



BaWang International (Group) Holding Limited

霸王國際(集團)控股有限公司

2013 Interim Results Announcement



Agenda



1 Major Accomplishments

2 Business Review

3 Financial Highlights

4 Strategic Goals

5 Open Forum

新霸王 豆蔻组方 高端洗发系列

头皮滋养 秀发减龄





Major Accomplishments



Major Measures and Development



**Sales Automation
Management System**

Project Excel

Project Win-Win

**Performance Based
Appraisal System**

浓密秀发
美丽新生



Transparent Factory & Educational Base



Strategies	<ul style="list-style-type: none"> ➤ Create an image of transparent factory & establish educational base
Event	<ul style="list-style-type: none"> ➤ Regularly open the industrial complex to the government sector, the media, consumers, students and the public, showing them the advanced production technology and new production processes
Purpose	<ul style="list-style-type: none"> ➤ Improve awareness and trust in the brand ➤ Enhance brand recognition and reputation ➤ Strengthen the bonding between Bawang and the public and establish a sound corporate image
Visitors	<ul style="list-style-type: none"> ➤ Party Secretary of Guangzhou Municipal Government Mr. Wan Qingliang, the local & overseas distributors, the students from the University of Hong Kong and Guangdong Business University, the standing committee members of the Association of International Accountants, etc.



Bawang Beauty Action— Shampooing for Your Love



Sentiment Marketing	<ul style="list-style-type: none"> ➤ Bawang Beauty Action – Shampooing for Your Love
Event Introduction	<ul style="list-style-type: none"> ➤ Show your care by shampooing for your loved ones ➤ Held during six traditional Chinese Festivals in six cities including Guangzhou, Beijing and Shanghai ➤ Over 40 Popstars participated in the events and shared hair-care knowledge online
Integrated Promotion	<ul style="list-style-type: none"> ➤ New channels: micro movie, micro-blog live feed ➤ Traditional channels: television, newspaper, video websites and other website portals
Honorary Recognition	<ul style="list-style-type: none"> ➤ Obtained Advertisers summit organizing committee of China awarded Best PR Case Award-“Marketing Communication Outstanding Case Award”





Establish a brand position in the industry

<p>Domestic Certification</p>	<ul style="list-style-type: none"> China Industrial Information Issuing Center of National Bureau of Statistics: Bawang was the No.1 Chinese medicine shampoo in 2012 Bawang branded products were identified by the China Quality Inspection Association as “National Quality Inspection and Stability of Qualified Products” Bawang Guangzhou was awarded by China Quality Inspection Association the “Outstanding Enterprise with Commitment to Quality and Integrity in China”
<p>International Recognition</p>	<ul style="list-style-type: none"> Bawang shampoo and hair-care products granted the exclusive shampoo and hair-care products for Beijing British Commonwealth Society



HPC Industry Charismatic Leader – CEO Wan



<p>Experience</p>	<ul style="list-style-type: none"> Engaged in HPC industry for over 20 years extensive & specialized knowledge in the R&D and marketing of traditional Chinese medicine products
<p>Recognition</p>	<ul style="list-style-type: none"> The 4th Standing Committee Award by the Chinese National Joint Trade Association of Beauty-care & Cosmetic Industry Honorable Civilian Diplomat of the BJ British Commonwealth Society








Business Review



Diversified Brand and Product Portfolio



	Year of Launching	Key Product Types	2013 Strategies
Chinese Herbal Series			
	1998	Chinese anti-hair fall herbal shampoo, hair-care products and other HPC products	Enhance brand image and product quality Actively promote Cardamom series, Toothpaste and upgrade Chinese Herbal Essence series
 追风 (Royal Wind)	May 2009	Chinese herbal anti-dandruff shampoo, hair-care and hairdressing products	Enhance brand recognition and image
 本草堂 (Herborn)	Dec 2009	Chinese herbal skincare products	Expand distribution network and boost same-store sales growth
Natural Herbal Series			
 丽涛 (Litao)	Launched in 2001 Rebranded in Oct 2010	Shampoo, hair-care and other HPC products	Focus on laundry detergent & new shampoo products, promote through the traditional channels
 SMÉRRY 雪美人 (Smerry)	Launched in 2004 Rebranded in May 2012	Skincare products	Make Refreshing Rose Petal Toner popular product
 DOCTOR GAO 高医生	July 2013	Liquid Soap, laundry detergent and other Household cleaning products	Promote through the distribution channels and Improve the brand familiarity

Bawang Shampoo and Hair-care Series



Positioning and Theme	<ul style="list-style-type: none"> ➤ Natural and healthy way for hair repairing ➤ Formulae originated from the proprietary formula included in the Protection List of Guangdong Lingnan Institute for Intangible Cultural Heritage for Traditional Chinese Medicine Culture (广东省岭南中药文化遗产保护名录)
New/Enhanced Products	<ul style="list-style-type: none"> ➤ Bawang high-end shampoo series—Cardamom ingredient, luxury launched ➤ New products image positioning as “nourish the scalp & anti-age ” ➤ Rolled out upgrade Chinese Herbal Essence series
Brand Ambassador	<ul style="list-style-type: none"> ➤ Mr. Jackie Chan and Korean super star Ms. Kim Hui Seon
Sales Network	<ul style="list-style-type: none"> ➤ 505 distributors, 46 KA retailers covering 27 provinces and 4 municipalities in China ➤ Overseas markets include Hong Kong, Singapore, Myanmar, Thailand, Malaysia, Brunei and Australia



Royal Wind Shampoo and Hair-care Series



Positioning and Theme	<ul style="list-style-type: none"> ➤ Youthful, natural and professional anti-dandruff shampoo and hair-care brand, targeting medium-to-high end customers ➤ Youthful and trendy way to eliminate dandruff through TCM ➤ Eliminating dandruff and nourishing scalp simultaneously
Brand Ambassador	<ul style="list-style-type: none"> ➤ Pop Singer Mr. Han Geng
Strategies	<ul style="list-style-type: none"> ➤ Diversified and innovative online marketing initiatives, featuring active interaction with pop star Mr. Han Geng ➤ Enhance brand recognition and rejuvenate brand image
Sales Network	<ul style="list-style-type: none"> ➤ 464 distributors and 45 KA retailers covering 27 provinces, 4 municipalities in China ➤ Products also sold in Singapore



Chinese Herbal Medicine, Botanical Skin-care Brands



<p>Herborn</p>	<ul style="list-style-type: none"> ➤ Positioning: “Formula to Beauty”, targeting medium-to-high-end Chinese herbal skincare market ➤ Theme: Shines with rosy and snowy, signifying the secret of Chinese beauty ➤ Strategies: Expand distribution network and boost same-store sales growth ➤ Sales Network: 93 distributors, 8 KA retailers covering 27 provinces and 4 municipalities in mainland China
<p>Smerry</p>	<ul style="list-style-type: none"> ➤ Positioning: Established as a refreshing and whitening natural skincare brand, satisfying consumers’ demand for natural and healthy skincare products ➤ Strategies: Make Refreshing Rose Petal Toner popular product ➤ Brand Ambassador: Ms. Jing Tian, young and popular actress





New Products Launch

Bawang Toothpaste	<ul style="list-style-type: none">➤ Introducing solid tooth care gingival, white and fresh, cool moth three series, to create a more fundamental, more healthy, more suitable for Chinese medicine oral care brands
Litao plant essence series	<ul style="list-style-type: none">➤ Upgraded Litao plant essence 2-in-1 shampoo series, “Multiple care, all in one bottle”, for easy and comprehensive hair care;➤ Litao plant essence laundry detergent. “Mild formula, deep clean, care clothing, lasting scent”. Effective care and new concept to laundry.
Doctor Gao	<ul style="list-style-type: none">➤ Intensively researched Doctor Gao Liquid Soap, rich in plant essence, mild and more moisture cleaning;➤ Long-lasting antibacterial for all day, protect your family health all day.



Deepen Market Penetration in China, Further Expand into Overseas Markets



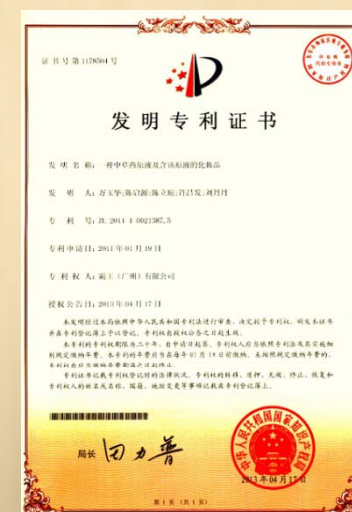
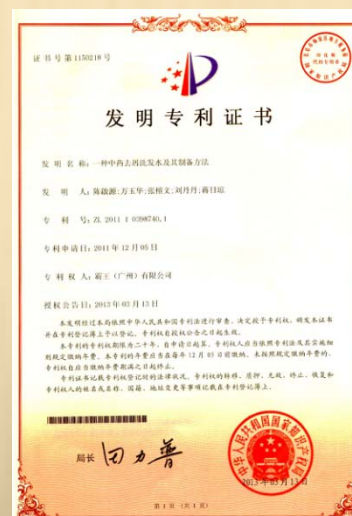
As at 30 Jun 2013				
Distributors	505	464	93	396
KA Retailers	46	45	8	-
Provinces	27	27	27	27
Municipalities	4	4	4	4

Note: 1. The Company also sells products via distributors in Hong Kong, Singapore, Thailand, Myanmar, Malaysia, Brunei and Australia. Bawang Shampoo and hair-care series will be launched in Vietnam and Indonesia.
 2. The Group has discontinued its herbal tea business since 1 July 2013.

Promote Chinese Medicine Research and Product Development



- Continuously collaborated with the research centre of Guangzhou University of Chinese Medicine on R&D to promote the healthy development of the industry with each other's expertise
- Obtained two patent certificates from the State Intellectual Property Office in relation to herbal extract methodologies and techniques, and another three patent in relation to packaging
- The Guangdong Provincial Bureau of New Hi-Tech has recently awarded Certificate of New Hi-tech enterprise to Bawang Guangzhou in November 2012; Validated as 2012 Integrity self-discipline and advanced enterprise of the pharmaceuticals industry in Guangdong Province in May 2013
- R&D expenses in 2013 amounted to RMB8.7 million



Diversified Marketing Strategies





Financial Highlights



Financial Highlights



<i>(RMB'000)</i>	1H2013	1H2012	+/- %
Turnover	240,745	272,593	-11.7%
Cost of sales	(120,131)	(126,072)	-4.7%
Gross profit	120,614	146,521	-17.7%
Selling & distribution costs	(158,766)	(284,263)	-44.1%
Administrative expenses	(46,244)	(47,711)	-3.1%
Loss from operations	(83,340)	(186,769)	-55.4%
Income tax (expense)	-	(82,605)	N/A
Loss for the period (Hair-care & skin-care)	(83,993)	(269,374)	-68.8%
Loss for the period (Herbal tea)	(2,019)	(57,574)	-96.5%
Total loss for the period	(86,012)	(326,948)	-73.7%
Gross Margin	50.1%	53.8%	N/A

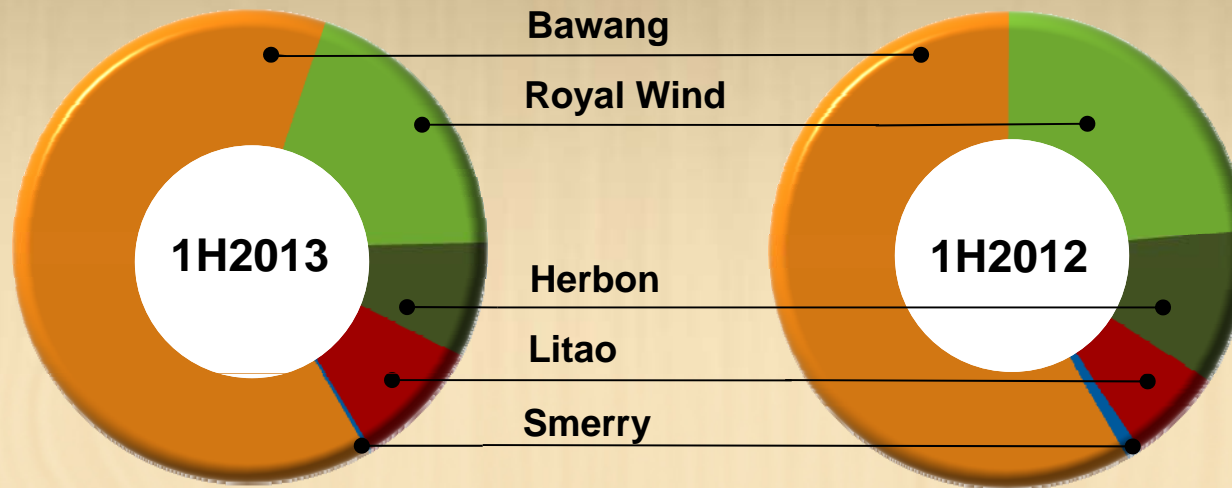
Revenue by Product Category

(Continuing Operations)



	1H2013		1H2012	
	(RMB'000)	%	(RMB'000)	%
Shampoo & hair-care products	199,007	82.7%	220,257	80.8%
Skincare products	19,827	8.2%	31,767	11.7%
Other products	21,911	9.1%	20,569	7.5%
Total	240,745	100%	272,593	100%

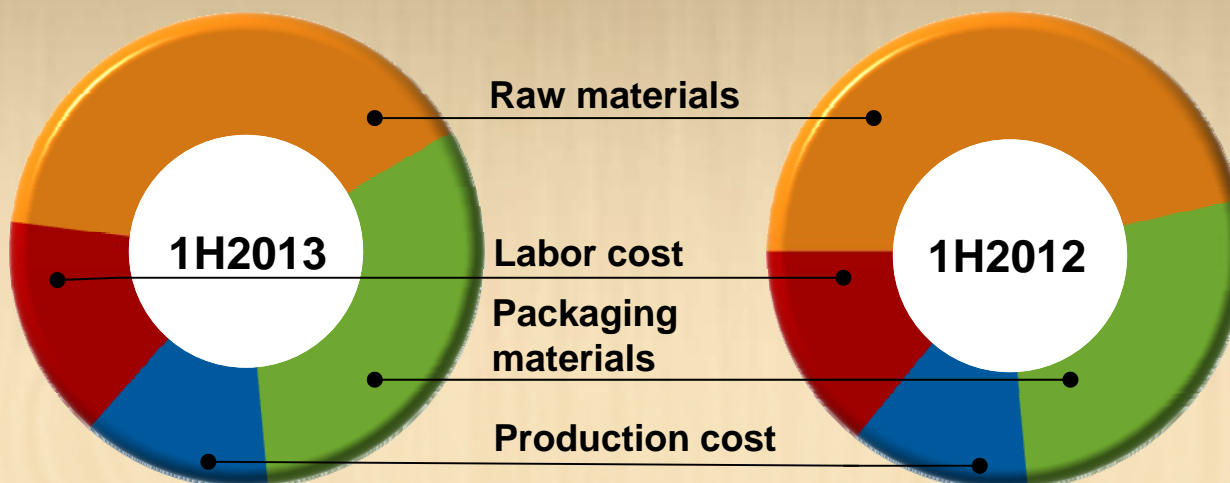
Revenue by Brand (Continuing Operations)



	1H2013		1H2012	
	(RMB'000)	%	(RMB'000)	%
Bawang	152,986	63.5%	159,080	58.4%
Royal Wind	46,719	19.5%	63,950	23.5%
Herborn	19,017	7.9%	28,935	10.6%
Litao	21,213	8.8%	17,796	6.5%
Smerry	810	0.3%	2,832	1.0%
Total	240,745	100%	272,593	100%

Cost of Sales Breakdown

(Continuing Operations)



	1H2013		1H2012	
	(RMB'000)	%	(RMB'000)	%
Raw materials	48,481	40.3%	58,602	46.5%
Packaging materials	37,696	31.4%	33,993	27.0%
Production cost	18,362	15.3%	18,058	14.3%
Labor cost	15,592	13.0%	15,419	12.2%
Total	120,131	100%	126,072	100%

Operating Expenses Analysis

(Continuing Operations)



- Successful cost reduction
- Improve business operations and cost control

(RMB'000)	1H2013	1H2012	+/- %
Selling and distribution costs*	158,766	284,263	-44.1%
– Advertising	43,986	73,728	-40.3%
– Promotion & Salary	92,663	171,645	-46.0%
– Others (including new products launch, meetings etc)	22,117	38,890	-43.1%
Administrative expenses*	46,244	47,711	-3.1%
– R & D expenses	8,673	16,045	-45.9%
Total	205,010	331,974	-38.2%

*Only the key SG&A items have been extracted to show in this slide.

Financial Position

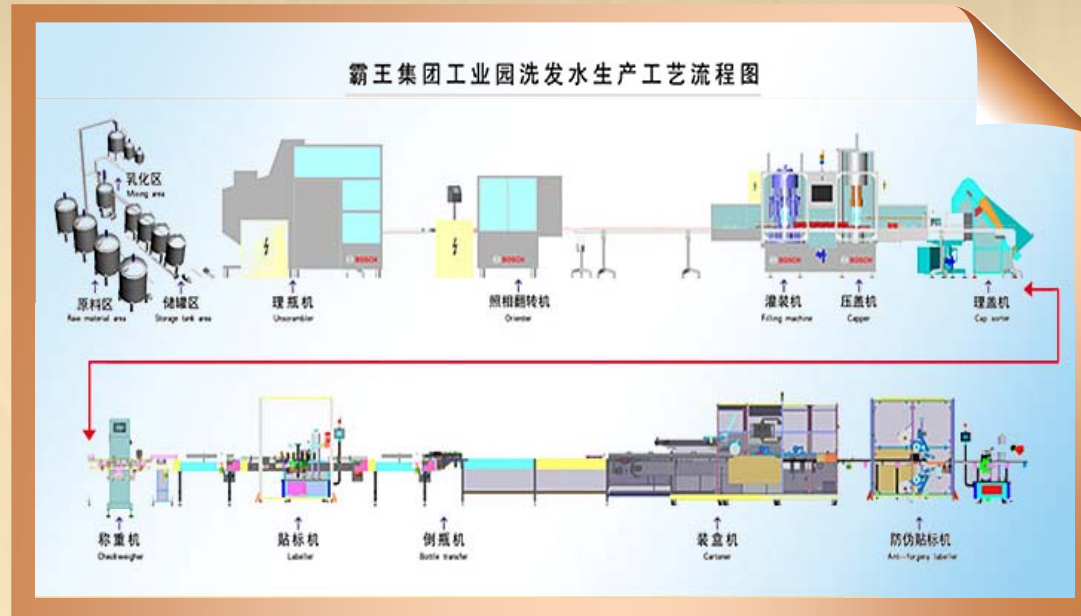


<i>(RMB'000)</i>	1H2013	FY2012
Net trade receivable days	64 days	79 days
Trade payable days	83 days	66 days
Inventory turnover days	92 days	94 days
Cash & cash equivalents	91,440	224,608
Current assets	262,840	429,406
Current liabilities	240,325	337,921
Net assets	338,344	412,669
Current ratio	1.1 times	1.3 times

CAPEX Plan



➤ Estimated CAPEX for 2H2013 will be RMB16 million





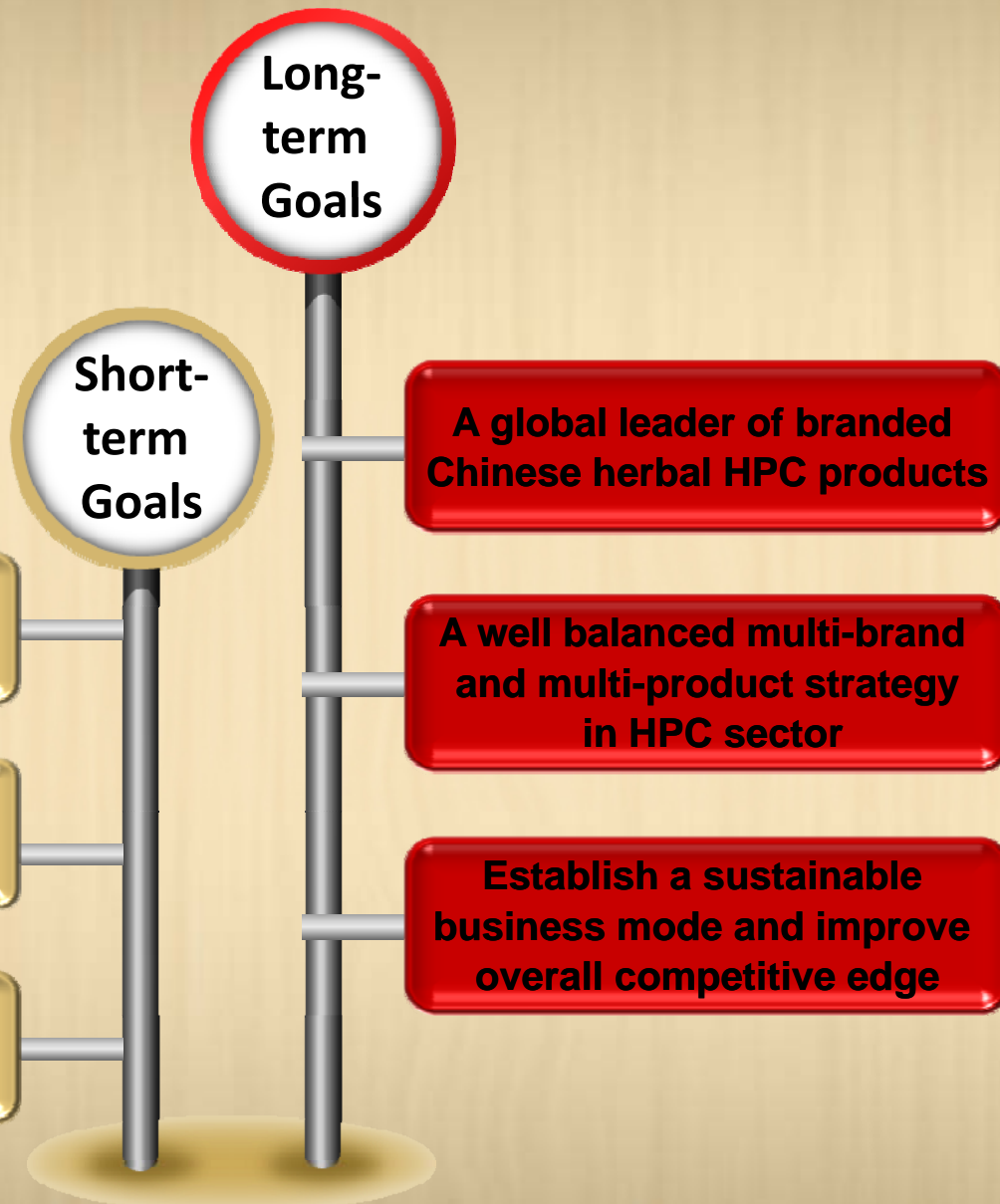
Strategic Goals



Strategic Goals



霸王
BAWANG





Open Forum

