



BaWang International (Group) Holding Limited

霸王國際(集團)控股有限公司

壬辰年春月  
啟源

## 2011年度全年业绩发布 2011 Annual Results Announcement





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# Major Accomplishments





# Major Accomplishments

- Three product series - “Bawang Anti-hair Fall Shampoo”, “Bawang Hair Blackening Shampoo” & “Royal Wind Anti-dandruff Shampoo” honored as “Guangdong New Hi -Tech Products” 「广东省高新技术产品」 by Guangdong Provincial Department of Science and Technology 「广东省科学技术厅」



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



- Six patent certificates granted by State Intellectual Property Office 「国家知识产权局」



- Collaborated with the Guangzhou University of Chinese Medicine 「广州中医药大学」 to establish a research laboratory





# Major Accomplishments (Cont'd)

- Bawang Herbal Tea R&D Project: “Herbal Tea & Refreshing Beverage Research, Development and Industrialization” 「凉茶清润饮料的研究开发及产业化」 earned the “2009-2011 Foodstuff Science & Technology Award of Guangdong Province” 「2009-2011广东省食品行业科学技术奖」; Bawang Herbal Tea won the “Leading Brand in Herbal Tea Industry of Guangdong Province” 「广东省凉茶行业领军品牌」 by Guangdong Foodstuff Union 「广东省食品行业协会」



- Chairman Chen has been recognized by the Department of Culture of Guangdong Province 「广东省文化厅」 as “Representative Successor of Chinese Herbal Tea” 「凉茶项目省级非物质文化遗产代表性传承人」 and “Leader in Food Industry of Guangdong Province” 「广东省食品行业领军人物」 by Guangdong Foodstuff Union 「广东省食品行业协会」



- CEO Wan has been accredited as the “Renowned Entrepreneur in Medical Industry of Guangdong Province” 「广东省医药行业著名企业家」, the “2009-2011 Initiative & Innovative Entrepreneur in Foodstuff Industry of Guangdong Province” 「2009-2011年广东省食品行业科学技术奖自主创新企业家」 and the “2009-2011 Leader of High Technology in Foodstuff Industry” 「2009-2011年食品工业科技进步先进科技带头人」



- Bawang (Guangzhou) has been accredited as “Enterprise with Significant Contribution to Medical Industry of Guangdong Province” 「广东省医药行业杰出贡献企业」 and Bawang Beverage “Enterprise with Significant Contribution to Foodstuff Industry of Guangdong Province” 「广东省食品行业杰出贡献企业」





# Optimizing Management Efficiency

Appointed 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

Recruited experienced R&D personnel from internationally renowned FMCG company, to improve overall R&D capabilities and product quality



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# Financial Highlights





# Financial Highlights

	2011	2H2011	1H2011	2010
<i>(RMB'000)</i>	<i>For the year ended 31 Dec</i>	<i>For the six months ended 31 Dec</i>	<i>For the six months ended 30 June</i>	<i>For the year ended 31 Dec</i>
Revenue	<b>888,909</b>	449,066	439,843	1,475,355
Cost of Sales	<b>(544,154)</b>	(241,328)	(302,826)	(564,017)
Gross Profit	<b>344,755</b>	207,738	137,017	911,338
Selling & distribution costs	<b>(872,339)</b>	(413,782)	(458,557)	(941,811)
Administrative expenses	<b>(102,457)</b>	(57,720)	(44,737)	(101,511)
Loss from operations	<b>(625,287)</b>	(261,644)	(363,643)	(131,573)
Income tax credit	<b>59,967</b>	2,374	57,593	16,160
Loss attributable to equity shareholders	<b>(558,570)</b>	(263,714)	(294,856)	(117,971)
Loss per share (RMB yuan)	<b>(0.19)</b>	(0.09)	(0.10)	(0.04)
<i>Gross margin</i>	<b>38.8%</b>	46.3%	31.2%	61.8%
<i>Net loss ratio</i>	<b>-62.8%</b>	-58.7%	-67.0%	-8.0%



# Production Management Remained Strong

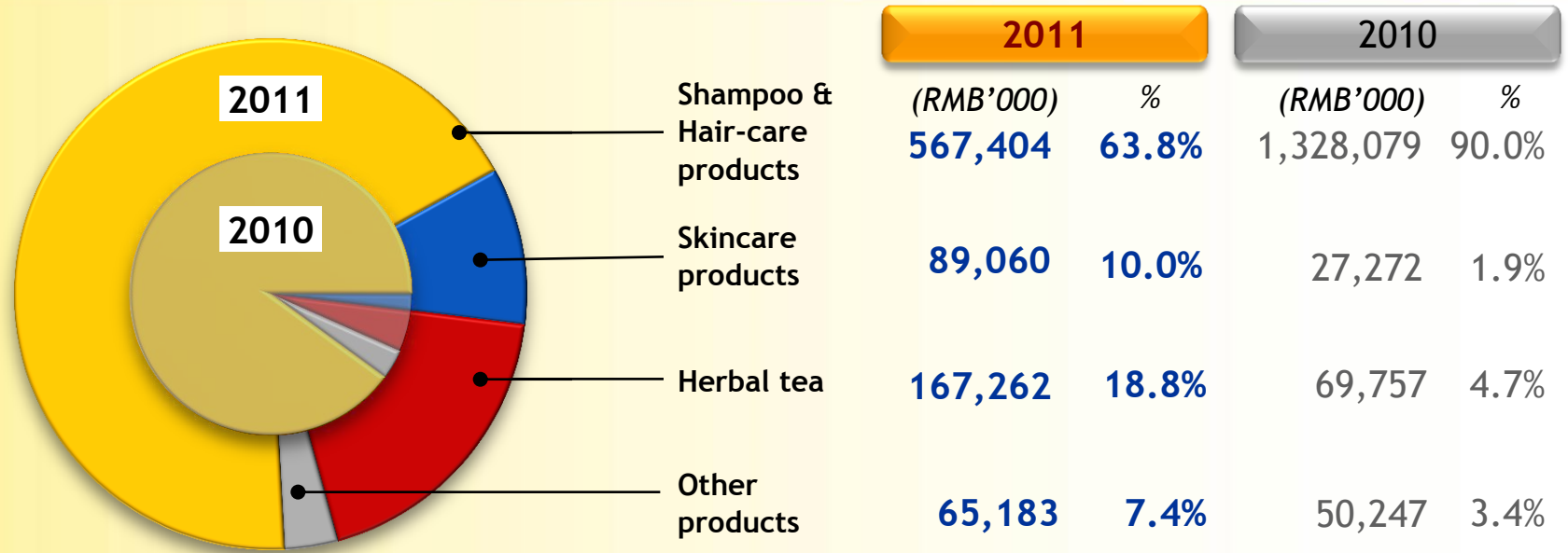


	2011	2H2011	1H2011	2010
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Gross profit	<b>344,755</b>	207,738	137,017	911,338
<i>GP ratio as reported (A)</i>	<b>38.8%</b>	46.3%	31.2%	61.8%
Reconciliation:				
COS as per above	<b>(544,154)</b>	(241,328)	(302,826)	(564,017)
Less: Stock provision (B)	<b>(48,364)</b>	28,220	(76,584)	(10,811)
Adjusted COS	<b>(495,790)</b>	(269,548)	(226,242)	(553,206)
Adjusted GP	<b>393,119</b>	179,518	213,601	922,149
<i>Adjusted GP ratio (C)</i>	<b>44.2%</b>	40.0%	48.6%	62.5%

1. Provision for stock write-down in 2011: RMB48.4 million
2. Shift in product mix: Herbal tea accounted for 18.8% of sales revenue
3. Shift in channel mix: Retailers & Distributors



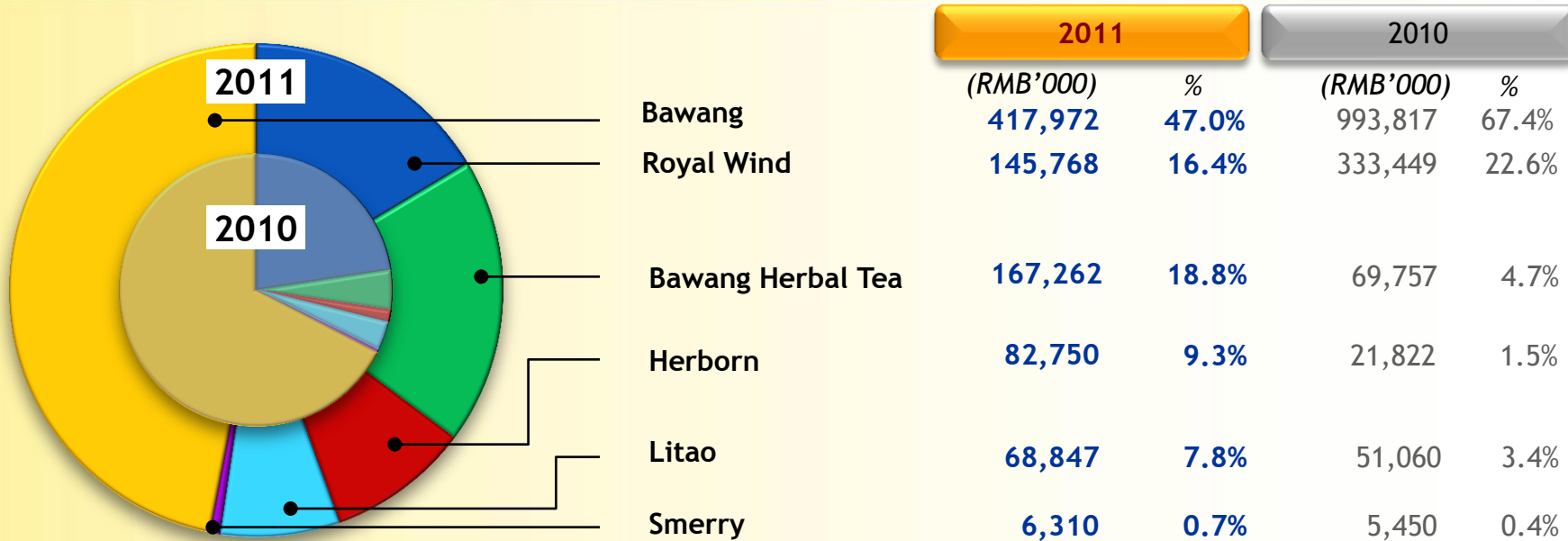
# Revenue by Product Category



	2011	2H2011	1H2011	2010
(RMB'000)	For the year ended 31 Dec	For the six months ended 31 Dec	For the six months ended 30 June	For the year ended 31 Dec
Shampoo & hair-care products	567,404	319,195	248,209	1,328,079
Skincare products	89,060	47,553	41,507	27,272
Herbal tea	167,262	48,946	118,316	69,757
Other products	65,183	33,372	31,811	50,247
Total	888,909	449,066	439,843	1,475,355



# Revenue by Brand

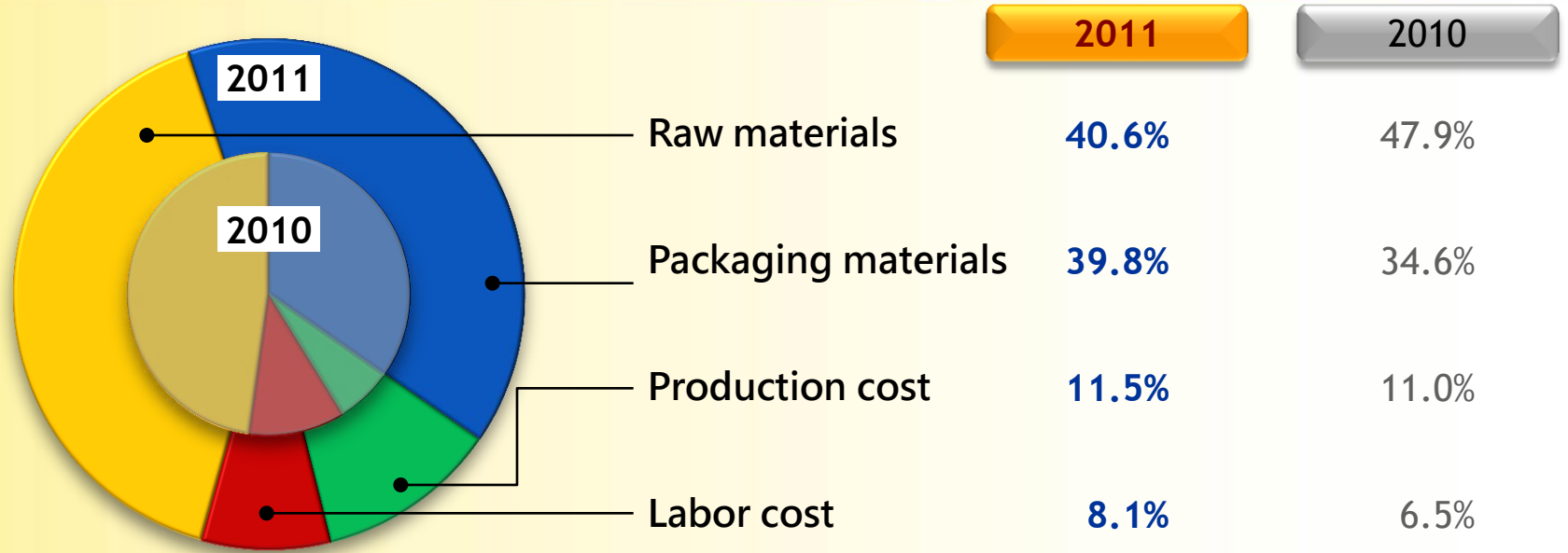


(RMB'000)	2011	2H2011	1H2011	2010
	For the year ended 31 Dec	For the six months ended 31 Dec	For the six months ended 30 June	For the year ended 31 Dec
● Bawang	417,972	271,239	146,733	993,817
● Royal Wind(1)	145,768	60,998	84,770	333,449
● Bawang Herbal Tea(2)	167,262	48,946	118,316	69,757
● Herborn(3)	82,750	43,955	38,795	21,822
● Litao(4)	68,847	20,330	48,517	51,060
● Smerry	6,310	3,598	2,712	5,450
<b>Total</b>	<b>888,909</b>	<b>449,066</b>	<b>439,843</b>	<b>1,475,355</b>

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



	2011		2H2011		1H2011		2010	
	<i>For the year ended 31 Dec</i>		<i>For the six months ended 30 June</i>		<i>For the six months ended 31 Dec</i>		<i>For the year ended 31 Dec</i>	
(RMB'000)	Amount	% of COS	Amount	% of COS	Amount	% of COS	Amount	% of COS
Raw materials	220,816	40.6%	88,586	36.7%	132,230	43.7%	269,973	47.9%
Packaging materials	216,330	39.8%	105,774	43.8%	110,556	36.5%	195,491	34.6%
Production cost	62,721	11.5%	25,501	10.6%	37,220	12.3%	61,952	11.0%
Labor cost	44,287	8.1%	21,467	8.9%	22,820	7.5%	36,601	6.5%
<b>Total</b>	<b>544,154</b>	<b>100.0%</b>	<b>241,328</b>	<b>100.0%</b>	<b>302,826</b>	<b>100.0%</b>	<b>564,017</b>	<b>100.0%</b>



# Operating Expenses Analysis

- The increase in selling & distributions costs was mainly due to the brand-building initiatives 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

	2011	2H2011	1H2011	2010
(RMB'000)	For the year ended 31 Dec	For the six months ended 31 Dec	For the six months ended 30 June	For the year ended 31 Dec
Sales and distribution cost	<b>872,339</b>	413,782	458,557	941,811
- Advertising	<b>313,578</b>	161,150	152,428	378,817
- Promotion & Salary	<b>438,188</b>	191,619	246,569	478,668
- Others (including new products launch, meetings etc)	<b>120,573</b>	61,013	59,560	84,326
Administrative expenses	<b>102,457</b>	57,720	44,737	101,511
- R&D expenses	<b>33,818</b>	21,735	12,083	40,164
Total SD&A	<b>974,796</b>	471,502	503,294	1,043,322



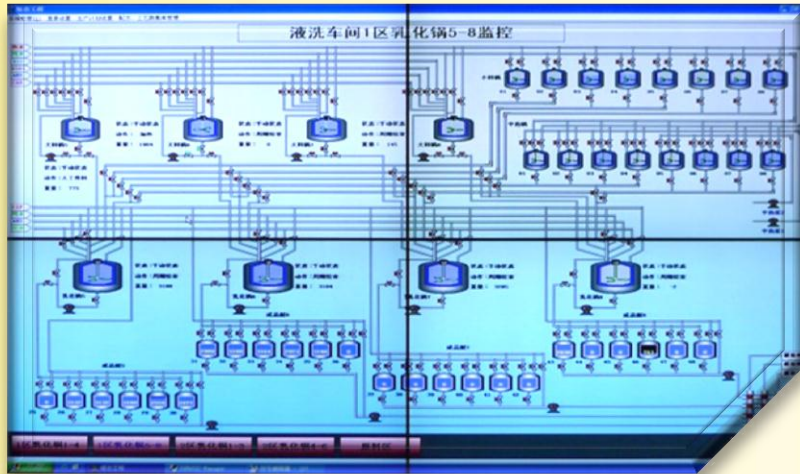
# Financial Position

	2011	2010
<i>(RMB'000)</i>	<i>For the year ended 31 Dec</i>	<i>For the year ended 31 Dec</i>
Net trade receivable days	<b>94 days</b>	85 days
Trade payable days	<b>42 days</b>	56 days
Inventory turnover days	<b>66 days</b>	47 days
Cash & cash equivalents	<b>602,672</b>	1,186,544
Current assets	<b>973,752</b>	1,943,712
Current liabilities	<b>215,211</b>	441,943
Net assets	<b>1,028,842</b>	1,589,400
Current ratio	<b>4.5 times</b>	4.4 times



# CAPEX Plan

*Estimated CAPEX for 2012 will be RMB75 million*





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# Business Review







# Diversified Brand & Product Portfolio

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

# Successful Launch of 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 targets at female consumers segment to supplement the market demand for traditional Bawang products, which are mainly tailored for male consumers
- Appointed Korean superstar Ms. Kim Hui Seon as new 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 were originated from the descended recipe, which 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 31 December 2011, BaWang brand has 543 distributors, 51 KA retailers and sales network covering 27 provinces and 4 municipalities in China. The products are also 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, targeting at medium-to-high end market
- Revenue amounted to RMB145.8 million in 2011
- Appointed pop singer Mr. Han Geng as brand ambassador
- As of 31 December 2011, Royal Wind has 461 distributors, 49 KA retailers and sales network covering 27 provinces and 4 municipalities in China. Royal Wind is also sold in Singapore





# Bawang Herbal Tea

- Bawang Herbal Tea R&D Project: “Herbal Tea & Refreshing Beverage Research, Development and Industrialization” 「凉茶清润饮料的研究开发及产业化」 earned the “2009-2011 Foodstuff Science & Technology Award of Guangdong Province” 「2009-2011年广东省食品行业科学技术奖」; Bawang Herbal Tea won the “Leading Brand in Herbal Tea Industry of Guangdong Province” 「广东省凉茶行业领军品牌」
- Revenue amounted to approximately RMB167.2 million in 2011
- Mr. Donnie Yen continues to be the brand ambassador
- As of 31 December 2011, Bawang Herbal Tea has 491 distributors with its 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 RMB82.8 million in 2011
- Exclusive skincare products for 61st Miss World Pageant China
- Further expanded distribution network. The products have entered the Hong Kong market and are distributed in departments stores, hypermarkets, and cosmetic specialty shop in China
- As of 31 December 2011, Herborn branded products has 105 distributors, 15 KA retailers with its sales network covering the 27 provinces and 4 municipalities in China





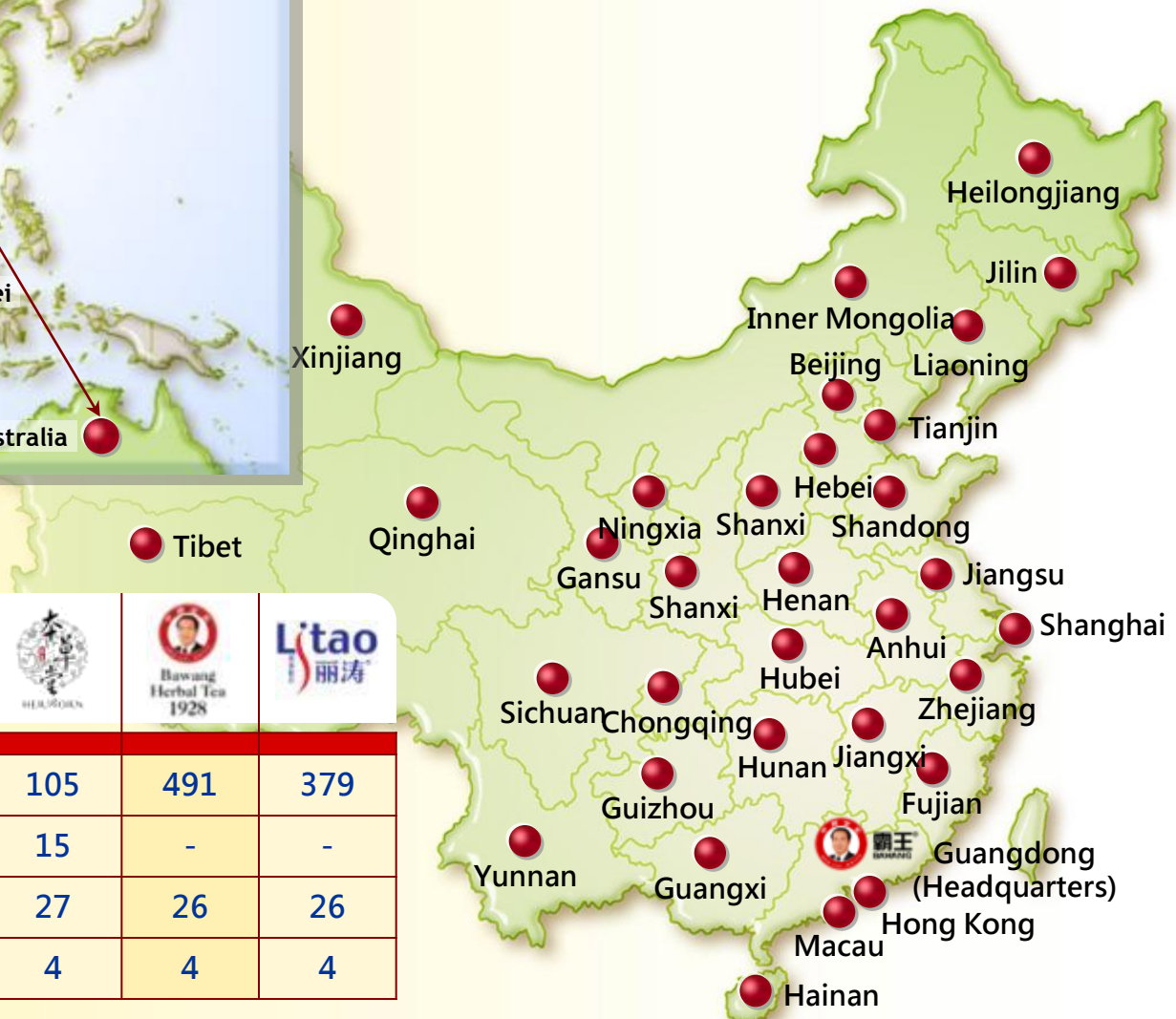
# Smerry

- Revenue amounted to approximately RMB6.3 million in 2011
- Appointed young and popular actress Ms. Jing Tian as brand ambassador
- Establish Smerry as a natural skincare brand, delivering a message of being confident, energetic, trendy, young and environment-friendly





# Deepen Market Penetration in China, Further Expand into Overseas Markets



For the year ended 31 December 2011

					
Distributors	543	461	105	491	379
KA Retailers	51	49	15	-	-
Provinces	27	27	27	26	26
Municipalities	4	4	4	4	4

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

2. As at 31 December 2011



# Promote Chinese Medicine Research & Product Development



- Collaborated with the research center of Guangzhou University of Chinese Medicine on R&D to enhance the Group's R&D capabilities and promote the healthy development of the industry with each other's expertise
- Has successfully developed a method of extracting the Saponin compound of Herb Eclipta, which has been recognized as the scientific and technological achievements of Guangzhou; Moreover, the Group has successfully made the applications of using this Chinese medicinal ingredients into Anti-hair fall shampoo industrialization, which has been achieved the domestic advanced level
- Has made several achievements in the abstracting and preparation of herbal fluid, and won patent certificates
- R&D expenses in 2011 amounted to RMB33.8 million





# Diversified Marketing Strategy

## Complete Coverage

*Nationwide Newspapers, TV Channels, Internet & Outdoor Media*





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# *Future Strategies*





# Future Strategies



Continue the multi-brand and multi-product strategies



Strengthen marketing efforts for existing and new brands



Extend into upstream business to secure the supply & quality of raw materials



Further expand domestic & overseas distribution network



**霸王®**  
**BAWANG**



Expand production capacity as planned



Reinforce R&D capabilities and quality control measures



# Mission



**霸王®**  
**BAWANG**

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



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Q&A