



BaWang International (Group) Holding Limited

霸王國際(集團)控股有限公司

2012 Interim Results Announcement





Agenda



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- 2 Financial Highlights
- 3 Business Review
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BaWang International (Group) Holding Limited
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Major Accomplishments





Major Accomplishments

- Three product series – “Bawang Anti-hair Fall Shampoo”, “Bawang Hair Blackening and Strengthening Shampoo” & “Bawang Nutri-moisturizing Shampoo” recognized as “Independent Innovation Products of Guangdong Province in 2011” 「2011年广东省自主创新产品」 by Guangdong Provincial Department of Science and Technology 「广东省科学技术厅」



- Successfully launched the Bawang Anti-hair Fall Shampoo for Ladies and Nutri-reparing Moisturizing Conditioner in August 2012, targeting the female consumers market



- Successfully launched Royal Wind Hydra-fresh Shampoo series and Anti-hair Fall Shampoo series in August 2012





Major Accomplishments (Cont'd)

- Herborn skincare branded product voted by thousands of consumers as one of the “Top 10 Potential Brands in 2012” 「2012年“最具成长潜力类”十佳品牌」



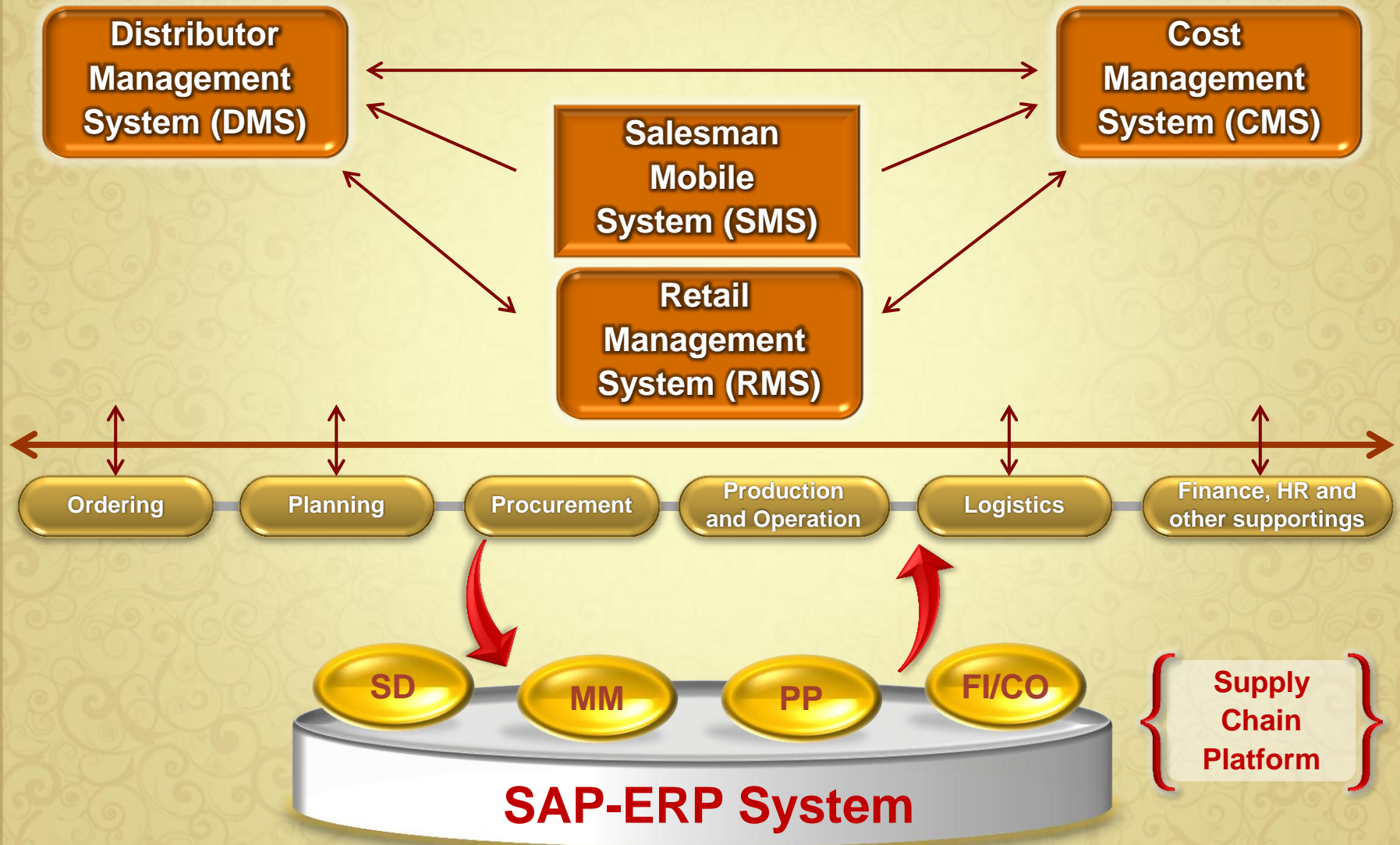
- Bawang Herbal Tea selected as the designated herbal tea supplier to the International Cycling Union (ICU) Women Road World Cup 2012 in Chongming Island, Shanghai



- Bawang (Guangzhou) Co., Ltd. recognized by Guangzhou Municipal Government as one of “The First Batch of Identified Corporations Headquartered in the Guangzhou City” 「广州市首批认定总部企业」



Sales Automation Management System – Overview Flowchart



Bawang New Industrial Complex Put into Operation



- Bawang New Industrial Complex located in Baiyun District, Guangzhou, occupying a land area of 75,000 square meter
- The Complex, equipped with a cutting-edge, both domestically and globally, operation and detection system, developed the first production line for Chinese herbal shampoo with the highest level of automation, adopting the most advanced equipments from Germany and Japan
- Targeting to make the Complex the largest base of daily used Chinese herbal products in respect of research, development, production and education





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Financial Highlights



Financial Highlights



	1H 2012	2H 2011	1H 2011
<i>(RMB'000)</i>	<i>For the six months ended 30 Jun</i>	<i>For the six months ended 31 Dec</i>	<i>For the six months ended 30 Jun</i>
Revenue	288,701	449,066	439,843
Cost of Sales	(162,525)	(241,328)	(302,826)
Gross Profit	126,176	207,738	137,017
Selling & distribution costs	(320,990)	(413,782)	(458,557)
Administrative expenses	(48,271)	(57,720)	(44,737)
Loss from operations	(245,225)	(261,644)	(363,643)
Income tax (expense) / credit	(82,605)	2,374	57,593
Loss attributable to equity shareholders	(326,948)	(263,714)	(294,856)
Loss per share (RMB yuan)	(0.11)	(0.09)	(0.10)
Gross margin	43.7%	46.3%	31.2%
Net loss ratio	-113.2%	-58.7%	-67.0%

Production Management Remained Strong



	1H 2012	2H 2011	1H 2011
<i>(RMB'000)</i>	<i>For the six months ended 30 Jun</i>	<i>For the six months ended 31 Dec</i>	<i>For the six months ended 30 Jun</i>
Revenue	288,701	449,066	439,843
Cost of sales	(162,525)	(241,328)	(302,826)
Gross profit	126,176	207,738	137,017
GP ratio as reported (A)	43.7%	46.3%	31.2%
Reconciliation			
COS as per above	(162,525)	(241,328)	(302,826)
Less: Stock provision (B)	9,470	28,220	(76,584)
Adjusted COS	(171,995)	(269,548)	(226,242)
Adjusted GP	116,706	179,518	213,601
Adjusted GP ratio (C)	40.4%	40.0%	48.6%

1. Reversal of stock write-down in 1H2012: RMB9.5 million
2. Shift in product mix: Herbal tea accounted for 5.6% of sales revenue
3. Decrease in unit selling price of HPC products due to the increasing use of HPC products as settlement for sales rebate



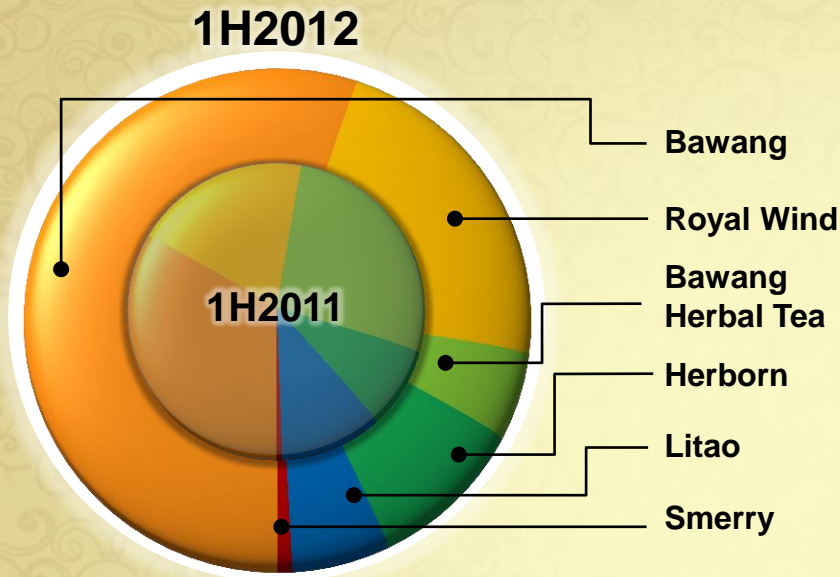
Revenue by Product Category



	1H 2012	2H 2011	1H 2011
(RMB'000)	For the six months ended 30 Jun	For the six months ended 31 Dec	For the six months ended 30 Jun
Shampoo & hair-care products	221,238	319,195	248,209
Skincare products	31,908	47,552	41,508
Herbal tea	16,108	48,947	118,316
Other products	19,447	33,372	31,810
Total	288,701	449,066	439,843



Revenue by Brand



	1H2012		1H2011	
	(RMB'000)	%	(RMB'000)	%
Bawang	159,080	55.1%	146,733	33.4%
Royal Wind	63,950	22.2%	84,770	19.3%
Bawang Herbal Tea	16,108	5.6%	118,316	26.9%
Herborn	28,935	10.0%	38,795	8.8%
Litao	17,796	6.2%	48,517	11.0%
Smerry	2,832	0.9%	2,712	0.6%
	<u>100.0%</u>		<u>100.0%</u>	

	1H 2012	2H 2011	1H 2011
(RMB'000)	For the six months ended 30 Jun	For the six months ended 31 Dec	For the six months ended 30 Jun
Bawang	159,080	271,239	146,733
Royal Wind ⁽¹⁾	63,950	60,998	84,770
Bawang Herbal Tea ⁽²⁾	16,108	48,946	118,316
Herborn ⁽³⁾	28,935	43,955	38,795
Litao ⁽⁴⁾	17,796	20,330	48,517
Smerry	2,832	3,598	2,712
Total	288,701	449,066	439,843

Note: 1. Launched in May 2009; 2. Launched in April 2010; 3. Launched in December 2009; 4. New products series launched in October 2010

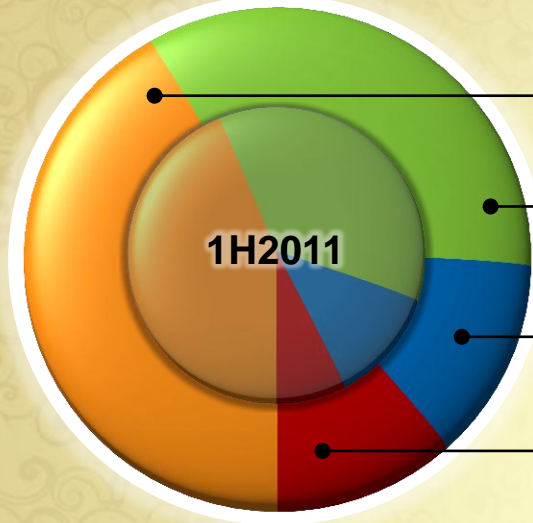


Cost of Sales Breakdown

1H2012

1H2012

1H2011



Raw materials	41.6%	43.7%
Packaging materials	34.0%	36.5%
Production cost	12.9%	12.3%
Labor cost	11.5%	7.5%
	<u>100.0%</u>	<u>100.0%</u>

	1H 2012		2H 2011		1H 2011	
	For the six months ended 30 Jun		For the six months ended 31 Dec		For the six months ended 30 Jun	
	(RMB'000)	(% of COS)	(RMB'000)	(% of COS)	(RMB'000)	(% of COS)
Raw materials	67,649	41.6%	88,586	36.7%	132,230	43.7%
Packaging materials	55,242	34.0%	105,774	43.8%	110,556	36.5%
Production cost	20,895	12.9%	25,501	10.6%	37,220	12.3%
Labor cost	18,739	11.5%	21,467	8.9%	22,820	7.5%
Total	162,525	100.0%	241,328	100.0%	302,826	100.0%



Operating Expenses Analysis

- Successful cost reduction
- Improve business operation and cost control

	1H 2012	2H 2011	1H 2011
<i>(RMB'000)</i>	<i>For the six months ended 30 Jun</i>	<i>For the six months ended 31 Dec</i>	<i>For the six months ended 30 Jun</i>
Selling and distribution costs	320,990	413,782	458,557
– Advertising	77,150	161,150	152,428
– Promotion & Salary	189,290	191,619	246,569
– Others (including new products launch, meetings etc)	54,550	61,013	59,560
Administrative expenses	48,271	57,720	44,737
– R&D expenses	16,045	21,735	12,083
Total SD&A	369,261	471,502	503,294



Breakdown of Total Headcount

	As at 30 Jun 2012	As at 31 Dec 2011	As at 30 Jun 2011
Full-time employees	756	792	868
Contract personnel			
– Salespersons	5,475	5,967	6,764
– Others	2,025	3,025	3,575
Total employees	8,256	9,784	11,207
Outsourcing personnel			
– Salespersons	--	1,257	--
Total headcount	8,256	11,041	11,207

Financial Position



	1H 2012	2H 2011	1H 2011
<i>(RMB'000)</i>	<i>For the six months ended 30 Jun</i>	<i>For the year ended 31 Dec</i>	<i>For the six months ended 30 Jun</i>
Net trade receivable days	87 days	94 days	82 days
Trade payable days	61 days	42 days	30 days
Inventory turnover days	112 days	66 days	61 days
Cash & cash equivalents	320,357	602,672	875,021
Current assets	606,599	973,752	1,257,253
Current liabilities	198,059	215,211	213,008
Net assets	698,753	1,028,842	1,282,662
Current ratio	3.1 times	4.5 times	5.9 times



CAPEX Plan

● Estimated CAPEX for 2H2012 will be RMB40 million





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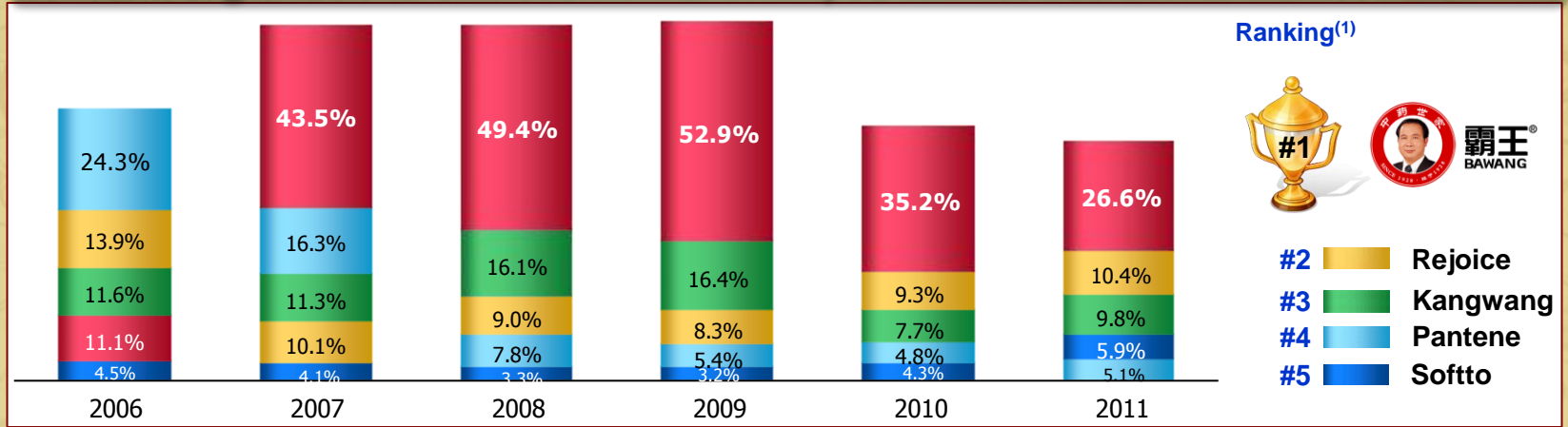
Business Review





Market Share

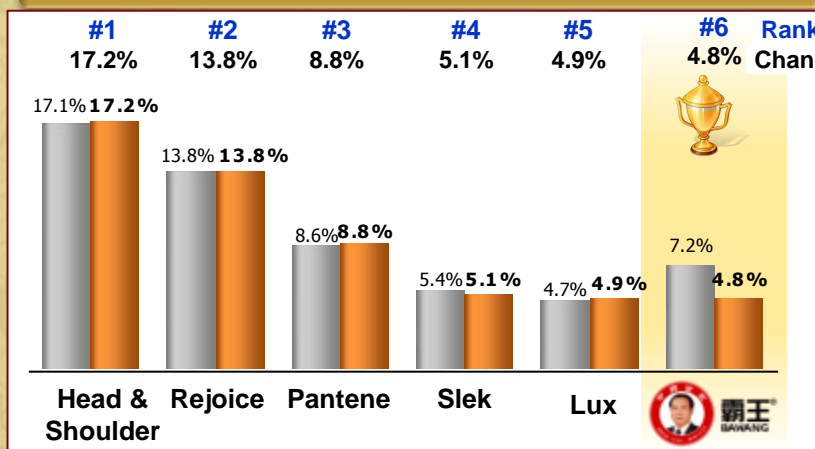
Bawang Excels in Chinese Herbal Shampoo Market with 26.6% Market Share



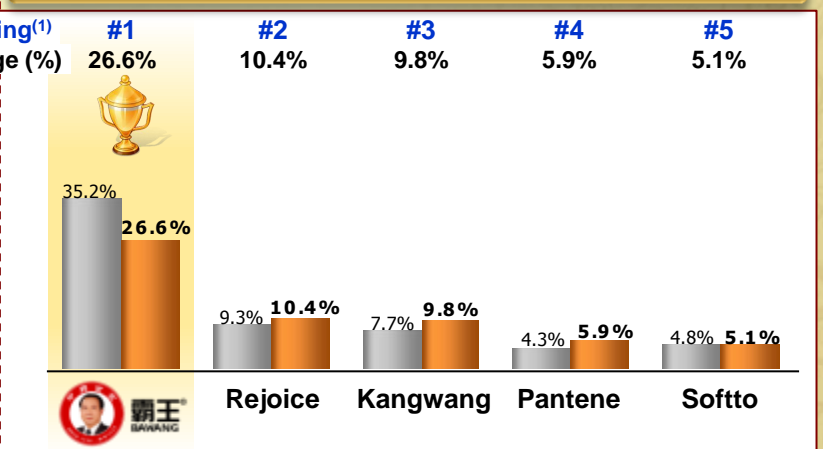
Source: Euromonitor

Noted: Based on 2011 market share of herbal shampoo brands

Bawang Ranked as the Sixth Shampoo Brand in China



Leading Position in the Chinese Herbal Shampoo Market



Source: Euromonitor

Note: The 2011 ranking

2010 2011



Diversified Brand & Product Portfolio

	Year of Launching	Key Product Type	Target Customers
Chinese Herbal Series			
 霸王® 霸王 (Bawang)	1998	Chinese anti-hair fall herbal shampoo, hair-care products and other HPC products	Medium- to high- end market
 追风 (Royal Wind)	May 2009	Chinese herbal anti-dandruff shampoo, hair-care and hairdressing products	
 本草堂 (Herborn)	Dec 2009	Chinese herbal skincare products	
 霸王凉茶 (Bawang Herbal Tea)	April 2010	Chinese herbal drink	
Natural Herbal Series			
 丽涛 (Litao)	Launched in 2001 Rebranded in Oct 2010	Shampoo, hair-care & other HPC products	Medium market
 雪美人 (Smerry)	Launched in 2004 Rebranded in May 2012	Skincare products	

Bawang Shampoo Accesses to Female Market



- Successfully launched the Bawang Anti-hair Fall Shampoo for Ladies and Nutri-repairing Moisturizing Conditioner in August 2012, targeting the female consumers market
- Bring female customers black and thick hair with descended secret recipe through cooperation with Guangzhou University of Chinese Medicine
- Establish the series as a natural, mild and healthy anti-hair fall brand with herbal essence for female consumers





Bawang Shampoo and Hair-care Series

- Formulae originated from the descended recipe which have been admitted into the Protection List of Guangdong Lingnan Chinese Medical Cultural heritage Steering Committee (广东省岭南中药文化遗产保护名录)
- Mr. Jackie Chan and Korean super star Ms. Kum Hui Seon continue to act as the brand ambassadors
- As of 30 June 2012, BaWang brand has 489 distributors, 50 KA retailers and sales network covering 26 provinces and four municipalities in China; products also sold in Hong Kong, Macau, Singapore, Myanmar, Thailand, Malaysia, Brunei and Australia
- Revenue amounted to RMB159 million in 1H2012





Royal Wind Shampoo and Hair-care Series

- Royal Wind positioned as a young, natural and professional anti-dandruff shampoo and hair-care brand, targeting medium-to-high end market
- The new Royal Wind series adopting new formulae, new fragrance and new package; launched Royal Wind Hydra-fresh Shampoo series and Anti-hair Fall Shampoo series
- Pop Singer Mr. Han Geng continues to act as brand ambassador
- As of 30 June 2012, Royal Wind has 446 distributors, 48 KA retailers and sales network covering 26 provinces and four municipalities in China; products also sold in Singapore
- Revenue amounted to RMB64 million in 1H2012





Bawang Herbal Tea

- Bawang Herbal Tea selected as the designated herbal tea supplier to the International Cycling Union (ICU) Women Road World Cup 2012 in Chongming, Shanghai
- Mr. Donnie Yen continues to be the brand ambassador
- As of 30 June 2012, Bawang Herbal Tea has 228 distributors with its sales network covering 24 provinces and two municipalities in China
- Revenue amounted to approximately RMB16 million in 1H2012





Herborn Chinese Herbal Skincare Brand

- Positioned as the “Formula to Beauty”, targeting medium-to-high end Chinese herbal skincare market
- Launched high-end Herborn Imperial Series, elegant and exquisite
- Whitening & Nourishing Essence won the “Meiyi Award” from other newly launched products
- 3rd time as the Exclusive sponsor of skincare products to the 62nd Miss World Pageant, China
- As of 30 June 2012, Herborn brand has 107 distributors, 14 KA retailers with its sales network covering 27 provinces and four municipalities in China; products also sold in Hong Kong
- Revenue amounted to approximately RMB29 million in 1H2012



Smerry



- Establish Smerry as a refreshing and whitening natural skincare brand, satisfying consumers' demand for natural and healthy skincare products
- Launched Refreshing Rose Petal Whitening, Refreshing Aloe Whitening & Moisturizing, Saussurea Involucrata Crystal Whitening and Deep Clean and Clear series in July 2012
- Ms. Jing Tian, young and popular actress, continues to act as brand ambassador
- Revenue amounted to approximately RMB2.8 million



Deepen Market Penetration in China, Further Expand into Overseas Markets



As at 30 Jun 2012					
Distributors	489	446	107	228	377
KA Retailers	50	48	14	-	-
Provinces	26	26	27	24	26
Municipalities	4	4	4	2	4

Note: The Company also sells products via distributors in Hong Kong, Macau, Singapore, Thailand, Myanmar, Malaysia, Brunei and Australia. Bawang Shampoo and hair-care series will be launched in Vietnam and Indonesia.

Promote Chinese Medicine Research & Product Development



- Collaborated with the research centre of Guangzhou University of Chinese Medicine on R&D since last year to promote the healthy development of the industry with each other's expertise
- Three product series – “Bawang Anti-hair Fall Shampoo”, “Bangwa Hair Blackening and strengthening Shampoo” & “Bawang Nutri-Moisturizing Shampoo” recognized as “Independent Innovation Products of Guangdong Province in 2011” 「2011年广东省自主创新产品」 by Guangdong Provincial Department of Science and Technology 「广东省科学技术厅」
- Obtained five patent certificates from the State Intellectual Property Office in relation to herbal extract methodologies and techniques, and another one in relation to herbal sugar-free drink methodology and technique
- R&D expenses in 1H2012 amounted to RMB16 million





Diversified Marketing Strategy

Complete Coverage:

Nationwide Newspapers, TV Channels, Internet & Outdoor Media





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Strategic Goals



Strategic Goals



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Short-term Goals

Improve investor confidence

Continue to build up a management team with strong experience in both domestic & global HPC sectors

Regain sales growth & profitability

Long-term Goals

A global leader of branded Chinese herbal HPC products

A well balanced multi-brand and multi-product strategy in HPC sector

A sustainable business model and positioning against both domestic and international competitors