



# BaWang International (Group) Holding Limited

# 霸王國際(集團)控股有限公司

## 2012 Annual Results Announcement



# Agenda



**1 Major Accomplishments**

**2 Financial Highlights**

**3 Business Review**

**4 Strategic Goals**

**5 Open Forum**

秘方粹取极地红花  
重塑肌肤红润透白





# Major Accomplishments



# Major Measures and Development



**Sales Automation  
Management System**

**Project Excel**

**Project Win-Win**

**Performance Based  
Appraisal System**

# Bawang New Industrial Complex Put into Operation



<b>Introduction</b>	<ul style="list-style-type: none"><li>➤ Bawang New Industrial Complex located in Baiyun District, Guangzhou, occupying a land area of 75,000 square meter</li></ul>
<b>Equipment</b>	<ul style="list-style-type: none"><li>➤ The Complex equipped with global advanced operation and detection system; with adoption of cutting-edge equipment from Germany and Japan, Bawang developed the first production line for Chinese herbal shampoo with the highest level of automation</li></ul>
<b>Vision</b>	<ul style="list-style-type: none"><li>➤ To create an image of “Transparent Factory”, develop the Complex as the largest base of daily-use herbal products in respect of research, development, production and education</li></ul>



# Chinese Herbal Cultural Trip



<b>Strategies</b>	<ul style="list-style-type: none"><li>➤ Chinese Herbal Cultural Trip</li></ul>
<b>Event Introduction</b>	<ul style="list-style-type: none"><li>➤ Brand Ambassador Mr. Han Geng, together with customers from around the country, visited Bawang Chinese herbal plantation in Luoding, attended Chinese herbal medicine courses and witnessed the whole production process at the industrial complex</li></ul>
<b>Purpose</b>	<ul style="list-style-type: none"><li>➤ To customers: improve awareness and trust in the brand</li><li>➤ To media and public: improve brand recognition and reputation</li><li>➤ To the Company: strengthen the bonding between Bawang and the public and establish a sound corporate image</li></ul>
<b>Awards</b>	<ul style="list-style-type: none"><li>➤ “Interpersonal Communication Award for the Year” (年度最佳人际互动奖) by “China Marketing” (销售与市场), an authoritative magazine in marketing</li><li>➤ “Marketing Award 2012 at Online Music Platform in China” (2012中国互联网音乐营销奖)</li></ul>



# Sentiment Marketing – Shampooing for Your Love



<b>Sentiment Marketing</b>	<ul style="list-style-type: none"><li>➤ Bawang Beauty Action – Shampooing for Your Love</li></ul>
<b>Event Introduction</b>	<ul style="list-style-type: none"><li>➤ Show your care by shampooing for your loved ones</li><li>➤ Held during six traditional Chinese Festivals in six cities including Guangzhou, Beijing and Shanghai</li><li>➤ Over 40 popstars participated in the events and shared hair-care knowledge online</li></ul>
<b>Integrated Promotion</b>	<ul style="list-style-type: none"><li>➤ New channels: micro movie, micro-blog live feed</li><li>➤ Traditional channels: television, newspaper, video websites and other website portals</li></ul>



# Awards





# Financial Highlights



# Financial Highlights



<i>(RMB'000)</i>	<b>FY2012</b>	<b>FY 2011</b>
<b>Revenue</b>	<b>555,955</b>	<b>888,909</b>
<b>Cost of sales</b>	<b>(343,906)</b>	<b>(544,154)</b>
<b>Gross profit</b>	<b>212,049</b>	<b>344,755</b>
<b>Selling &amp; distribution costs</b>	<b>(635,029)</b>	<b>(872,339)</b>
<b>Administrative expenses</b>	<b>(88,938)</b>	<b>(102,457)</b>
<b>Loss from operations</b>	<b>(535,549)</b>	<b>(625,287)</b>
<b>Income tax (expense) / credit</b>	<b>(82,605)</b>	<b>59,967</b>
<b>Loss attributable to equity shareholders</b>	<b>(617,569)</b>	<b>(558,570)</b>
<b>Loss per share <i>(RMB yuan)</i></b>	<b>(0.21)</b>	<b>(0.19)</b>
<b><i>Gross margin</i></b>	<b>38.1%</b>	<b>38.8%</b>
<b><i>Net loss ratio</i></b>	<b>-111.1%</b>	<b>-62.8%</b>

# Analysis of Operation Performance



(RMB'000)	FY2012	FY2011	Change
<b>Turnover</b>	555,955	888,909	-37.5%
<b>Less: Herbal Tea (HT) sales</b>	17,583	167,263	
<b>Adjusted sales (excluding HT)</b>	538,372	721,646	-25.4%

(RMB'000)	FY2012	FY2011	Change
<b>Loss from operations</b>	(535,549)	(625,287)	-14.4%
<b>Less: HT segment loss</b>	(98,506)	(86,851)	
<b>Adjusted loss (excluding HT)</b>	(437,043)	(538,436)	-18.8%

(RMB'000)	FY2012	FY2011	Change
<b>Operating loss before tax</b>	(511,252)	(621,618)	-17.8%
<b>Non-operating income/(loss)</b>			
– <i>Other income</i>	2,407	4,397	
– <i>Other losses (aggregate) - Note</i>	(26,121)	(1,316)	
<b>Loss before tax</b>	(534,965)	(618,537)	-13.5%
<b>Taxation Reversal/(Credit) - Non-cash</b>	(82,605)	59,967	
<b>Net loss after tax</b>	(617,569)	(558,570)	10.6%

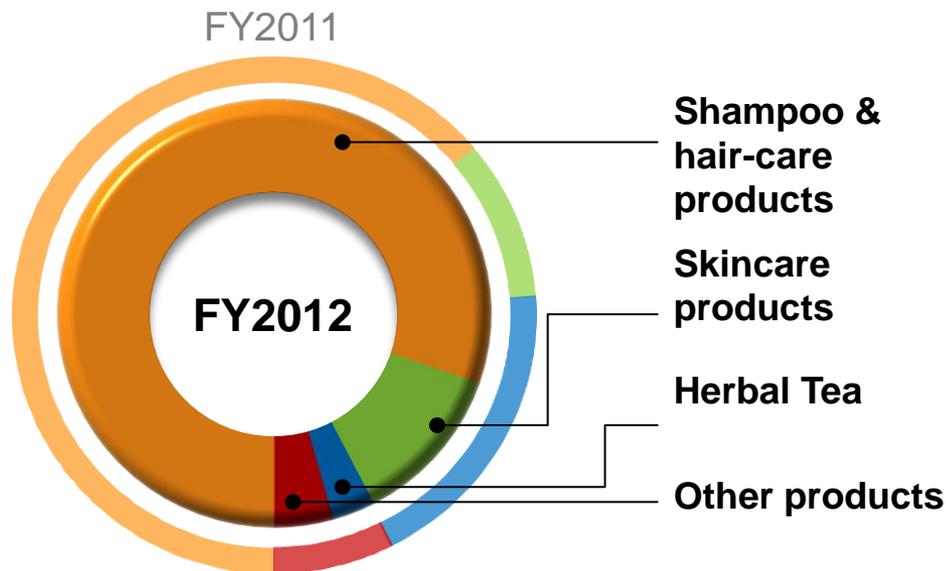
Note: Other losses (aggregate) comprise of write-off fixed assets of approximately RMB25.1m and charitable donation of RMB1.0m.

# Segment Reporting – Shampoo and Skincare Products



<i>(RMB'000)</i>	<b>FY2012</b>	<b>FY2011</b>
<b>Revenue</b>	<b>538,373</b>	<b>721,647</b>
<b>Cost of sales</b>	<b>(312,609)</b>	<b>(417,262)</b>
<b>Gross profit</b>	<b>225,764</b>	<b>304,385</b>
<b>Selling &amp; distribution cost</b>	<b>(551,126)</b>	<b>(745,072)</b>
<b>Administrative expenses</b>	<b>(65,505)</b>	<b>(78,127)</b>
<b>Loss from operations</b>	<b>(414,813)</b>	<b>(523,525)</b>
<b><i>Gross margin</i></b>	<b><i>41.9%</i></b>	<b><i>42.2%</i></b>

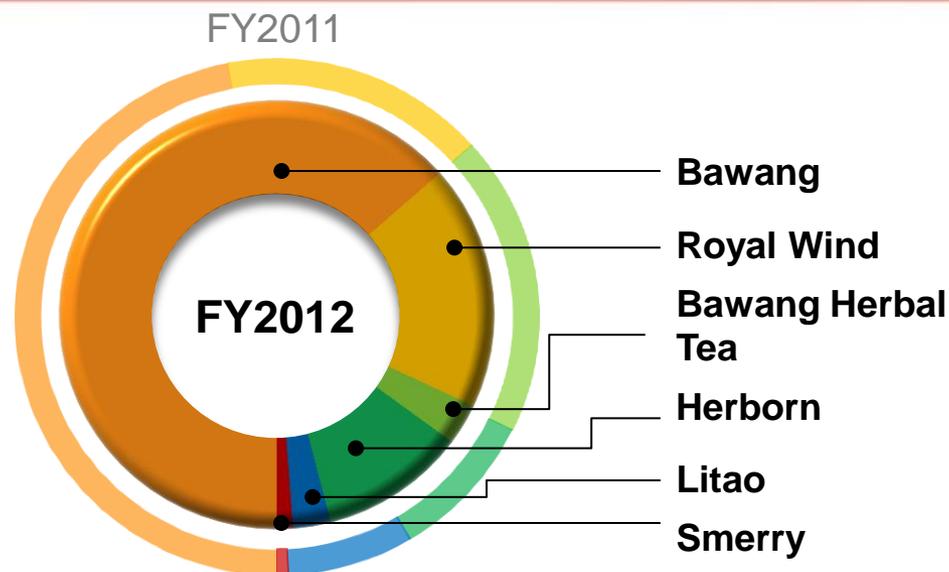
# Revenue by Product Category



FY2012		FY2011	
(RMB'000)	%	(RMB'000)	%
446,666	80.3%	567,404	63.8%
67,308	12.1%	89,060	10.0%
17,583	3.2%	167,263	18.8%
24,398	4.4%	65,182	7.4%
<b>555,955</b>	<b>100%</b>	<b>888,909</b>	<b>100%</b>

(RMB'000)	2H2012	1H2012	2H2011	1H2011
Shampoo & hair-care products	225,428	221,238	319,195	248,209
Skincare products	35,400	31,908	47,552	41,508
Herbal Tea	1,475	16,108	48,947	118,316
Other products	4,951	19,447	33,372	31,810
<b>Total</b>	<b>267,254</b>	<b>288,701</b>	<b>449,066</b>	<b>439,843</b>

# Revenue by Brand

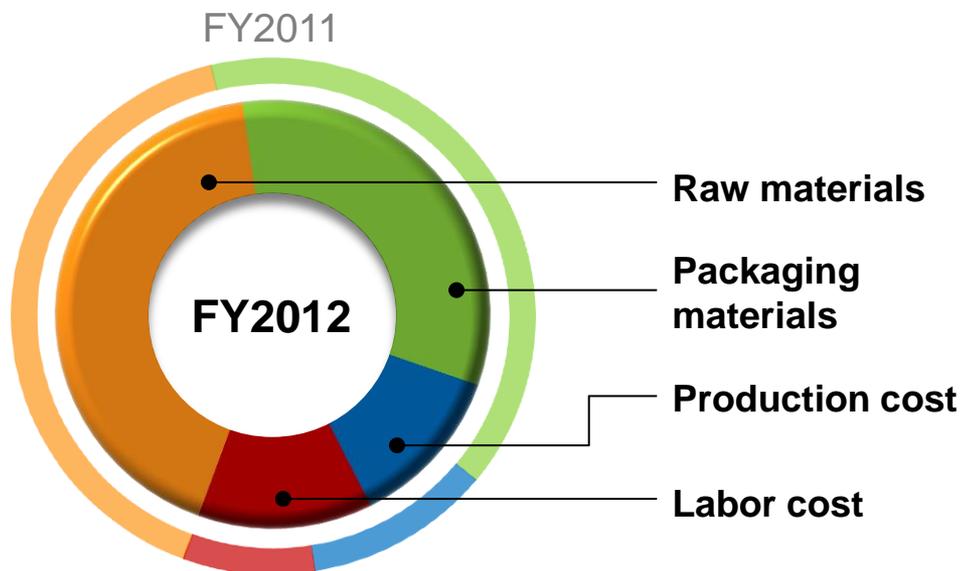


FY2012		FY2011	
(RMB'000)	%	(RMB'000)	%
<b>352,785</b>	<b>63.5%</b>	417,972	47.0%
<b>102,896</b>	<b>18.5%</b>	145,768	16.4%
<b>17,583</b>	<b>3.1%</b>	167,262	18.8%
<b>60,694</b>	<b>10.9%</b>	82,750	9.3%
<b>15,383</b>	<b>2.8%</b>	68,847	7.8%
<b>6,614</b>	<b>1.2%</b>	6,310	0.7%
<b>555,955</b>	<b>100%</b>	888,909	<b>100%</b>

(RMB'000)	2H2012	1H2012	2H2011	1H2011
<b>Bawang</b>	<b>193,705</b>	<b>159,080</b>	<b>271,239</b>	<b>146,733</b>
<b>Royal Wind<sup>(1)</sup></b>	<b>38,946</b>	<b>63,950</b>	<b>60,998</b>	<b>84,770</b>
<b>Herborn<sup>(2)</sup></b>	<b>31,759</b>	<b>28,935</b>	<b>43,955</b>	<b>38,795</b>
<b>Litao<sup>(3)</sup></b>	<b>(2,413)</b>	<b>17,796</b>	<b>20,330</b>	<b>48,517</b>
<b>Smerry</b>	<b>3,782</b>	<b>2,832</b>	<b>3,598</b>	<b>2,712</b>
<b>Bawang Herbal Tea<sup>(4)</sup></b>	<b>1,475</b>	<b>16,108</b>	<b>48,946</b>	<b>118,316</b>
<b>Total</b>	<b>267,254</b>	<b>288,701</b>	<b>449,066</b>	<b>439,843</b>

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

# Cost of Sales Breakdown



	FY2012	FY2011
	%	%
Raw materials	42.2%	40.6%
Packaging materials	32.6%	39.8%
Production cost	12.2%	11.5%
Labor cost	13.0%	8.1%
	100%	100%

(RMB'000)	FY2012	FY2011	Change
Raw Materials	144,998	220,816	-34.3%
Packaging materials	112,281	216,330	-48.1%
Production cost	41,840	62,721	-33.3%
Labor cost	44,787	44,287	+1.1%
<b>Total</b>	<b>343,906</b>	<b>544,154</b>	<b>-36.8%</b>

# Operating Expenses Analysis



- Successful cost reduction
- Improve business operation and cost control

(RMB'000)	FY2012	FY2011	2H2012	1H2012	2H2011	1H2011
<b>Selling and distribution costs</b>	<b>635,029</b>	<b>872,339</b>	<b>314,039</b>	<b>320,990</b>	<b>413,782</b>	<b>458,557</b>
– Advertising	141,710	313,578	64,560	77,150	161,150	152,428
– Promotion & Salary	384,249	438,188	194,958	189,291	191,619	246,569
– Others (including new products launch, meetings etc)	109,070	120,573	54,521	54,549	61,013	59,560
<b>Administrative expenses</b>	<b>88,938</b>	<b>102,457</b>	<b>40,667</b>	<b>48,271</b>	<b>57,720</b>	<b>44,737</b>
– R&D expenses	23,487	33,818	7,442	16,045	21,735	12,083
<b>Total SD&amp;A</b>	<b>723,967</b>	<b>974,796</b>	<b>354,706</b>	<b>369,261</b>	<b>471,502</b>	<b>503,294</b>

# Financial Position



<i>(RMB'000)</i>	<b>FY2012</b>	<b>FY2011</b>
<b>Net trade receivable days</b>	<b>79 days</b>	<b>94 days</b>
<b>Trade payable days</b>	<b>66 days</b>	<b>42 days</b>
<b>Inventory turnover days</b>	<b>94 days</b>	<b>66 days</b>

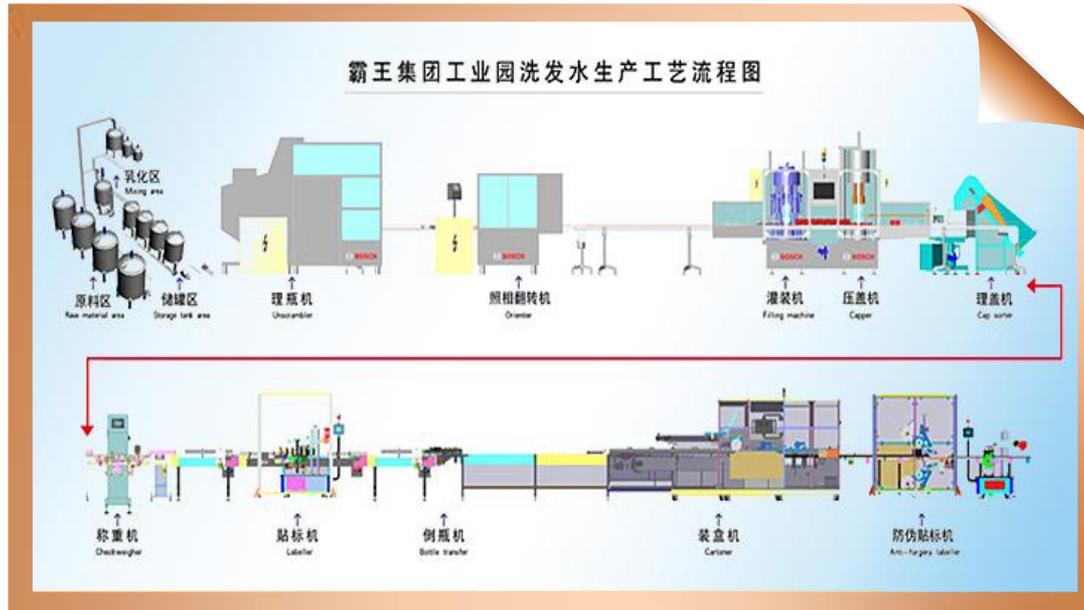
<b>Cash &amp; cash equivalents</b>	<b>224,608</b>	<b>602,672</b>
<b>Current assets</b>	<b>429,406</b>	<b>973,752</b>
<b>Current liabilities</b>	<b>337,921</b>	<b>215,211</b>
<b>Net assets</b>	<b>412,669</b>	<b>1,028,842</b>
<b>Current ratio</b>	<b>1.3 times</b>	<b>4.5 times</b>



# CAPEX Plan



➤ Estimated CAPEX for 2013 will be RMB40 million





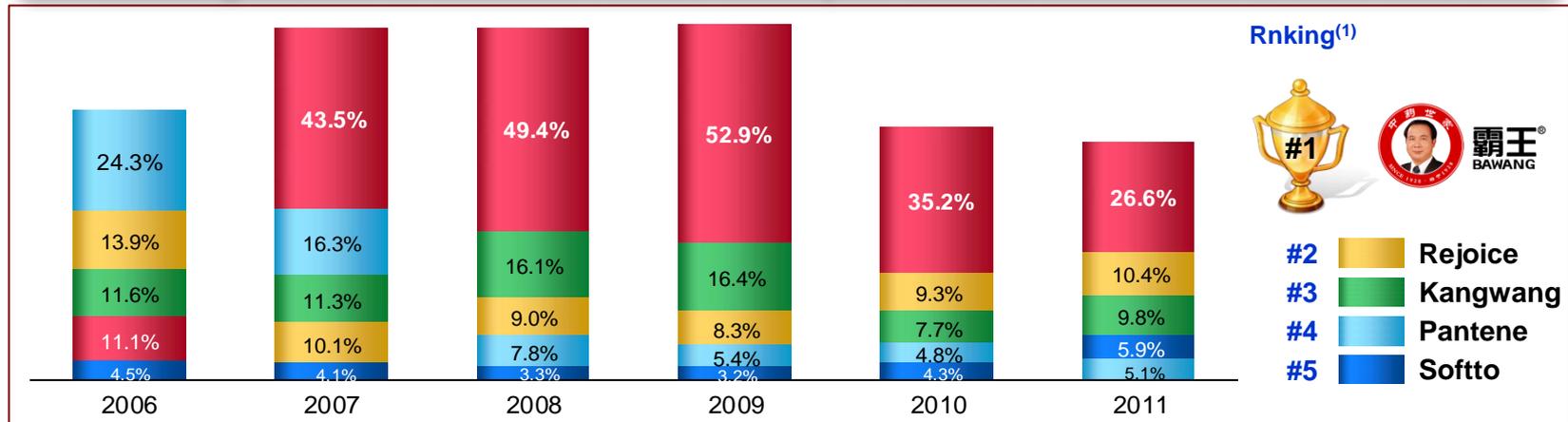
# Business Review



# Market Share



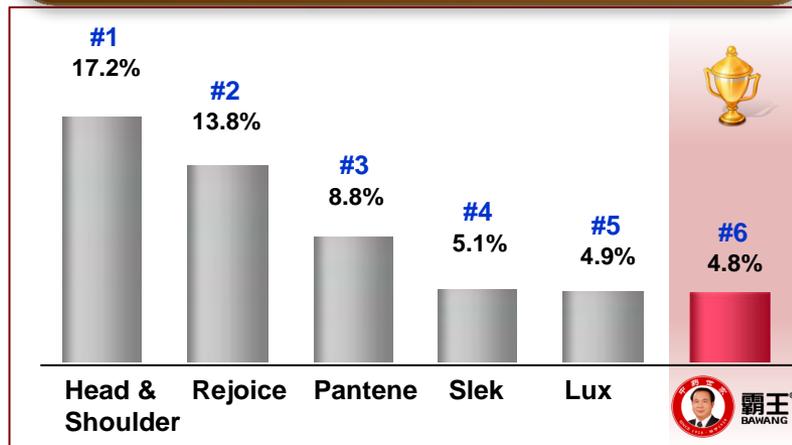
## Bawang Excels in Chinese Herbal Shampoo Market with 26.6% Market Share



Source: Euromonitor

Noted: Based on 2011 market share of herbal shampoo brands

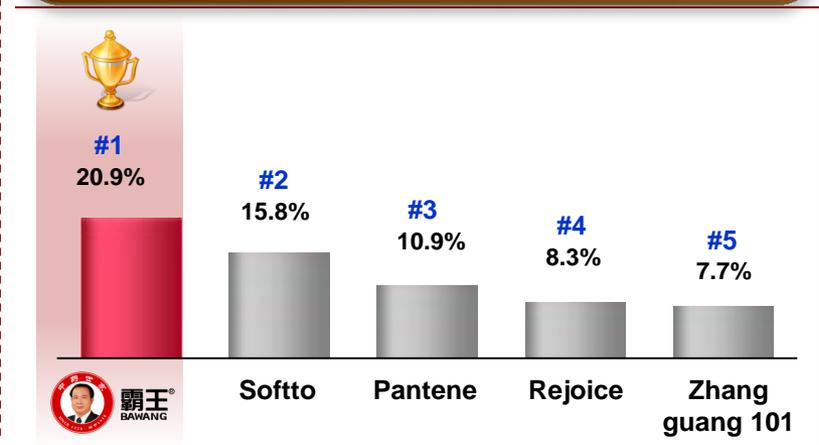
## Bawang Ranked as the Sixth Shampoo Brand in China



Source: Euromonitor

Note: The 2011 ranking

## Bawang's Leading Position in the Chinese Herbal Anti-hair Fall Market



# Diversified Brand and Product Portfolio



	Year of Launching	Key Product Types	2013 Strategies
<b>Chinese Herbal Series</b>			
 <b>霸王 (Bawang)</b>	1998	Chinese anti-hair fall herbal shampoo, hair-care products and other HPC products	Enhance brand image and product quality Actively promote Anti-hair Fall Shampoo for Ladies and upgrade nourishing series
 <b>追风 (Royal Wind)</b>	May 2009	Chinese herbal anti-dandruff shampoo, hair-care and hairdressing products	Enhance brand recognition and rejuvenate brand image
 <b>本草堂 (Herborn)</b>	Dec 2009	Chinese herbal skincare products	Expand distribution network and boost same-store sales growth
 <b>霸王凉茶 (Bawang Herbal Tea)</b>	April 2010	Chinese herbal drink	Maintain brand continuity at a minimum cost
<b>Natural Herbal Series</b>			
 <b>丽涛 (Litao)</b>	Launched in 2001 Rebranded in Oct 2010	Shampoo, hair-care and other HPC products	Focus on shower products & promote through the distribution channels
 <b>雪美人 (Smerry)</b>	Launched in 2004 Rebranded in May 2012	Skincare products	Make Refreshing Rose Petal Toner popular product

# Bawang Anti-hair Fall Shampoo for Ladies



<b>New Products</b>	<ul style="list-style-type: none"><li>➤ Bawang Anti-hair Fall Shampoo for Ladies and Nutri-repairing Moisturising Conditioner rolled out in August 2012</li><li>➤ Nourishing series will be upgraded</li></ul>
<b>Positioning</b>	<ul style="list-style-type: none"><li>➤ Natural, mild and healthy anti-hair fall brand with herbal essence</li></ul>
<b>Target Customers</b>	<ul style="list-style-type: none"><li>➤ White-collar females and housewives</li></ul>
<b>Strategies</b>	<ul style="list-style-type: none"><li>➤ R&amp;D cooperation with Guangzhou University of Chinese Medicine based on inherited proprietary formula</li><li>➤ Optimised production line to enhance product quality</li></ul>



# Bawang Shampoo and Hair-care Series



<p><b>Positioning and Theme</b></p>	<ul style="list-style-type: none"> <li>➤ Natural and healthy way for hair repairing</li> <li>➤ Formulae originated from the inherited formula included in the Protection Catalogue of Guangdong Lingnan Chinese Medicine Cultural (广东省岭南中药文化遗产保护名录)</li> <li>➤ Nationwide promotion campaign “The Five Key Success Factors that Build up the Premium Quality of Bawang Branded Products” (五大实力成就冠军品质), to improve brand awareness</li> </ul>
<p><b>Brand Ambassador</b></p>	<ul style="list-style-type: none"> <li>➤ Mr. Jackie Chan MBE, SBS and Korean super star Ms. Kim Hui Seon</li> </ul>
<p><b>Sales network</b></p>	<ul style="list-style-type: none"> <li>➤ 488 distributors, 46 KA retailers covering 26 provinces and 4 municipalities in China</li> <li>➤ Overseas markets include Hong Kong, Macau, Singapore, Myanmar, Thailand, Malaysia, Brunei and Australia</li> </ul>



# Royal Wind Shampoo and Hair-care Series



<b>Positioning and Theme</b>	<ul style="list-style-type: none"> <li>➤ Youthful, natural and professional anti-dandruff shampoo and hair-care brand, targeting medium-to-high end customers</li> <li>➤ Youthful and trendy way to eliminate dandruff through TCM</li> <li>➤ Eliminating dandruff and nourishing scalp simultaneously</li> </ul>
<b>Product Upgrade</b>	<ul style="list-style-type: none"> <li>➤ The new Royal Wind series adopting new formulae, new fragrance type and new package</li> <li>➤ Launched Royal Wind Hydra-fresh Shampoo series and Anti-hair Fall Shampoo series</li> </ul>
<b>Brand Ambassador</b>	<ul style="list-style-type: none"> <li>➤ Pop Singer Mr. Han Geng</li> </ul>
<b>Strategies</b>	<ul style="list-style-type: none"> <li>➤ Diversified and innovative online marketing initiatives, featuring active interaction with pop star Mr. Han Geng</li> <li>➤ Enhance brand recognition and rejuvenate brand image</li> </ul>
<b>Sales Network</b>	<ul style="list-style-type: none"> <li>➤ 440 distributors and 45 KA retailers covering 26 provinces, 4 municipalities in China</li> <li>➤ Products also sold in Singapore</li> </ul>



# Herborn Chinese Herbal Skincare Brand



<b>Positioning and Theme</b>	<ul style="list-style-type: none"> <li>➤ Positioned as the “Formula to Beauty”, targeting medium-to-high end Chinese herbal skincare market</li> <li>➤ Shines with rosy and snowy, signifying the secret of Chinese beauty</li> </ul>
<b>Brand Ambassador</b>	<ul style="list-style-type: none"> <li>➤ Pop Diva Faye Wong</li> </ul>
<b>New Product</b>	<ul style="list-style-type: none"> <li>➤ High-end Herborn Imperial Series, positioned as elegant and exquisite</li> </ul>
<b>Strategies</b>	<ul style="list-style-type: none"> <li>➤ Expand distribution network and boost same-store sales growth</li> <li>➤ Third time as exclusive sponsor of skincare products to Miss World Pageant, China</li> </ul>
<b>Awards</b>	<ul style="list-style-type: none"> <li>➤ Whitening and Nourishing Essence won the “Meiyi Award” (美伊奖) from other newly launched products</li> <li>➤ “2012 PClady and Tmall Beauty Pavilion Reputation Award” (天猫美容馆时尚盛典口碑奖)</li> </ul>
<b>Sales Network</b>	<ul style="list-style-type: none"> <li>➤ 108 distributors, 11 KA retailers covering 27 provinces and 4 municipalities in mainland China and Hong Kong</li> </ul>





<p><b>New Products</b></p>	<p>➤ Four Smerry-branded series rolled out in July 2012, namely Refreshing Rose Petal Whitening, Refreshing Aloe Whitening and Moisturizing, Saussurea Involucrata Crystal Whitening and Deep Clean and Clear series</p>
<p><b>Positioning</b></p>	<p>➤ Established as a refreshing and whitening natural skincare brand, satisfying consumers' demand for natural and healthy skincare products</p>
<p><b>Strategies</b></p>	<p>➤ Make Refreshing Rose Petal Toner popular product</p>
<p><b>Brand Ambassador</b></p>	<p>➤ Ms. Jing Tian, young and popular actress</p>



# Bawang Herbal Tea



Publicity	➤ Designated herbal tea supplier to the International Cycling Union (ICU) Women Road World Cup 2012 in Chongming, Shanghai
Sales Network	➤ 172 distributors covering 22 provinces and 4 municipalities
Brand Ambassador	➤ International action star Mr. Donnie Yen



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



As at 31 Dec 2012					
Distributors	488	440	108	172	373
KA Retailers	46	45	11	-	-
Provinces	26	26	27	22	26
Municipalities	4	4	4	4	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 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 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
- Confirmed as Guangzhou Municipal Enterprise Technology Centre by the Guangzhou Municipal Bureau of Trade and Economic in October 2012; Validated as Traditional Chinese Medicine Products Key Engineering Technology Research & Development Centre of Guangzhou Municipal by the Guangzhou Municipal Bureau of Science & Communication in December 2012
- R&D expenses in 2012 amounted to RMB23.5 million



# Diversified Marketing Strategy





# Strategic Goals



# Strategic Goals



## Short-term Goals

**Improve investor confidence**

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

**Regain sales growth and 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**

**Establish a sustainable business mode and improve overall competitive edge**



# Open Forum

