



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

Stock Code 股份編碼: 1338

## 2009 Annual Results Announcement

April 2010





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

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## *Major Accomplishments*



# Major Accomplishments



- ◆ Successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited in July 2009
- ◆ Became a constituent stock of Hang Sang Composite Index six months after listing
- ◆ Accredited as “China New High-Tech Enterprise” by Guangdong Science & Technology Department, which enables the Group to enjoy a preferential enterprise income tax rate of 15% starting from the fiscal year 2011
- ◆ Introduced 3 new brands namely “Royal Wind”, “Herborn” and “Bawang Men’s Series” to the market
- ◆ Recognized as one of the major tax contributors in Guangzhou Baiyun District for two consecutive years





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## *Financial Highlights*

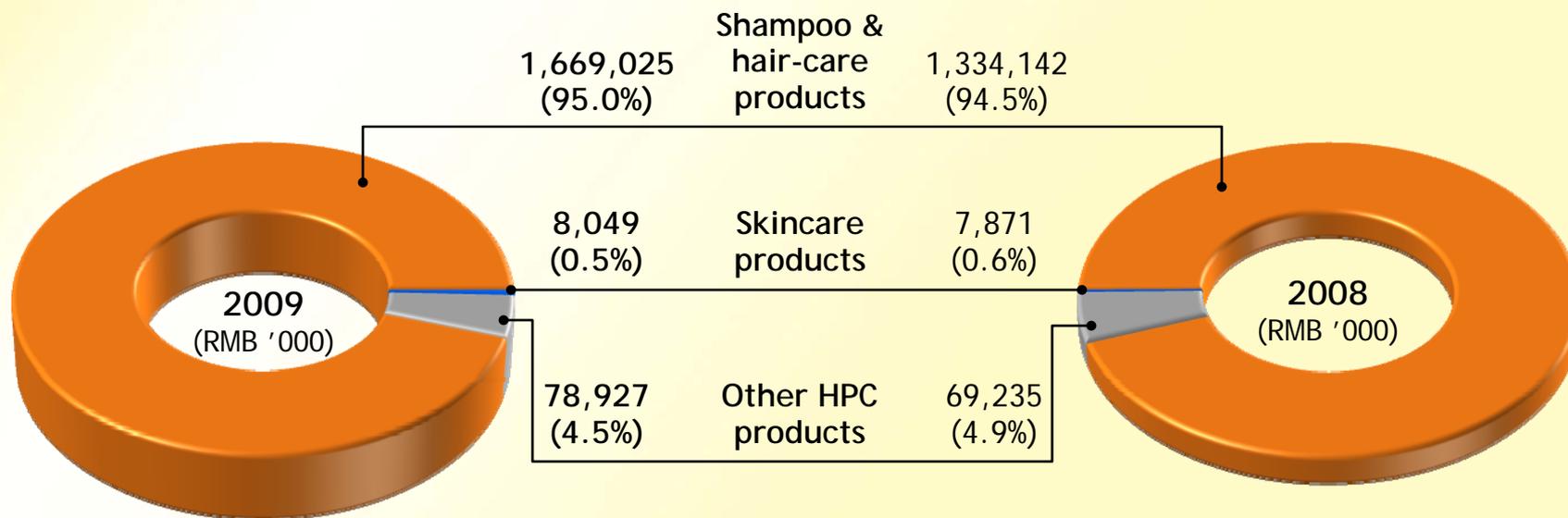


# Financial Highlights: Key Income Statement Figures



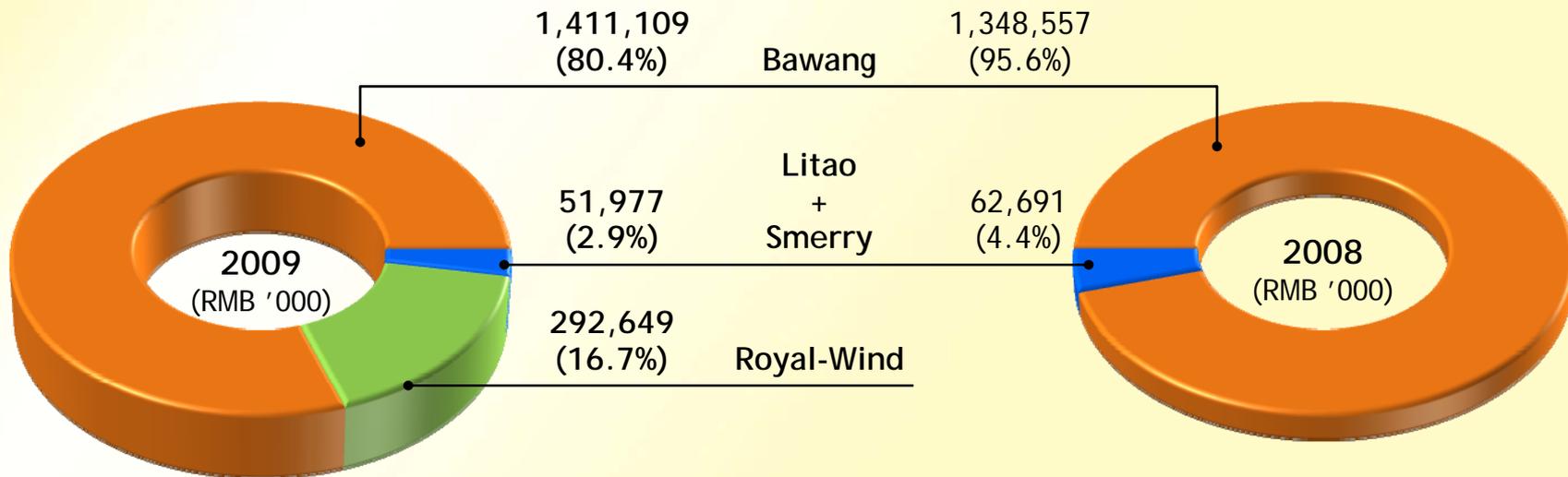
	2009	2008	Change (%)
(RMB '000)	For the year ended 31 December		
Revenue	1,756,001	1,411,248	+ 24.4%
Cost of Sales	(590,355)	(509,324)	+ 15.9%
Gross Profit	1,165,646	901,924	+ 29.2%
Selling and Distribution Costs	(637,344)	(512,285)	+ 24.4%
Administrative Expenses	(75,756)	(47,419)	+ 59.8%
Profit from Operations	452,252	341,925	+ 32.3%
Income Tax	(85,659)	(63,268)	+ 35.4%
Profit Attributable to Equity Shareholders	364,131	281,774	+ 29.2%
Earnings Per Share (RMB yuan)	0.15	0.13	+ 15.4%
Final Dividend (HK cent)	4.25	N/A	N/A
Special Dividend (HK cent)	4.25	N/A	N/A
<i>Gross Margin</i>	<i>66.4%</i>	<i>63.9%</i>	+ 2.5 pts
<i>Net Margin</i>	<i>20.7%</i>	<i>20.0%</i>	+ 0.7 pts

# Revenue by Product Category



	2009	2008	Change (%)
(RMB '000)	<i>For the year ended 31 December</i>		
Shampoo & hair-care products	1,669,025	1,334,142	+ 25.1%
Skincare products	8,049	7,871	+ 2.3%
Other HPC products	78,927	69,235	+ 14.0%

# Revenue by Brand



	2009	2008	Change (%)
(RMB '000)	For the year ended 31 December		
Bawang	1,411,109	1,348,557	+4.6%
Royal-Wind <sup>(1)</sup>	292,649	--	N/A
Litao + Smerry	51,977	62,691	-17.1%
Herborn <sup>(2)</sup>	266	--	N/A

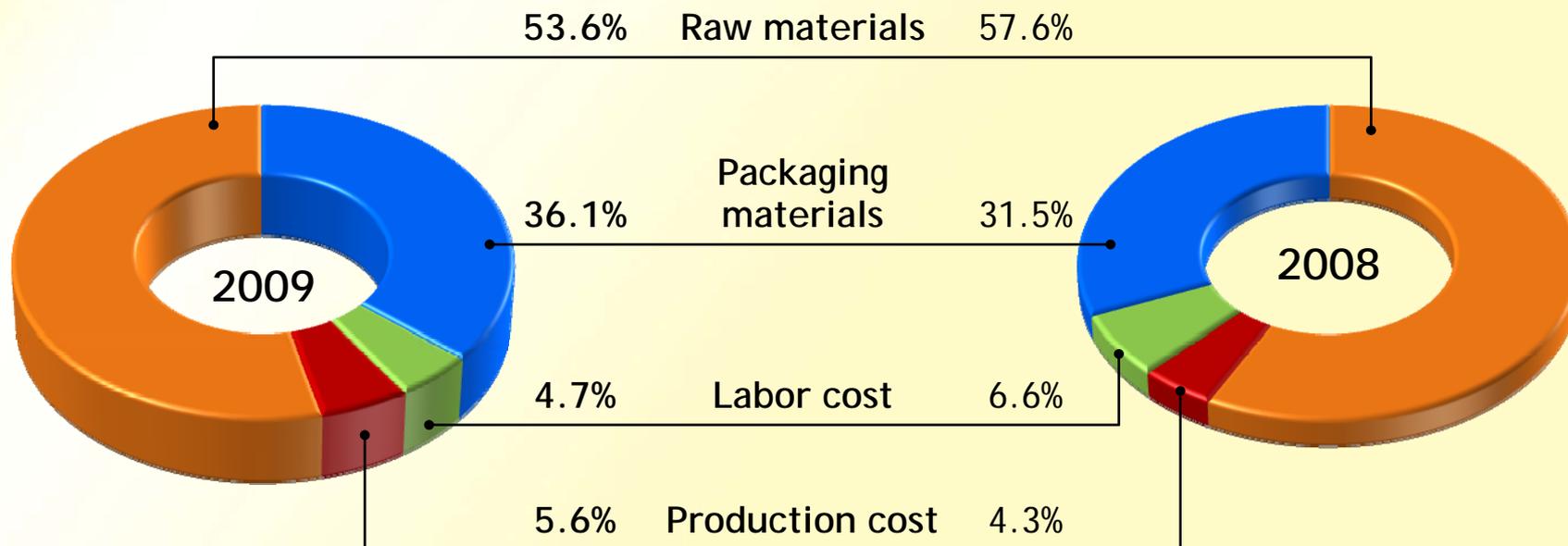
Notes:

1. Launched in May 2009
2. Launched in December 2009

## Cost of Sales Breakdown

Gross Profit Margin: 66.4%

Gross Profit Margin: 63.9%



- ◆ Cost of sales increased by 15.9% yoy from RMB509.3 million in 2008 to RMB590.4 million in 2009, primarily due to the increase in production driven by the launch of the new products in 2009
- ◆ Gross profit margin increased by 2.5 pts. to 66.4% was mainly due to the change in product combination and the decrease of the cost of raw materials in the percentage of revenue

# Operating Expenses Analysis



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

	2009	As % of revenue
(RMB '000)	<i>For the year ended 31 December</i>	
<b>Selling &amp; Distribution Costs</b>	<b>637,344</b> (2008: 512,285)	<b>36.3%</b> (2008: 36.3%)
<b>Advertising</b>	<b>186,763</b> (2008: 159,451)	<b>10.6%</b> (2008: 11.3%)
<b>Others</b> (Including new products launch, meetings expenses and promotion & salary)	<b>450,581</b> (2008: 352,834)	<b>25.7%</b> (2008: 25.0%)
<b>Administrative Expenses</b>	<b>75,756</b> (2008: 47,419)	<b>4.3%</b> (2008: 3.4%)

# Healthy Financial Position



	2009	2008
(RMB '000)		
Net trade receivable days	49 days	25 days
Trade payable days	56 days	63 days
Inventory turnover days	35 days	34 days
Cash & bank balances	1,742,523	298,148
Current assets	2,498,928	619,381
Current liabilities	490,045	329,994
Net assets	2,034,232	314,528
Current ratio	5.10 times	1.88 times

# Use of IPO Proceeds



	Total IPO proceeds	Used IPO proceeds	2010
(HK\$ mn)			
Marketing and promotion	484.6	290.1	160.0
R&D	323.0	51.3	70.0
Expansion of distribution network	290.7	0.8	120.0
Capital expenditure	193.8	5.9	150.0
Future strategic acquisition	161.5	—	—
Working capital & other general corporate purpose	161.5	98.1	60.0
<b>Total</b>	<b>1,615.1</b>	<b>446.2</b>	<b>560.0</b>



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## *Business Review*



# Competitive Strengths



1



Leading market position in Chinese herbal shampoo market in the PRC

2



Unique brand positioning & strong brand recognition

6



Experienced, dedicated & innovative management team

5



Innovative & effective branding & marketing strategies

4



Extensive nationwide distribution & retail network

3



Strong product R&D and dedication to quality control

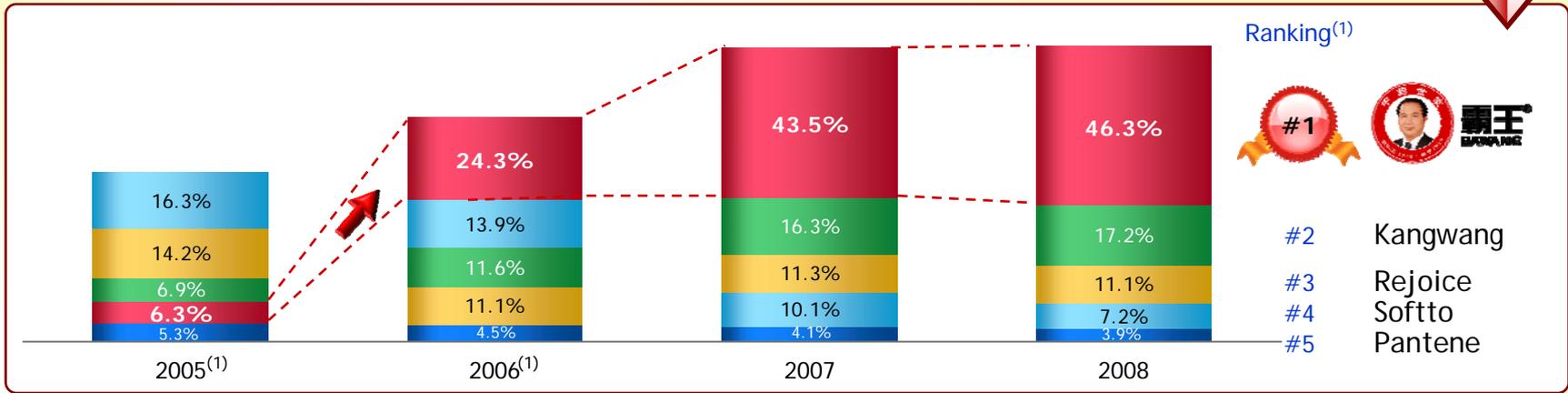


霸王®  
BAWANG

# Leading Market Position in Chinese Herbal Shampoo Market in the PRC



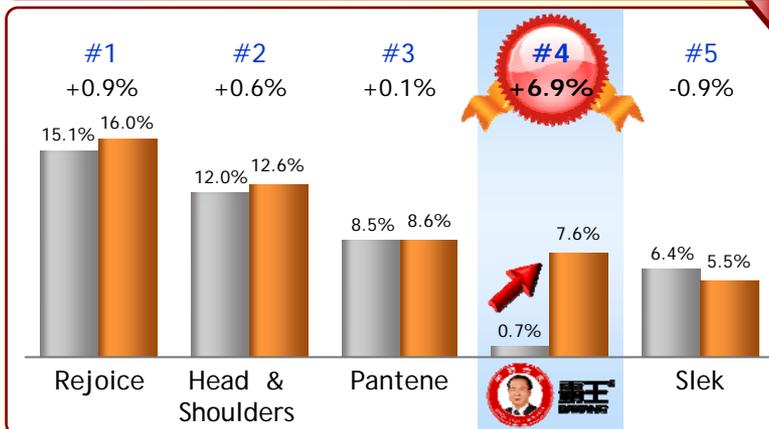
Bawang has been #1 Chinese herbal shampoo brand since 2006 and has been expanding its market shares



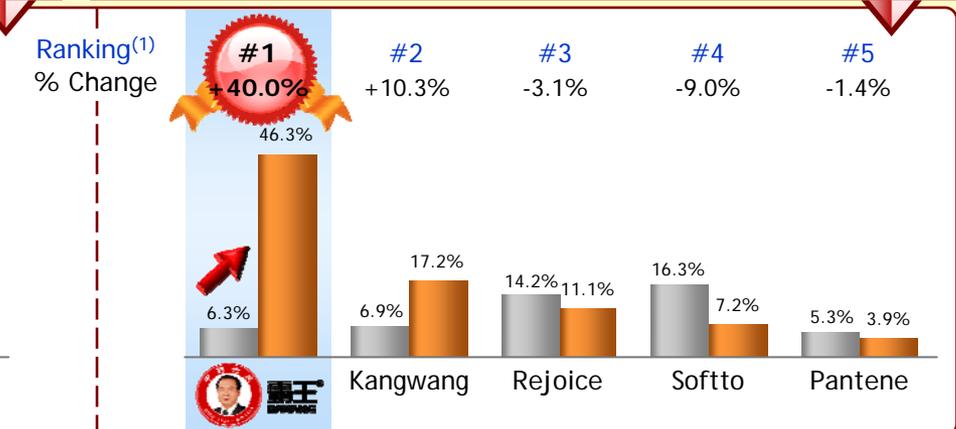
Source : Euromonitor

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

## Market shares of major shampoo brands



## Market shares of major brands of Chinese herbal shampoo



Source : Euromonitor

Note : The first half 2008 ranking

2005

2008

# Professional & Well-Recognized Market Position



*China New High-Tech Enterprise*



*Bawang brand and trademarks have been highly recognized in the PRC*



*Standing Committee Member of China National Consumer Council*



*China's Influential & Innovative Brand 2008 - 2009*



*Most Competitive brand in China's HPC industry*

# Diversified Product and Brand Portfolio



## Multi-Brand Portfolio Strategy

- ◆ Bawang brand has built up strong brand recognition
- ◆ Continue to diversify product range and increase the market shares of different brands

Brand	Year of launching	Key product type	Target customers
 Bawang	1998	Chinese herbal shampoo, hair-care products and other HPC products	Medium- to high- end market
 Bawang Men's Series	Dec 2009	Men's Chinese herbal shampoo, hair-care products and other HPC products	
 Royal Wind	May 2009	Chinese herbal anti-dandruff shampoo, hair-care products	
 Herborn	Dec 2009	Chinese herbal skincare products	
 Litao	2001	Non-Chinese herbal shampoo, hair-care products and other HPC products	Medium- end market
 Smerry	2004	Skincare products	

# Bawang Brand - Market's Leading and Renowned Products



## Bawang Branded Natural Herbal Shampoo Series



## Bawang Branded Anti-hair Loss Shampoo



## Bawang Branded Chinese Herbal Essence Shampoo and Hair-care Series

# Launch of Bawang Men's Series Shampoo and Hair-care Products



Anti-Hair Loss Package



Hair-blackening & Strengthening Series



Strengthening & Nourishing Series



- ◆ Launched in December 2009, Bawang Men's Series shampoo product line is the first high-end professional Chinese herbal shampoo and hair-care series specially designed for men who face different hair-care problems

- ◆ The price of the products was set at medium- to high-end level

- ◆ Received encouraging market response with product promotion tied in with the nationwide marketing campaign of the movie "Little Big Soldier" starring Mr. Jackie Chan

Rejuvenating & Shining Series



Refreshing & Activating Series



Strengthening & Anti-dandruff Series



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



- ◆ Launched Royal Wind branded Chinese herbal shampoo and hair-care products in May 2009 to tap into a wider consumer base across the PRC as well as overseas market
- ◆ Engaged Ms. Faye Wong as brand ambassador for Royal Wind which received overwhelming market response
- ◆ Sales of Royal Wind reached RMB292 mn as of 31 December 2009, under the smooth building and expansion of distribution network

Royal Wind - Chinese Herbal Shampoo & Hair-care Products



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 Shower Gel Product Series

# Launch of Herborn Branded Chinese Herbal Skincare Products



- ◆ Launched Herborn branded Chinese herbal skincare products in December 2009 to capture huge potential of Chinese herbal cosmetic market
- ◆ The brand targets at white-collar females aged between 25 and 45 who possess high purchasing power and pursue a healthy and natural lifestyle
- ◆ Herborn branded products are being sold at different counters in large department stores and foreign supermarkets
- ◆ Ms. Faye Wong appointed as the brand image ambassador of Herborn which is well-received by customers

## Natural White Series



## Anti-Wrinkle Series



## Hydra-Fresh Series



## Anti-Acne Series



# Further Market Penetration in both Domestic and Overseas Markets



*Strong connection between headquarter & distributors / KA retailers*



Headquarters

● 586 Distributors<sup>(1)(2)</sup>

▲ 48 KA Retailers<sup>(2)</sup>



458 Distributors and  
34 KA Retailers<sup>(2)</sup>

Notes:

1. We also sell products via a distributor in Singapore, Hong Kong, Macao
2. As at 31 December 2009

# Strong Product R&D and Dedication to Quality Control



## Strong & Professional R&D Team



## Market-Oriented Approach



## Close Collaboration with PRC Universities & Organisation



## Proven Track Record

# Innovative and Effective Branding and Marketing Strategies



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



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



Covering all major  
TV channels



Brand  
ambassadors



Banner & kiosks to  
attract customers'  
attention



Public transport  
& billboards



Newspaper,  
magazines &  
internet



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



## Flexible and effective marketing strategies

### Effective Promotion & Marketing Events

- ◆ Collaborated with its brand ambassadors to organise large-scale marketing events
- ◆ Organised product launch events to introduce new products to customers

### 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 Policy

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

## Bawang Men's Series Product Launch & Nationwide Marketing Events of "Little Big Soldier"



## Herborn New Product Launch Event



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## *Future Strategies*



# Future Strategies



# Strengthen R&D Capability to Expand Product Portfolio



- ◆ Continue to invest in product development of Chinese herbal HPC products to strengthen the market leading position and increase market shares of the Group
- ◆ Focus on product R&D of new products with attractive margins and market potential

## New products under development

1. Chinese herbal drink
2. Chinese herbal household cleansing products
3. Chinese herbal toothpaste products



# Further Expand Domestic & Overseas Distribution Network



- ◆ Recently expanded geographical coverage into Qinghai and Ningxia, making the distribution network covers almost every province and municipality in China
- ◆ Launch Bawang branded products in Brunei and the Middle East in 2010 and continue to explore potential markets overseas



# Baiyun Production Base



	Phase I	Phase II
<b>Project Development</b>		
Expected year of completion	2010	2012
Estimated capacity upon completion	100,000 metric tons	280,000 metric tons
Estimated gross floor area	75,000m <sup>2</sup>	123,000m <sup>2</sup>

*New production premises is located in Baiyun District, Guangzhou*





# 霸王® BAWANG

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





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## Q & A