王集团	董事长	主持研发霸王洗发露、护发素、沐浴露、护肤品等系列产品，多次获得广东省科技进步奖、广东省优秀企业家称号。

● Mr Chen Qiyuan was recognised by the Department of Culture of Guangdong Province in a provincial intangible cultural heritage project as Representative Successor of Chinese Herbal Tea 「涼茶項目省級非物質文化遺產代表性傳承人」

Major Accomplishments

- Ms. Wan Yu Hua, CEO of the Group was accredited as the Outstanding Contributor to Social Responsibility 「人民社會責任傑出貢獻人物」 and the Initiative & Innovative Entrepreneur 「自主创新企业家的荣誉」



- Collaborated with the Guangzhou University of Chinese Medicine, established a research laboratory



- The two technologies owned by the Group - 「一种纯中药细发保健液」 & 「纯中药健发液及其制备方法」 have been granted patent certificate by the State Intellectual Property Office

Optimizing Management Efficiency

- Retained Mercer Consulting as the Group's advisor to enhance business processes, optimize the supply chain and human resource management



- Recruited several marketing elites from internationally renowned FMCG companies and restructured marketing teams to strengthen the marketing, sales and channel management and improve operational efficiency



- Recruited experienced R&D personnel from internationally renowned FMCG company, to further strengthen our leading competitiveness and profitability in Chinese herbal shampoo and hair-care market

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Financial Highlights



Financial Highlights

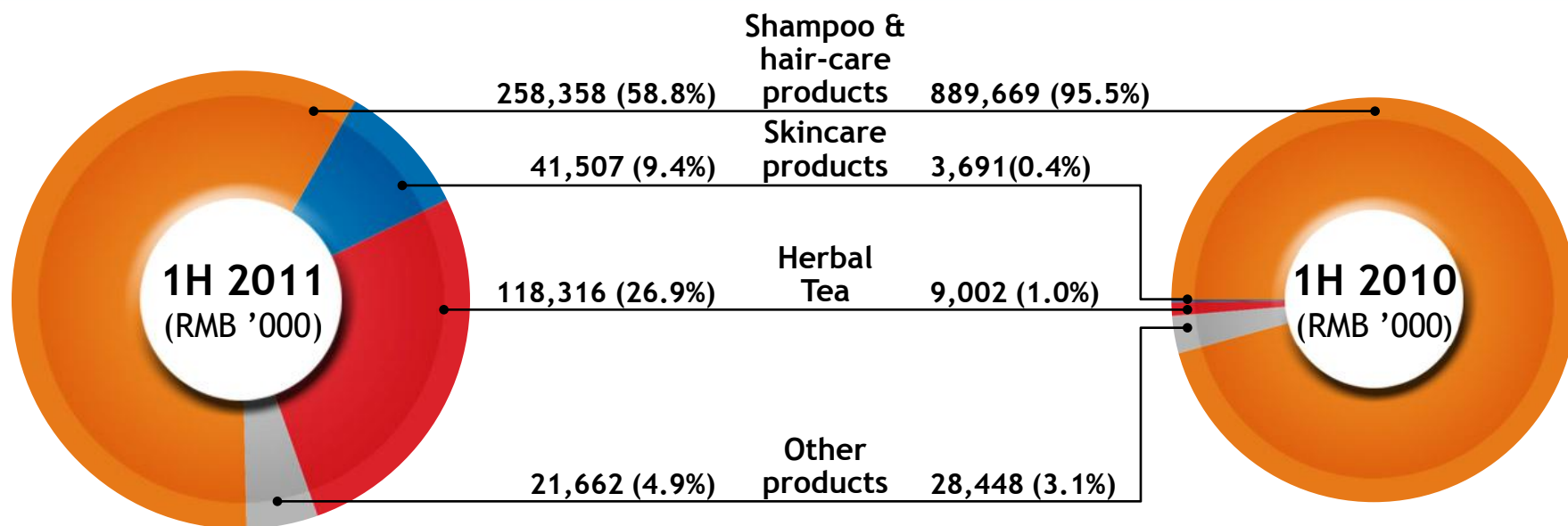
	2011	2010
(RMB '000)	<i>Six months ended 30 Jun</i>	
Revenue	439,843	930,810
Cost of Sales	(302,826)	(311,658)
Gross profit	137,017	619,152
Selling & distribution costs	(458,557)	(382,063)
Administrative expenses	(44,737)	(53,435)
(Loss)/Profit from operations	(363,643)	186,188
Income tax credit/(expense)	57,593	(36,067)
(Loss)/Profit attributable to equity shareholders	(294,856)	147,116
(Loss)/Earnings per share (RMB yuan)	(0.10)	0.05
<i>Gross margin</i>	<i>31.2%</i>	<i>66.5%</i>
<i>Net loss ratio/ Net Margin</i>	<i>-67.0%</i>	<i>15.8%</i>
<i>Effective tax rate</i>	<i>16.3%</i>	<i>19.7%</i>

Production Management As Strong As Usual

	1H2011	2H2010	1H2010
(RMB '000)			
Revenue	439,843	544,545	930,810
Cost of sales	(302,826)	(252,359)	(311,658)
Gross profit	137,017	292,186	619,152
GP ratio as reported (A)	31.2%	53.7%	66.5%
Reconciliation:			
COS as per above	(302,826)	(252,359)	(311,658)
Less: Stock provision (B)	(76,584)	(10,811)	-
Adjusted COS	(226,242)	(241,548)	(311,658)
Adjusted GP	213,601	302,997	619,152
Adjusted GP ratio (C)	48.6%	55.6%	66.5%

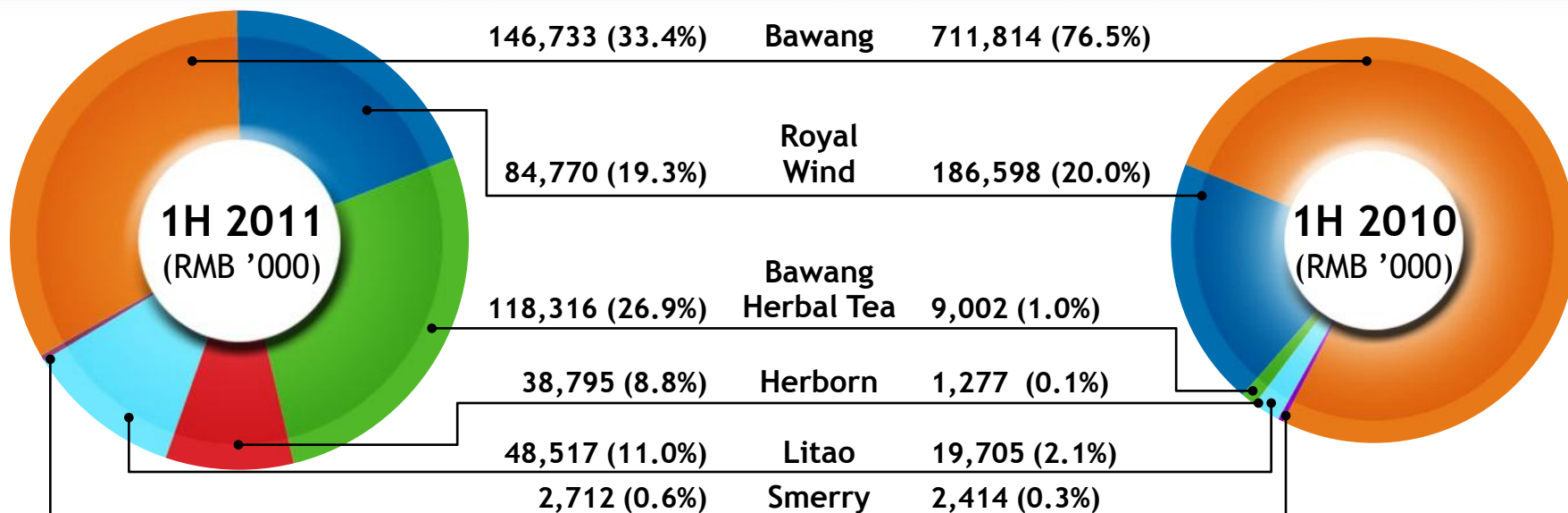
1. Provision for stock write-down in 1H2011: RMB76.6 million
2. Shift in product mix: Herbal tea account for 26.9% of sales
3. Shift in channel mix: Retailers & Distributors

Revenue by Product Category



	2011	2010	Change (%)
(RMB '000)	Six months ended 30 Jun		
○ Shampoo & hair-care products	258,358	889,669	-71.0%
● Skincare products	41,507	3,691	N/A
● Herbal tea	118,316	9,002	N/A
○ Other products	21,662	28,448	-23.9%

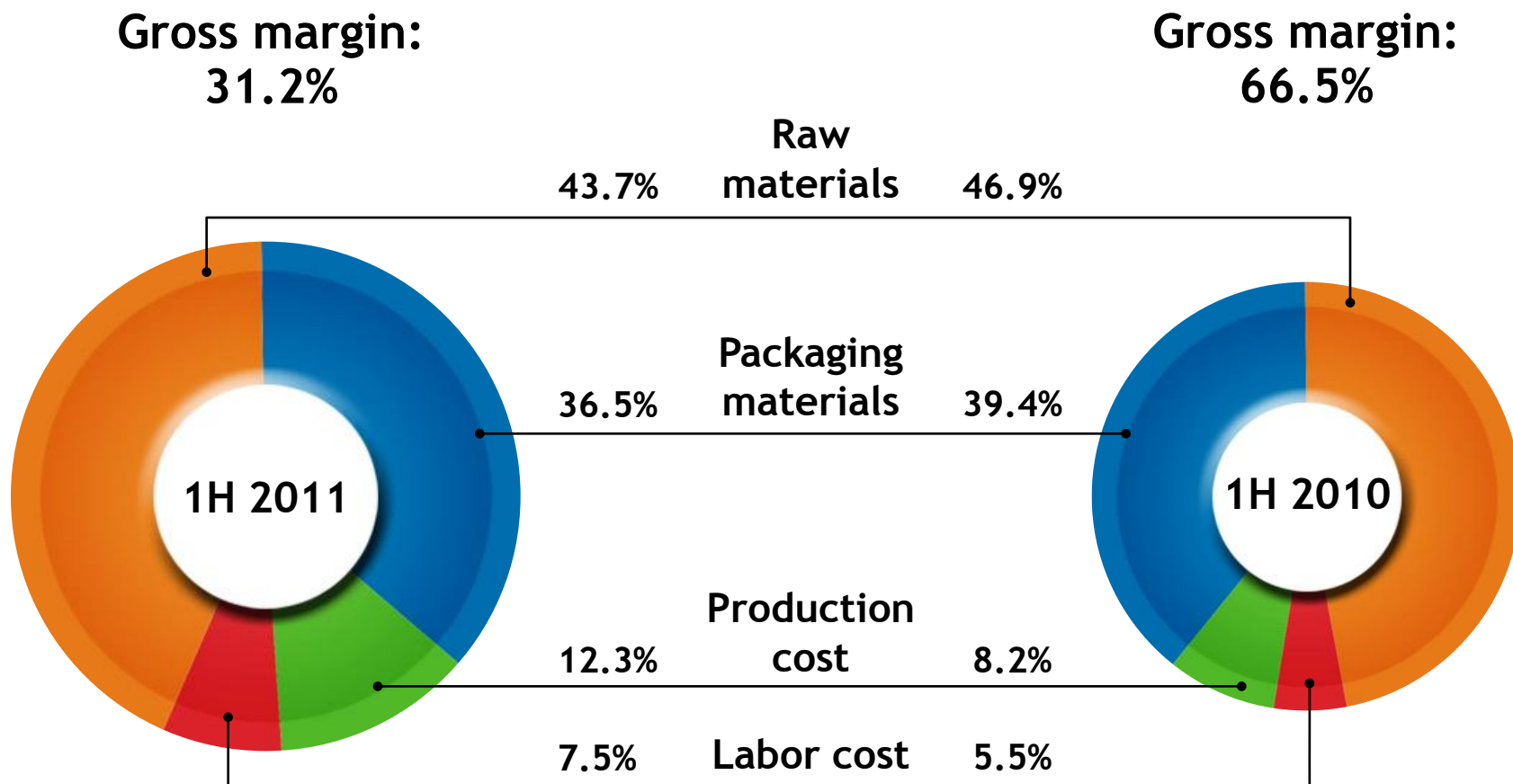
Revenue by Brand



	1H 2011	1H 2010	Change (%)
(RMB '000)	Six months ended 30 Jun		
Bawang	146,733	711,814	-79.4%
Royal Wind ⁽¹⁾	84,770	186,598	-54.6%
Bawang Herbal Tea ⁽²⁾	118,316	9,002	N/A
Herborn ⁽³⁾	38,795	1,277	N/A
Litao ⁽⁴⁾	48,517	19,705	N/A
Smerry	2,712	2,414	+12.3%

- Notes :
1. Launched in May, 2009
 2. Launched in April, 2010
 3. Launched in December, 2009
 4. Launched new products series in October 2010

Cost of Sales Breakdown



Operating Expenses Analysis

- The increase in selling & distribution costs was mainly due to the launch of new products
- The restoration of consumer's confidence in the Group's products after "dioxane incident" resulted in the increase of sales and promotion expenses

	First Half		As % of revenue		Second Half	Expenses +/-(-) RMB
	2011	2010	2011	2010	2010	1H11vs2H10
(RMB '000)						
Selling & distribution	458,557	382,063	104.3%	41.0%	559,748	(101,191)
– Advertising	152,428	166,673	34.7%	17.9%	212,144	(59,716)
– Promotion & Salary	246,569	181,098	56.1%	19.5%	297,570	(51,001)
– Others (including new products launch, travelling, meeting expenses, etc.)	59,560	34,292	13.5%	3.6%	50,034	9,526
Administrative Expenses	44,737	53,435	10.2%	5.7%	48,076	(3,339)
– Including R&D	12,083	26,174	2.7%	2.8%	13,990	(1,907)

Strong Financial Position

	1H 2011	2010	1H 2010
(RMB '000)	Six months ended 30 Jun	Year ended 31 Dec	Six months ended 30 Jun
Net trade receivable days	82 days	85 days	68 days
Trade payable days	30 days	56 days	65 days
Inventory turnover days	61 days	47 days	39 days
Cash & cash equivalents	875,021	1,186,544	1,698,218
Current assets	1,257,253	1,943,712	2,456,295
Current liabilities	213,008	441,943	532,291
Net assets	1,282,662	1,589,400	1,959,774
Current ratio	5.9times	4.4 times	4.61 times

CAPEX Plan

Estimated CAPEX for 2011 will be RMB 175 million



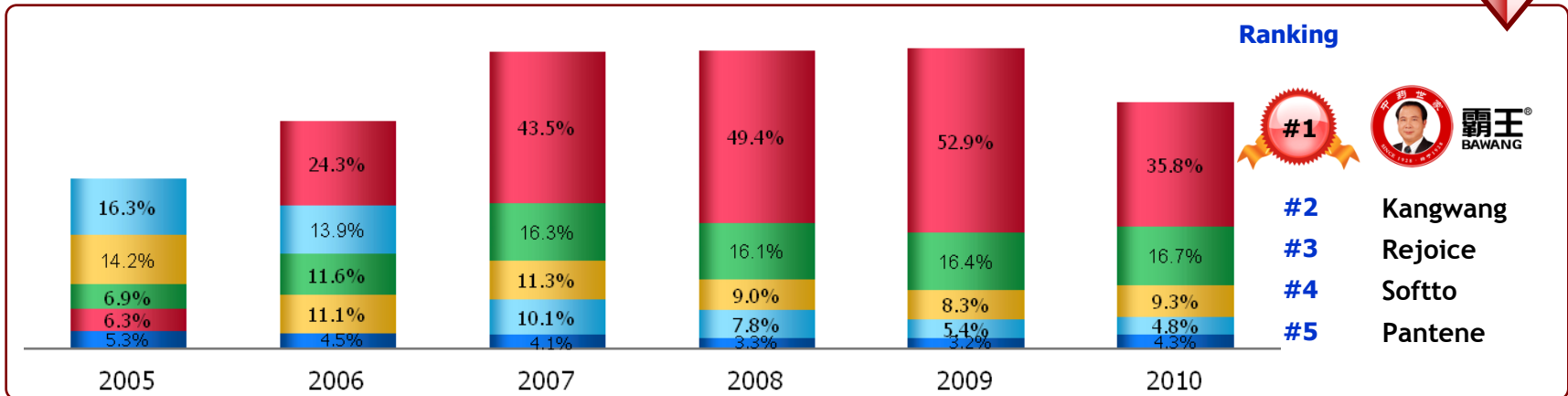
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Business Review



Market Shares

Bawang Excels in Chinese Herbal Shampoo Market with 35.8% Market Shares

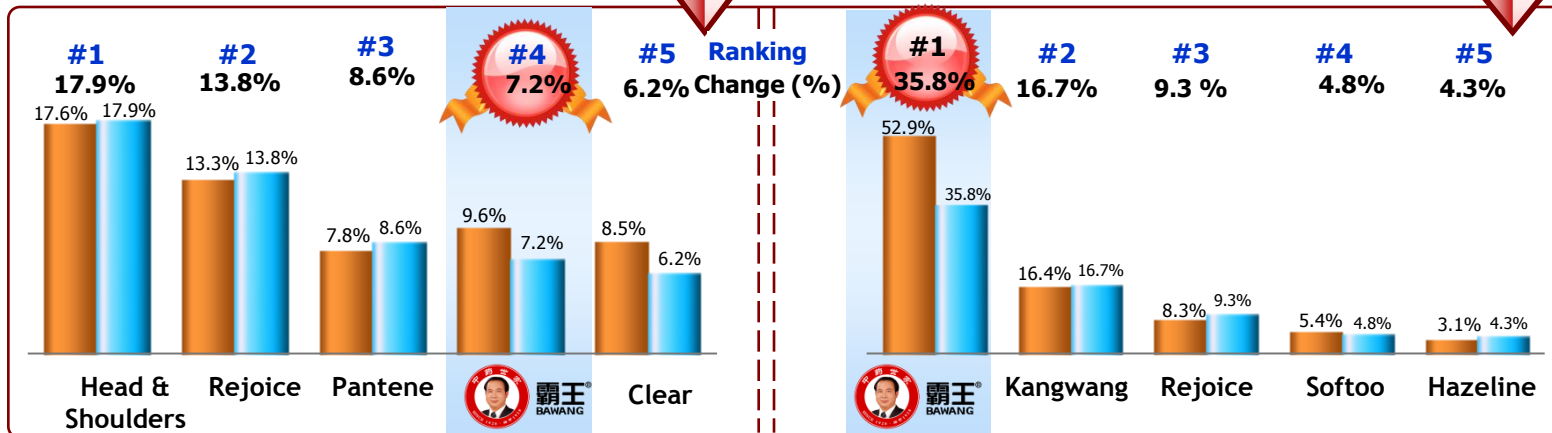


Source: Euromonitor

Noted: Top 10 ranking based on 2010 herbal shampoo brands market shares

Bawang Ranked the Fourth Shampoo Brand in China

Leading Position in Chinese Herbal Shampoo Market



Source: Euromonitor
Note: The 2010 ranking

2009 2010



Diversified Brand & Product Portfolio

Brand	Year of Launch	Key product type	Target customers
Chinese Herbal Series			
 Bawang	1998	Chinese herbal shampoo, hair-care products and other HPC products	Medium- to high- end market
 Royal Wind	May 2009	Chinese herbal anti-dandruff shampoo	
 Herborn	Dec 2009	Chinese herbal skincare products	
 Bawang Herbal Tea	Apr 2010	Chinese herbal drink	
Natural Herbal Series			
 Litao	2001	Shampoo, hair-care & other HPC products	Medium- to low- end market
 Smerry	2004	Skincare products	

Successful Launch Hair Blackening & Nutri-repairing Series

- Launched Hair Blackening and Strengthening Series & Nutri-repairing Series in June 2011
- Through the application of modern technology, the product integrates the traditional Chinese medicine and brings in the legacy hair care techniques of “Nourishing, Rejuvenating and Blackening” to consumers
- Nutri-repairing Series launched to target at female consumers segment to supplement market demand for traditional Bawang products which mainly tailored for at male consumers
- Appointed Korean superstar Ms. Kim Hui Seon as brand ambassador



Successful Launch of the Enhanced Anti-hair Fall Series

- The enhanced Anti-hair Fall Series was launched in June 2011
- Formulae of this series have been admitted into the protection list of Guangdong Lingnan Chinese Medicine Cultural Heritage Steering Committee (广东省岭南中药文化遗产保护名录)
- Mr. Jacky Chan continues to act as the brand ambassador of enhanced Anti-hair Fall Series
- As of 30 June 2011, BaWang brand has 577 distributors, 45 KA retailers and sales network covering 27 provinces and 4 municipalities in China. The products are sold in Hong Kong, Macau, Singapore, Myanmar, Thailand, Malaysia, Brunei and Australia



Royal Wind Shampoo and Hair-care Series



- Royal Wind was positioned as a young, natural and professional anti-dandruff shampoo and hair-care product, targets at medium-to-high end market
- Revenue amounted to RMB 84.8million in 1H2011
- Appointed Korean pop singer Mr. Han Geng as brand ambassador
- As of 30 June 2011, Royal Wind has 496 distributors, 43 KA retailers and sales network covering 27 provinces and 4 municipalities in China. Royal Wind has successfully logged in Hong Kong and Singapore markets



Bawang Herbal Tea



- Bawang Herbal Tea R&D Project: “Herbal Tea & Refreshing Beverage Research, Development and Industrialization” was awarded the “Foodstuff Science & Technology of Guangdong Province of 2009-2011” by Guangdong Foodstuff Union
- Revenue amounted to approximately RMB118.3 million in 1H2011
- Mr. Donnie Yen continues to be the brand ambassador
- As of 30 June 2011, Bawang Herbal Tea has 480 distributors and sales network covering 26 provinces and 4 municipalities in China



Herborn Chinese Herbal Skincare Brand

- Targets at medium-to-high end Chinese herbal skincare market
- Revenue amounted to approximately RMB38.8 million in 1H 2011
- Further expanded distribution network. The products have entered the Hong Kong market. The products are being distributed in department stores, hypermarkets, and cosmetic specialty shop in China
- As of 30 June 2011, Herborn branded products has 108 distributors, 14 KA retailers and sales network covering the country's 27 provinces and four municipalities



Deepen Market Penetration in China Further Expand into Overseas Markets



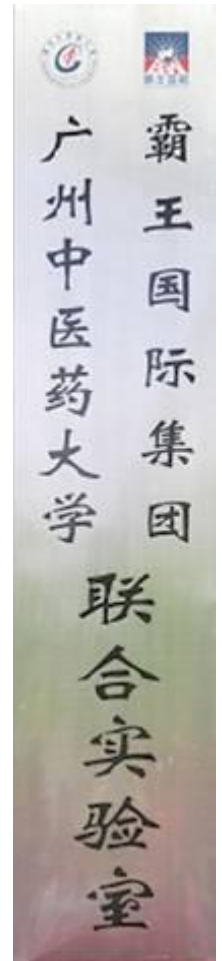
Six months ended 30 Jun	霸王 BAWANG	天仁茗茶 TIAN REN MING CHA	茶皇 HERSGORN	Bawang Herbal Tea 1928	Litao 丽涛
Distributors	577	496	108	480	416
KA Retailers	45	43	14	-	-
Provinces	27	27	27	26	26
Municipalities	4	4	4	4	4

Note: 1. We also sell products via distributors in in Hong Kong, Macau, Singapore, Thailand, Myanmar, Malaysia, Brunei and Australia

2. As at 30 June, 2011

Promote Chinese Medicine Research & Product Development

- Collaborated with the Guangzhou University of Chinese Medicine to establish a research laboratory for pharmacological efficacy of Chinese-medicine-based consumer products, aiming at enhancing the Group's R&D capabilities and promoting good development of the industry
- Three product series - “Bawang Anti-hair Fall Shampoo”, “Bawang Hair Blackening Shampoo” & “Royal Wind Anti-dandruff Shampoo” honored as “Guangdong New Hi -Tech Products” by Guangdong Provincial Department of Science and Technology
- R&D expenses in 1H2011 amounted to RMB12.1 million



Extensive & Diversified Marketing Strategy

Public Transport & Billboards



Covering All Major TV Channels



Newspapers, Magazines & Internet



*Complete Coverage :
Nationwide Newspapers / TV
Channels ,
Internet & Outdoor Media*

Store Promotions & New Products Launches Campaigns



Banners & Advertising Kiosks Attract Customers' Attention



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Future Strategies



Future Strategies



Continue the multi-brand and multi-product strategies



Expand into upstream business to secure supply & control quality of raw materials



Further expand domestic & overseas distribution network

Strengthen marketing efforts for existing and new brands



Reinforce R&D capabilities and quality control measures



Expand production capacity to cope with future development



Mission



To Become a Global Leader of
Branded Chinese Herbal HPC Products

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Q & A

