



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

Stock Code 股份代號: 1338

2010 Annual Results Announcement

March 2011



Agenda



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

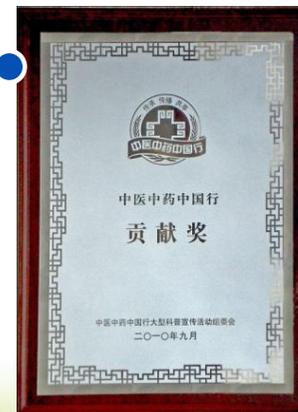
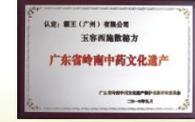
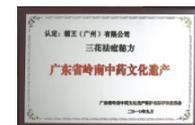
Major Accomplishments



Major Accomplishments



- Exclusive supplier of Guangzhou 2010 Asian Games. Awarded a certificate of outstanding achievement in product safety 「亚运会指定洗发水供应商」
- Designated as “Renowned Family of Traditional Chinese Herbal Medicine” 「中药世家」
- Four shampoo, four skincare were admitted to the protection list of Southern China Steering committee for Protection of Intangible Cultural Heritage 「广东省岭南中药文化遗产」
- Five Herbal Tea formulas and the associated terminology approved as National Intangible Cultural Heritage by the State Council 「国家级非物质文化遗产」
- Chairman Chen has been recognized as Representative Inheritor of Chinese Herbal Tea Culture 「中草药凉茶文化的代表性传承人」
- “Traditional Chinese Herbal Medicine Exhibition” contribution award 「中药中医中国行」
- Bawang Guangzhou Awarded Industry Leader in Cosmetics Industry 「中国化妆品工业领袖奖」
- Ms. Wan Yu Hua, CEO of the Group was accredited Distinctive Person in Sales & Marketing in China 「中国营销金鼎奖杰出风云人物奖」





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Financial Highlights

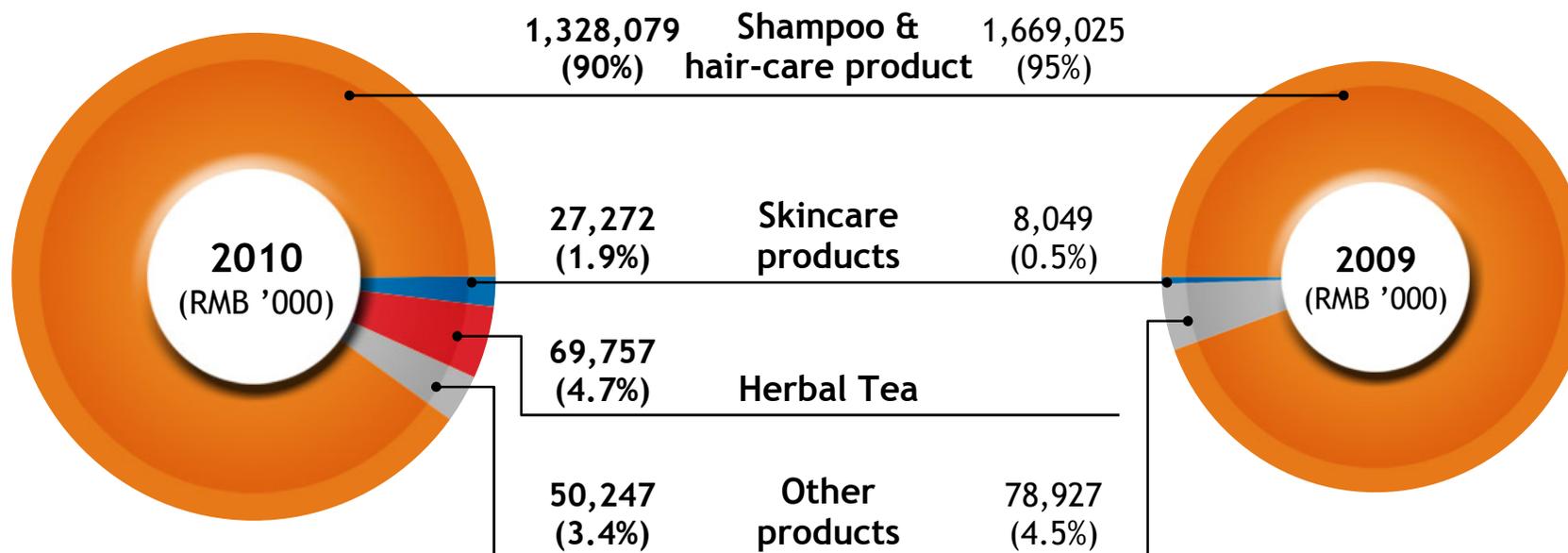


Financial Highlights



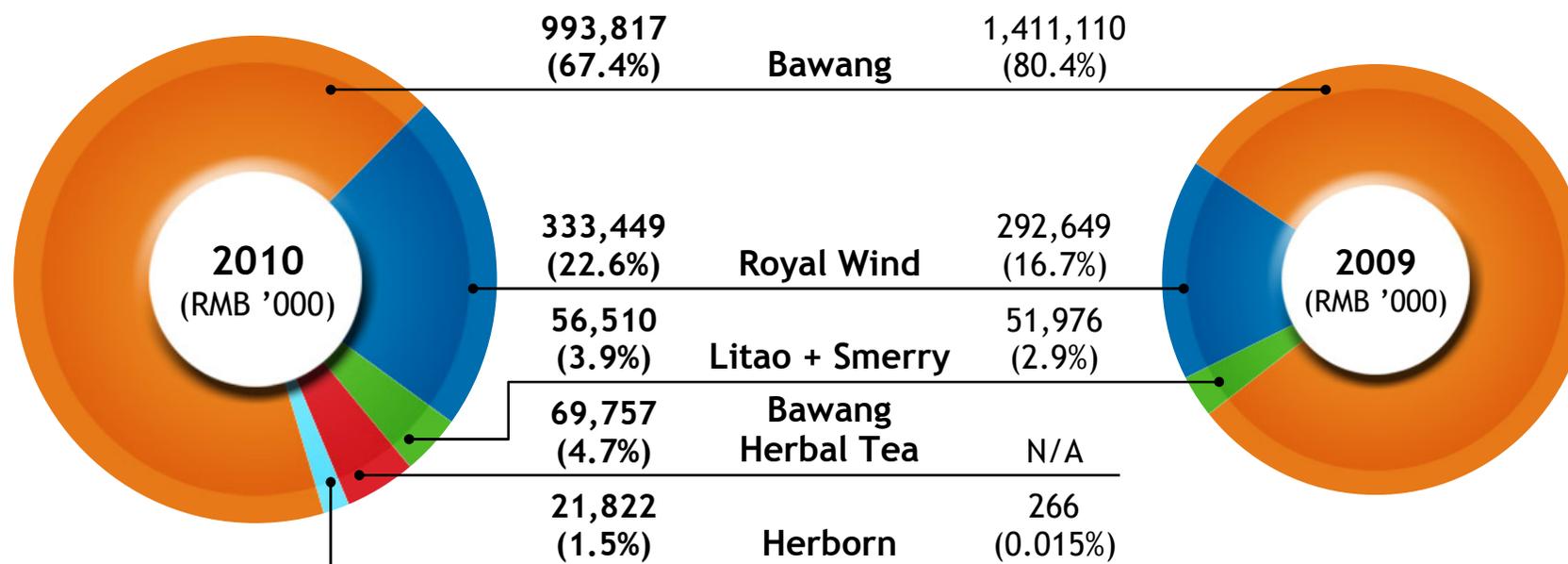
	2010	2009	Change (%)
(RMB '000)	Year ended 31 Dec		
Revenue	1,475,355	1,756,001	-16.0%
Cost of Sales	(564,017)	(590,355)	-4.5%
Gross profit	911,338	1,165,646	-21.8%
Selling & distribution costs	(941,811)	(637,344)	+47.8%
Administrative expenses	(101,511)	(75,756)	+34.0%
(Loss)/Profit from operations	(131,573)	452,252	-129.1%
Income tax	16,160	(85,659)	-118.9%
(Loss)/Profit attributable to equity shareholders	(117,971)	364,144	-132.4%
(Loss)/Earning per share (RMB yuan)	(0.04)	0.15	-126.7%
Final and Special dividends (HK Cents)	--	8.5	N/A
<i>Gross margin</i>	<i>61.8%</i>	<i>66.4%</i>	<i>-4.6 % pts</i>
<i>Net loss ratio/ Net Margin</i>	<i>-8.0%</i>	<i>20.7%</i>	<i>-28.7 % pts</i>
<i>Effective tax rate</i>	<i>(12.0%)</i>	<i>19.0%</i>	<i>N/A</i>

Revenue by Product Category



	2010	2009	Change (%)
(RMB '000)	Year ended 31 Dec		
○ Shampoo & hair-care products	1,328,079	1,669,025	-20.4%
● Skincare products	27,272	8,049	+238.8%
● Herbal tea	69,757	N/A	N/A
● Other products	50,247	78,927	-36.3%

Revenue by Brand



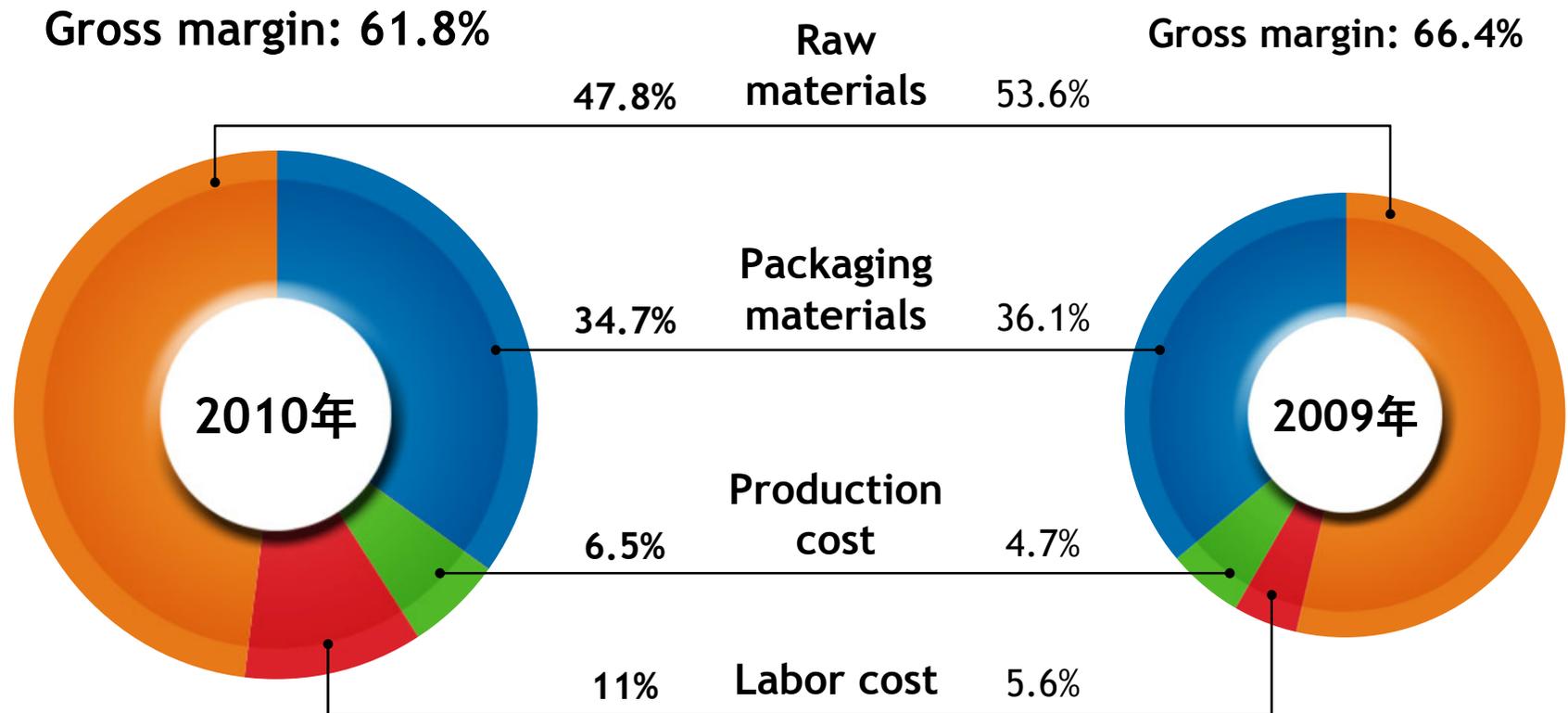
	2010	2009	Change (%)
(RMB '000)	Year ended 31 Dec		
○ Bawang	993,817	1,411,110	-29.6%
● Royal Wind ⁽¹⁾	333,449	292,649	+13.9%
● Litao + Smerry	56,510	51,976	+8.7%
● Bawang Herbal Tea ⁽²⁾	69,757	N/A	N/A
● Herborn ⁽³⁾	21,822	266	+8,102.9%

Notes 1. Launched in May, 2009
 2. Launched in April, 2010
 3. Launched in December, 2009

Effective Cost Control



Cost of Sales Breakdown



- The decline was mainly due to the change in product mix and increase in the percentage of cost of raw materials against revenue

Operating Expenses Analysis



- The increased in selling & distribution cost was mainly due to the launch of new brand product
- The restoration of consumer's confidence in the Group's products after "dioxane incident" resulted in the increase of sales and marketing cost

	2010	As % of revenue
(RMB '000)	Year ended 31 Dec	
Selling & distribution cost	941,811 (2009: 637,344)	63.8% (2009: 36.3%)
– Advertising	378,817 (2009: 186,763)	25.7% (2009: 10.6%)
– Promotion & Salary	478,668 (2009: 377,981)	32.4% (2009: 21.5%)
– Others (including new product launch, meeting expenses)	84,326 (2009: 72,600)	5.7% (2009: 4.1%)
Administrative expenses	101,511 (2009: 75,756)	6.9% (2009: 4.3%)

Strong Financial Position



	2010	1H2010	2009
(RMB '000)	<i>Year ended 31 Dec</i>	<i>Six months ended 30 Jun</i>	<i>Year ended 31 Dec</i>
Net trade receivable days	71 days	68 days	50 days
Trade payable days	47 days	65 days	54 days
Inventory turnover days	39 days	39 days	35 days
Cash & bank balances	1,186,544	1,698,218	1,742,523
Current assets	1,943,712	2,456,295	2,498,928
Current liabilities	441,943	532,291	490,045
Net assets	1,589,400	1,959,774	2,034,232
Current ratio	4.4 times	4.61 times	5.1 times

CAPEX Plan



Project development	Phase I	Phase II
Year of Completion	After Mid-2011	2012
Production capacity upon completion (Accumulative)	100,000 metric tons	280,000 metric tons
GFA	75,000m ²	123,000m ²

Estimated CAPEX for 2011 will be RMB 175 million





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Business Review



Diversified Brand & Product Portfolio



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

Successful Launch of Bawang Herbal Tea



- ❑ Officially launched Bawang Herbal Tea in April 2010 to diversify into beverage market
- ❑ Targets at customers who have high purchasing power and pursue healthy and natural way of life
- ❑ Appointed Donnie Yen as brand ambassador



Distribution Network of Bawang Herbal Tea



Distribution network of Bawang Herbal Tea comprises around 212 distributors, covering 21 provinces and 4 municipalities in China



Litao Brand Revamped as Natural Herbal Product Series



- Enhanced the packaging and formula of Litao Brand, repositioned as a natural herbal shampoo and shower series
- Product Theme: Scent with Smoothing (香香柔順)
- Targets at low- to medium- end market
- Distribution network of Litao products comprises 349 distributors, covering 26 provinces and 4 municipalities in China
- S.H.E was appointed as the brand ambassador of Litao Brand



Performance of Other Brands



- Targeted medium to high end hair care products markets
- Revenue for the year 2010 is around RMB 333.4 million
- Rapid expansion of distribution network which covers 27 provinces and 4 municipalities
- The product were successfully launched in Hong Kong and Singapore in 2009 and 2010 respectively



- Targeted medium to high end Chinese herbal skincare products market
- Since its launch one year ago, it has gradually established a Chinese herbal skincare brand image
- The distribution network has been further established, successfully exploring distribution channel of department stores and international and cosmetic specialty shops super markets over 27 provinces and four municipalities in China

Bawang was Appointed the Official Shampoo Supplier of Guangzhou 2010 Asian Games



- The Group was selected as exclusive providers of Guangzhou 2010 Asia Games
- Awarded a certificate for outstanding achievement in product safety by the organizing committee



Deepen Market Penetration in China Further Expand into Overseas Markets



Headquarters



576 Distributors⁽¹⁾⁽²⁾



43 KA Retailers⁽²⁾



482 Distributors & 41 KA Retailers⁽²⁾



92 Distributors & 15 KA Retailers



212 Distributors



349 Distributors

Notes:

1. We also sell products via distributors in Hong Kong and Macao ,Singapore, Thailand, Myanmar, Malaysia, Brunei and United Arab Emirates
2. As at 31 Dec, 2010

Strong R&D Capability



- A team of professional R&D expertise
- The R&D team works closely with sales and marketing team to evaluate market trends and preferences for new product development and improvement of existing product formula
- The Group was authorized by Guangzhou Science and Technology Department, National Development and Reform Commission and State Economic and Trade Commission to establish “Key Engineering Technology Centers in Guangzhou for R&D of Chinese herbs” (广州市中草药日化重点工程技术研究开发中心)
- The R&D project which related to the extraction of contents from polygonum (何首乌) was admitted in the National Torch Program of China (国家火炬计划)
- Applying for the registration of a number of patents relating to researches about Chinese herbs and hair blackening
- R&D expenses in 2010 amounted to approximately RMB40.2 million



Innovative and Effective Branding and Marketing Strategies



Brand ambassadors



Covering all major TV channels



In-store promotion & Chinese herbal related events



Banners & kiosks to attract customers' attention



Public transport & billboards



Newspapers, magazines & internets



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



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Future Strategies



Future Strategies



Strengthen marketing efforts for existing and new brands

Continue the multi-brand and multi-product strategies

Expand into upstream business to secure supply & control quality of raw materials



Reinforce R&D capabilities and quality control measures

Expand production capacity to cope with future development

Further expand domestic & overseas distribution network

Mission



霸王®
BAWANG

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