

# BaWang International (Group) Holding Limited

## 霸王國際(集團)控股有限公司

Stock Code: 1338

### Corporate Presentation

## 2009 Interim Results

September 2009



# Agenda

## Content

1. Financial Highlights

2. Business Review

3. Future Strategies

4. Q&A

# 1. Financial Highlights



# Financial Highlights: Key Income Statement Figures

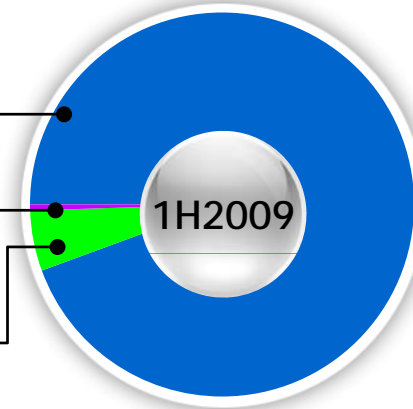
	1H2009	1H2008
(RMB '000)	<i>For the six months ended 30 June</i>	
Revenue	681,090	693,901
Cost of Sales	(230,364)	(269,080)
Gross Profit	450,726	424,821
Selling and Distribution Costs	(284,103)	(243,299)
Administrative Expenses	(36,016)	(14,729)
Profit from Operations	128,538	167,466
Income Tax Expenses	(29,228)	(30,017)
Profit Attributable to Equity Holders	100,012	139,222
Earnings per share (RMB yuan)	0.05	0.07
<i>Gross Margin</i>	<i>66.2%</i>	<i>61.2%</i>
<i>Net Margin</i>	<i>14.7%</i>	<i>20.1%</i>

# Diversifying Revenue Mix

## Total Revenue Breakdown by Business Segment

(RMB '000)

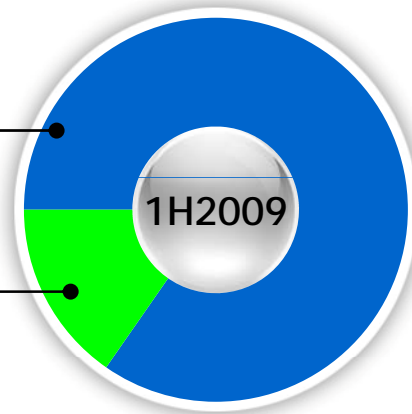
Shampoo and Hair-care Products	643,761 (94.5%)
Skincare Products	4,320 (0.6%)
Other HPC Products	33,009 (4.8%)



## Total Revenue Breakdown by Sales Channel

(RMB '000)

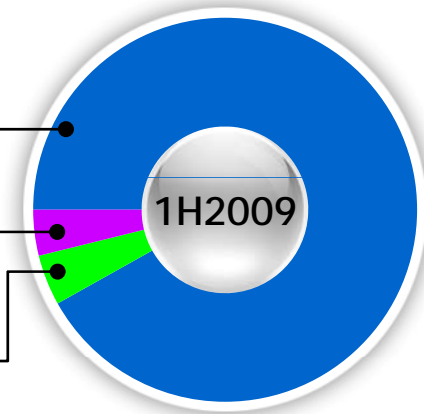
From Distributors	576,397 (84.6%)
From Retailers	104,693 (15.4%)



## Total Revenue Breakdown by Brand

(RMB '000)

Bawang	626,745 (92.0%)
Litao+Smerry	28,538 (4.2%)
Royal Wind	25,807 (3.8%)



# Effective Control of Cost

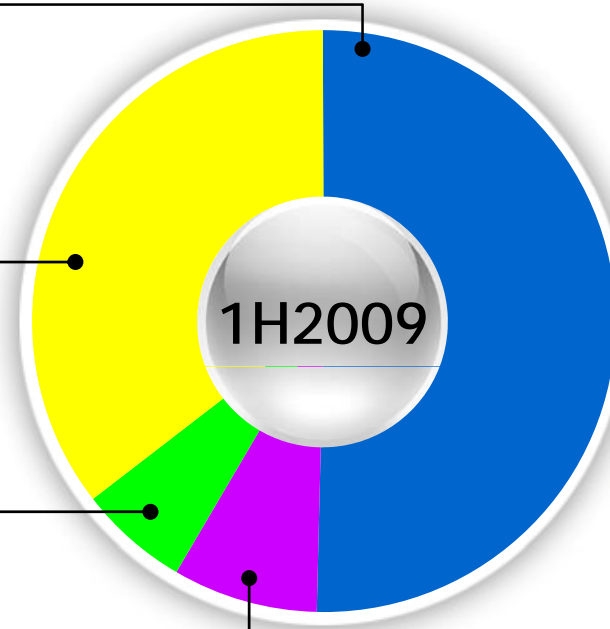
Costs of Sales Breakdown

Raw Materials 50.4%

Packaging Materials 35.5%

Labor Cost 6.3%

Production Cost 7.8%



Cost of sales decreased by 14.4% yoy from RMB269.1 million in 1H2008 to RMB230.4 million in 1H2009:

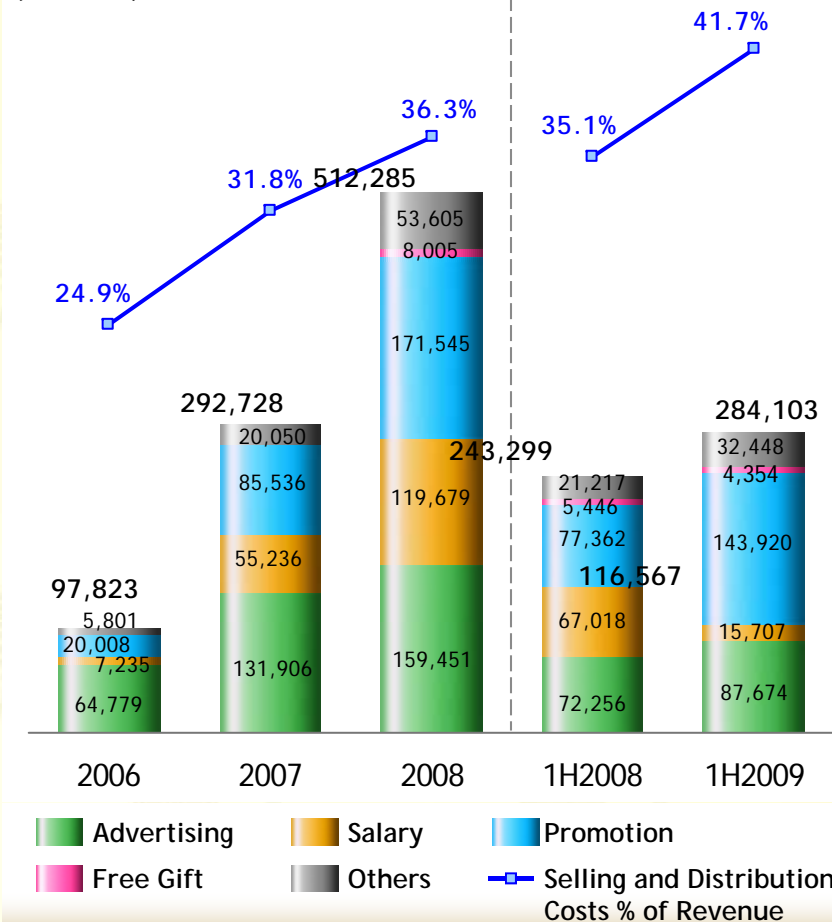
- Effective control over production costs
- Change in product mix
- Enhanced product formula

# Operating Expenses Analysis

- Higher selling & distribution cost due to increased A&P expense for new product launch
- Increase in administration cost due to non-capitalisable listing expenses, administrative staff salaries & other benefits including share-based payments.

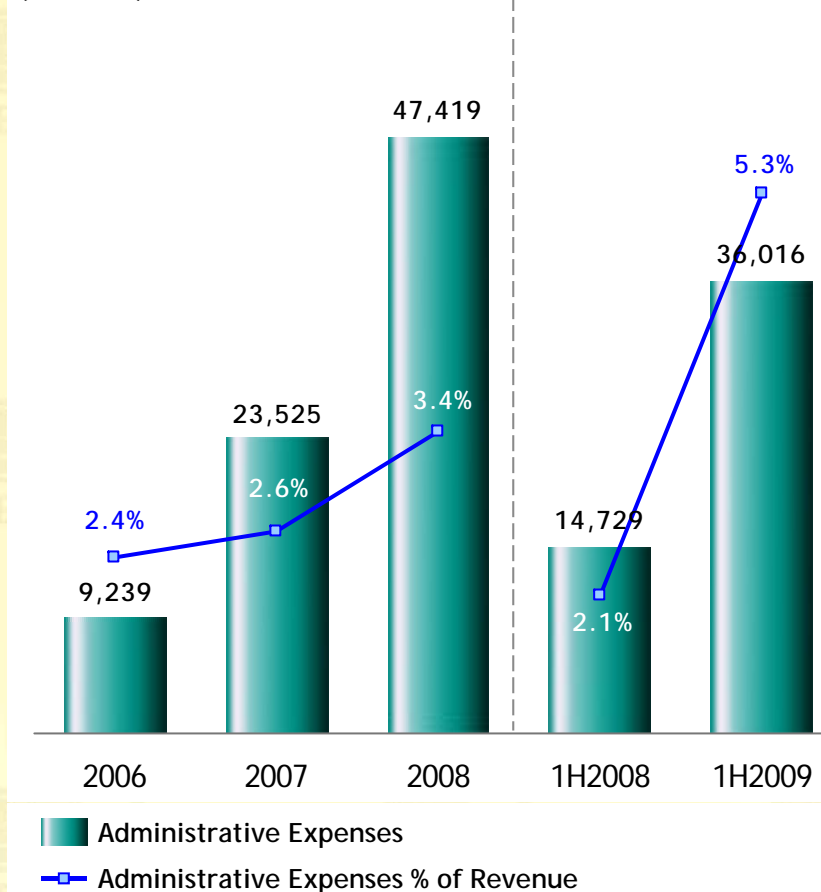
## Selling and Distribution Costs

(RMB '000)



## Administrative Expenses

(RMB '000)



# Healthy Financial Position

	1H2009	FY2008
(RMB '000)		
Net Trade Receivable Days (day)	35 days	25 days
Trade Payable Days (day)	57 days	63 days
Inventory Turnover Days (day)	38 days	34 days
Net cash generated from operating activities	57,309	251,451
Cash & bank balances	256,764	298,148
Current ratio (time)	1.29 times	1.84 times
Current assets	538,342	619,381
Current liabilities	412,095	329,994
Net assets	165,647	314,528



# Capex Plan

Planned Capex	
<b>Marketing and promotion</b>	<ul style="list-style-type: none"> <li>Increase marketing and promotional activities</li> <li>Engage brand ambassador(s)</li> <li>Potential acquisition of brands</li> </ul>
<b>Research and development</b>	<ul style="list-style-type: none"> <li>Design, research and develop new products</li> <li>Enhance functionality of existing products and formulae</li> <li>Explore use of new raw materials</li> </ul>
<b>Expansion of distribution network</b>	<ul style="list-style-type: none"> <li>Enhance distribution network in the PRC</li> <li>Develop markets outside the PRC such as Taiwan</li> </ul>
<b>Capital expenditure</b>	<ul style="list-style-type: none"> <li>Establish new production facilities and purchase new equipment</li> <li>Enhance research and development capabilities and facilities</li> <li>Develop an upstream plantation business</li> <li>Upgrade the existing IT system</li> </ul>
<b>Future strategic acquisition</b>	<ul style="list-style-type: none"> <li>Potential acquisition of HPC related businesses</li> </ul>
<b>Working capital and other general corporate purpose</b>	
<b>Total</b>	

As a % of Net Proceeds	Amount (HK\$ million)	2009 (HK\$ million)
30.0%	549.6	150.0
20.0%	366.4	20.0
18.0%	329.8	100.0
12.0%	219.8	80.0
10.0%	183.2	-
10.0%	183.2	50.0
100.0%	1832.0	400.0

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## 2. Business Review

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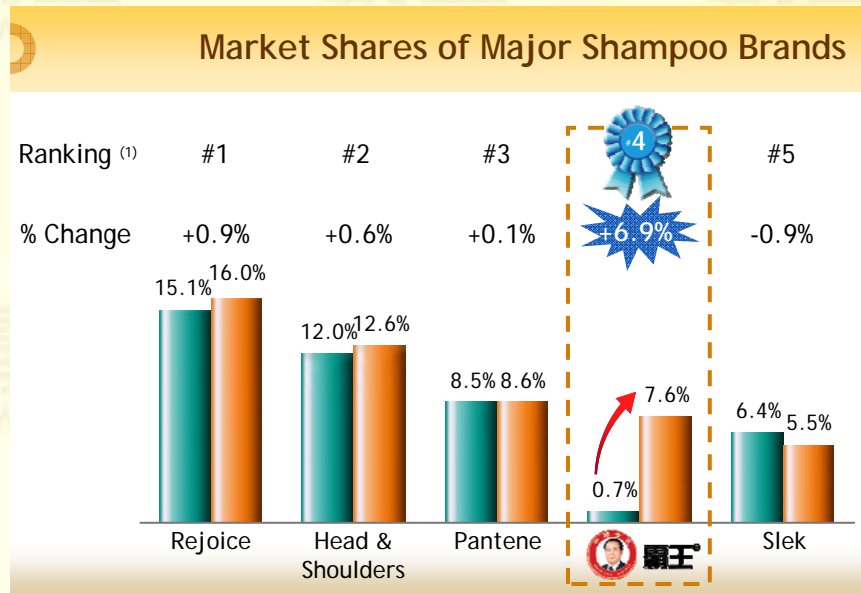
# Leading Market Position in the Fast-Growing Chinese Herbal Shampoo Market in the PRC

Bawang has been #1 Chinese Herbal Shampoo Brand since 2006 and has been expanding market share

2005 (1)			2006 (1)			2007			1H2008		
Rank	Brand	Market share by retail sales (%)	Brand	Market share by retail sales (%)	Brand	Market share by retail sales (%)	Brand	Market share by retail sales (%)	Brand	Market share by retail sales (%)	
1	Softto	16.3	<b>Bawang</b> 	<b>24.3</b>	<b>Bawang</b> 	<b>43.5</b>	<b>Bawang</b> 	<b>46.3</b>			
2	Rejoice	14.2	Softto	13.9	Kangwang	16.3	Kangwang	17.2			
3	Kangwang	6.9	Kangwang	11.6	Rejoice	11.3	Rejoice	11.1			
4	<b>Bawang</b>	<b>6.3</b>	Rejoice	11.1	Softto	10.1	Softto	7.2			
5	Pantene	5.3	Pantene	4.5	Pantene	4.1	Pantene	3.9			

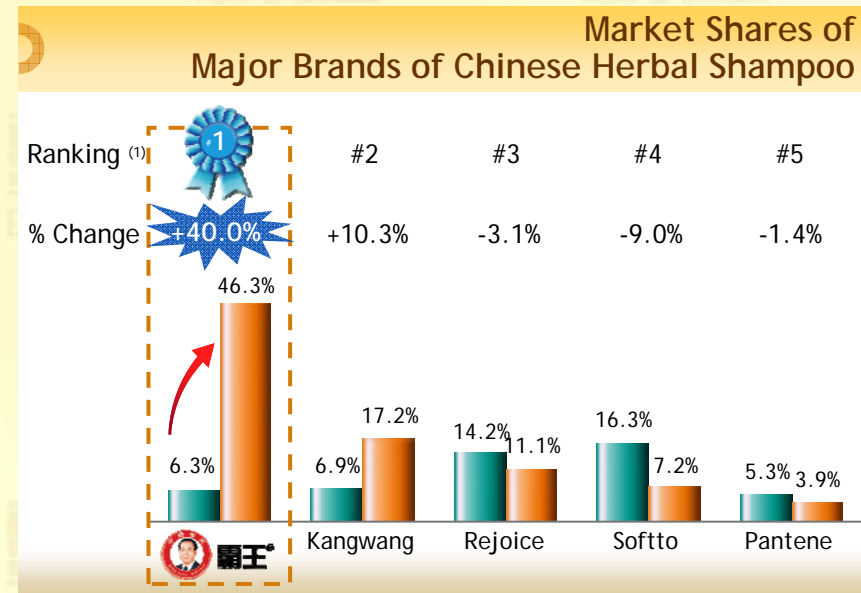
Source : Euromonitor

Note : Top 10 ranking based on 2007 and 1H2008 herbal shampoo brands market shares



Source : Euromonitor

Note : The first half 2008 ranking



Legend: 2005 (Teal), 1H2008 (Orange)

# Diversified Product and Brand Portfolio

## Our Multi-Brand Portfolio Strategy

- 霸王 (Bawang) brand has been built up with a strong brand recognition
- Continue to diversify product range and increase the market share of different brands

Brand	Trademark	Year of Launching	Key Product Type	Target Customers
霸王 (Bawang)		1998	Chinese herbal shampoo, hair-care products	Medium and high end market
丽涛 (Litao)		2001	Non-Chinese herbal shampoo, hair-care products and liquid soap products	Medium end market
雪美人 (Smerry)		2004	Skin-care products	Medium end market
追风 (Royal Wind)		2009	Chinese herbal anti-dandruff shampoo, hair-care products	Medium and high end market

# Launch of Royal Wind Branded Herbal Shampoo & Hair-care Products

- Launched Royal Wind (追風) branded Chinese herbal shampoo and hair-care products in May 2009 to tap into a wider consumer base across the PRC as well as markets outside the PRC.
- Engaged Faye Wong as brand ambassador for Royal Wind resulted in overwhelming market response.

Chinese Herbal Anti-dandruff and Itch-relieving Shampoo Series



Chinese Herbal Anti-dandruff and Itch-relieving Conditioner Series



Chinese Herbal Hair-care Product Series



Chinese Herbal Shampoo and Hair-care Products — Royal Wind

# Unique Brand Positioning and Strong Brand Recognition

Our (霸王) Bawang brand and trademarks have been highly recognized in the PRC

## Strong Brand Name Recognition

- The 霸王 (Bawang) brand has been well recognized for more than 5 years in China
- Awards and endorsements reaffirm the superior quality of 霸王 (Bawang) products
- Consumers have generally associated superior quality, reliability and healthy living with our brand name
- As an established brand in the PRC market, continuous media exposure and advertising will further boost popularity of our products



Bawang = Chinese herbal shampoo

## Major Awards and Certificates

*Well-known Trademark of China*



*China's Top 10 Most Influential Brands in Cosmetic Industry*



*China's No. 1 Most Influential Brand in Chinese Herbal Daily-Use Chemical Industry*



*China's Most Trustworthy Brand of Chinese Herbal Shampoo*



# Strong Product R&D and Dedication to Quality Control

## Strong Professional R&D Team



## Market-Oriented



## Close Cooperation with PRC Universities and Organization



## Proven Track Record



# Established Nationwide Distribution and Retail Network

Strong connection between headquarter and distributors / KA retailers



Headquarter

● 567 Distributors<sup>(1)(2)</sup>

▲ Presence of the KA Retailers Outlets<sup>(2)</sup>



Notes:

1. We also sell products via a distributor in Singapore, Hong Kong, Macao

2. As at 30 June 2009



# Innovative and Effective Branding and Marketing Strategies

Complete coverage: paper/TV channels, internet and outdoor media throughout China

In-store promotion & Chinese herbal related events to enhance sales



Covering all major TV channels



Brand ambassadors



Banners & Kiosks attract customer attention



Public transports & Billboards



Newspaper, Magazines, & Internet



# Innovative and Effective Branding and Marketing Strategies (Cont'd)

Flexible and effective sales strategies:

## Flexible Wholesale / Retail Mix

- Expand distribution network and deepen product penetration through wholesale distribution
- Gain better consumer attention / access over competitors through direct sales to retailers

## Sales Representatives and Salesladies

- “霸王花” Bawang Flowers: to assist retailers in carrying out promotional activities

## Strict Pricing Control

- Sell at uniformed discounts to suggested retail prices
- Maintain brand image, consistent pricing and avoid price competition among distributors and retailers

*Year 2008 Distributors Meeting*



*Year 2009 launch of Royal Wind*



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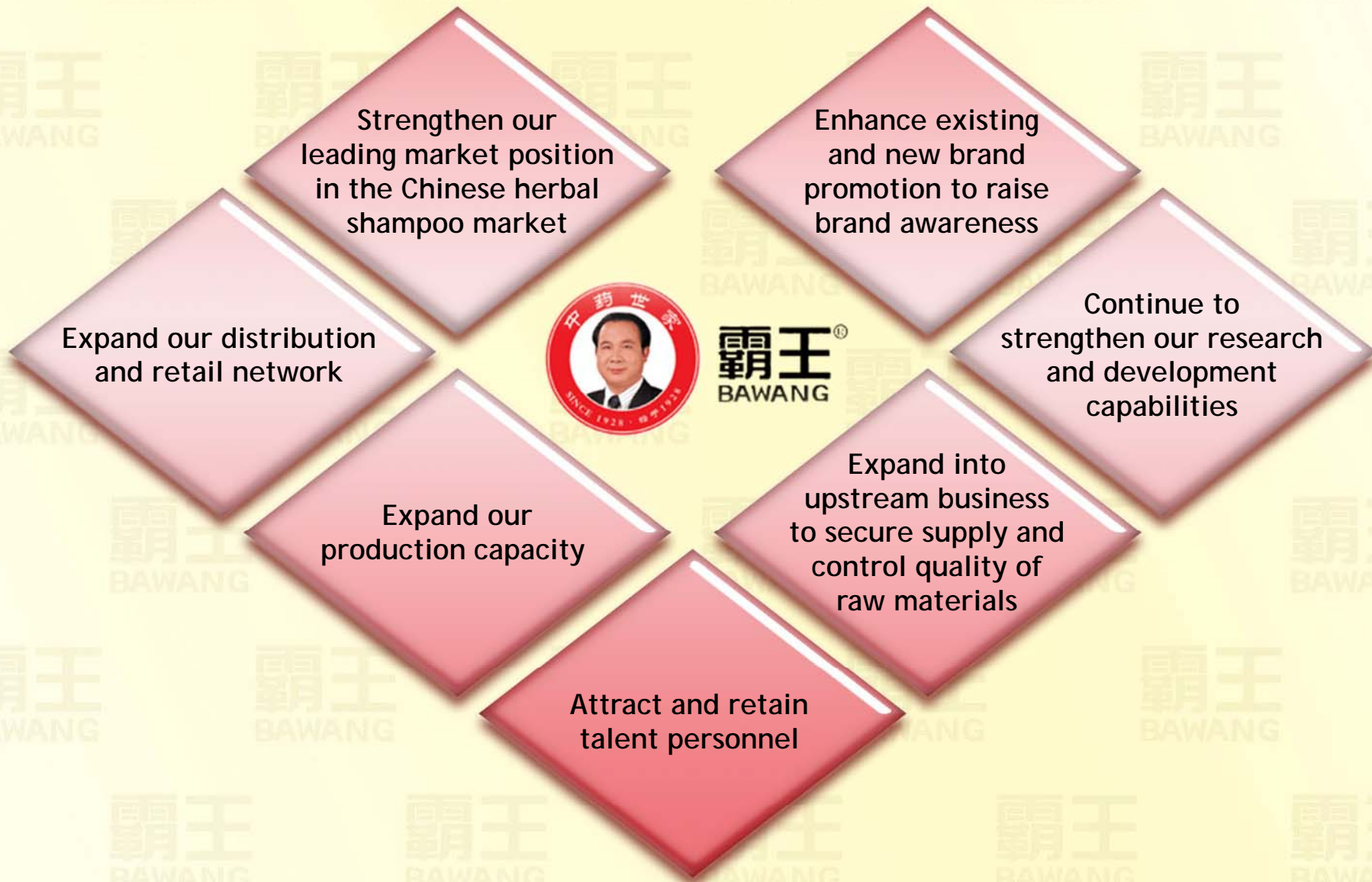
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### 3. Future Strategies



# Future Strategies



# Multi-Brand Portfolio Strategy — Launch of New Product Line

- A new series of Chinese herbal skin-care products will be launched in the second half of 2009.
- Ms. Faye Wong (王菲) to be also the image and brand ambassador of the new series of Chinese herbal skin-care products.



# New Products Under Development

- Continue to invest our resources in our Chinese herbal haircare products to strengthen our leading market position and further increase our market share
- Focus on product development on products with attractive margins and market potential

## New products under development

1. Chinese herbal household cleansing products
2. Chinese herbal drink
3. New series of Chinese herbal toothpaste

# New Production Premises

Located in Baiyun District,  
Guangzhou



Phase I	Project Development	Phase II
Mid of 2010	Completion of construction	2012
100,000 metric tons	Expected production capacity upon completion	280,000 metric tons
75,000	Site area	123,000

# Mission



**霸王**<sup>®</sup>  
**BAWANG**

**To Become a Global Leader of  
Branded Chinese Herbal HPC Products**



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## 4. Q&A

