



BaWang International (Group) Holding Limited

霸王國際(集團)控股有限公司

## 2016 Interim Results Announcement





# Agenda

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防脱发·年轻**新**主张  
专利技术 年轻防脱 药植精油



# Major Accomplishments



- Legal proceedings in the High Court of Hong Kong commenced in October 2010
- Favorable judgment handed down in May 2016. Next magazine is ordered to pay:
  - General damages for libel: HKD 3 million;
  - 80% of the legal costs





# Gather strength for innovation

- Appointment of New CEO in December 2015
- New management team to hold two distributors' meetings in January and May 2016
- Revitalization of BaWang's brand reputation and promote sales performance, started to reshape the brand to strengthen the distributors' confidence and to re-engage with some ex-distributors in particular



<b>Strategies</b>	<ul style="list-style-type: none"> <li>➤ Create a transparent factory for educational purposes</li> </ul>
<b>Event</b>	<ul style="list-style-type: none"> <li>➤ Regularly receives delegates from the government sector, the media, consumers, students to our industrial complex and show them the advanced production technology and brand-new production procedures</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>➤ Increase brand awareness and trust</li> <li>➤ Enhance brand recognition and reputation</li> <li>➤ Strengthen brand affinity and establish a good enterprise image</li> </ul>
<b>Visitors</b>	<ul style="list-style-type: none"> <li>➤ Local &amp; overseas distributors, students from PolyU and professional teams such as the standing committee members of the Association of International Accountants, etc.</li> </ul>





# BaWang Care Actions for Community

Welcome Spring Festival	➤ Variety show for residents at a community in South Tianhe
Free Trial in March	➤ In collaboration with Business Magazine to organize a free trial of Bawang shampoos with satisfaction rate of 90%
Freebies on Women's Day	➤ Bawang shampoo freebies to ladies who were shopping around at supermarkets
Tea Gathering with Spicy Mothers	➤ To foster the relationship with the ladies customers and at the same time explain the benefits of Chinese herbal-based products
Care for Disabled	➤ Courtesy visits to the disabled care centers in the National Day of Persons with Disabilities in May





# Establish Industrial Position of the Brand

## Domestic Certifications

- ▶ Certificate of Accreditation on Work Safety Standardization (Grade 3) in Light Industry(安全生产标准化三级企业 (轻工))-周一档案室更新.
- ▶ BaWang Chinese herbal anti-fall shampoo, BaWang Chinese herbal Anti Dandruff shampoo and BaWang Chinese herbal black hair shampoo have been certified as “High-tech products in Guangdong province in 2015” for a period of three years until the end of 2018 by Guangdong Provincial Department of Science And Technology.





# Establish Industrial Position of the Brand

May 2016

- Renewed “the permit for production of cosmetic products” issued by the Guangdong Provincial Food & Drug Administration, which is valid until May 2021.

June 2016

- Awarded the “Golden Ant 2015–2016” certificate of the logistic industry issued by the China (Guangzhou) Logistic Equipment & Technology Development Committee.



# *Business Review*





# Diversified Brand and Product Portfolio

	Year of Launching	Key Product Types	2014 Strategies
<b>Chinese Herbal Series</b>			
	1998	Chinese herbal shampoo, anti-fall hair-care products and other HPC products	<p>Enhance brand image and product quality</p> <p>Actively promote anti-fall series of products</p>
 <p>追风 (Royal Wind)</p>	May 2009	Chinese herbal anti-dandruff shampoo, hair-care and hairdressing products	Enhance brand recognition and image
 <p>本草堂 (Herborn)</p>	Dec 2009	Chinese herbal skincare products	Expand sales network and boost same-store sales growth
<b>Natural Herbal Series</b>			
 <p>丽涛 (Litao)</p>	Launched in 2001 Rebranded in Oct 2010	Shampoo, hair-care and other HPC products	Promote laundry detergent & Litao plant essence shampoo through the traditional channels



# BaWang Shampoo and Hair-care Series

<p><b>Positioning and Theme</b></p>	<ul style="list-style-type: none"> <li>Proposed the “New Idea: to prevent-hair loss whilst you are young” slogan in a way to attract more young consumer groups and call on young people to pay attention to hair loss problems as early as possible.</li> </ul>
<p><b>Sales Network</b></p>	<ul style="list-style-type: none"> <li>564 distributors and 38 KA retailers covering 27 provinces and 4 municipalities in China</li> <li>Overseas markets include Hong Kong, Singapore, Thailand, Malaysia, and Australia</li> </ul>





# Royal Wind Shampoo and Hair-care Series

## Positioning and Theme

- New product series of “Follow the true self, start a new trend naturally” mainly through e-commerce platforms.
- Youthful, natural and professional anti-dandruff shampoo and hair-care products, targeting medium-to-high end customers.
- Quickly remove dandruff, more natural.

## Sales Network

- 564 distributors and 29 KA retailers covering 27 provinces, 4 municipalities in China
- Products have been sold in Singapore





# Litao Plant Shampoo Series

<b>Litao plant essence series</b>	<ul style="list-style-type: none"><li>➤ Upgraded Litao plant essence series, “Multiple care, all in one bottle”, for easy and comprehensive hair care ;</li><li>➤ Litao fragrance shower gel enjoys the feature of “Healthy skin, share within the family” and brings naturalness, freshness, fashion and health.</li></ul>
<b>Sales Network</b>	<ul style="list-style-type: none"><li>➤ 564 distributors and 2 KA retailers covering 27 provinces and 4 municipalities in mainland China.</li></ul>





# Chinese Herbal Skin-care Brand

## Herborn

- ▶ Positioning: “Herbal skincare”, beautiful, natural and healthy.
- ▶ Target groups: White-collar ladies (between 25 to 45 years old) with relatively high income who are dedicated to pursuing a healthy and natural lifestyle.
- ▶ Sales Network: 93 distributors and one KA retailers covering 27 provinces and 4 municipalities in mainland China.





# Deepen Domestic Distribution and Sales Network Further Expand into Overseas Market



As at 31 Dec 2015				
Distributors	564	564	93	564
KA Retailers	38	29	1	2
Provinces	27	27	27	27
Municipalities	4	4	4	4

Note: 1. The Company also sells products via distributors in Hong Kong, Singapore, Thailand, Malaysia and Australia.  
2. The Group has discontinued its herbal tea business since 1 July 2013.



# Promote Chinese Herbal Research and HPC 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 regarding herbal extract methodologies and techniques, and another three patents in terms of packaging.
- Acquired ISO9001 quality management system certification and ISO14001 environmental management system certification.
- In October 2015, Bawang Guangzhou had been recognized as a high-tech enterprise by Guangdong Provincial Department of Science And Technology for a period of three years until the end of 2018.
- R&D expenses in 1H 2016 amounted to RMB7.41 million.





# *Financial Review*





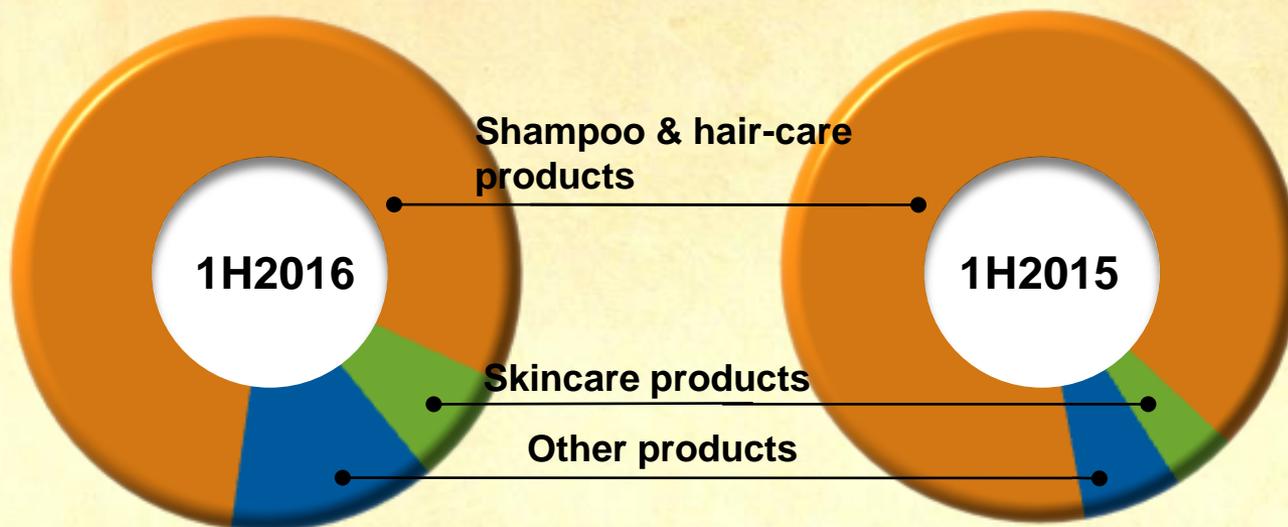
# Financial Highlights

<i>(RMB'000)</i>	1H2016	1H2105	+/- %
Turnover	135,396	100,976	+34.1%
Cost of sales	(62,771)	(68,076)	-7.8%
Gross profit	72,625	32,900	+120.7%
Selling & distribution costs	(36,704)	(43,822)	-16.2%
Administrative expenses	(16,730)	(23,814)	-29.7%
<b>Loss from operations</b>	<b>22,610</b>	<b>(86,136)</b>	<b>N/A</b>
Income tax (expense)	-	-	-
<b>Loss for the period (Hair-care &amp; skin-care)</b>	<b>21,164</b>	<b>(88,138)</b>	<b>N/A</b>
Loss for the period (Herbal tea)	-	-	-
Total loss for the period	21,164	(88,138)	N/A
Gross Margin	53.6%	32.6%	+21 Pct pt.



# Revenue by Product Category

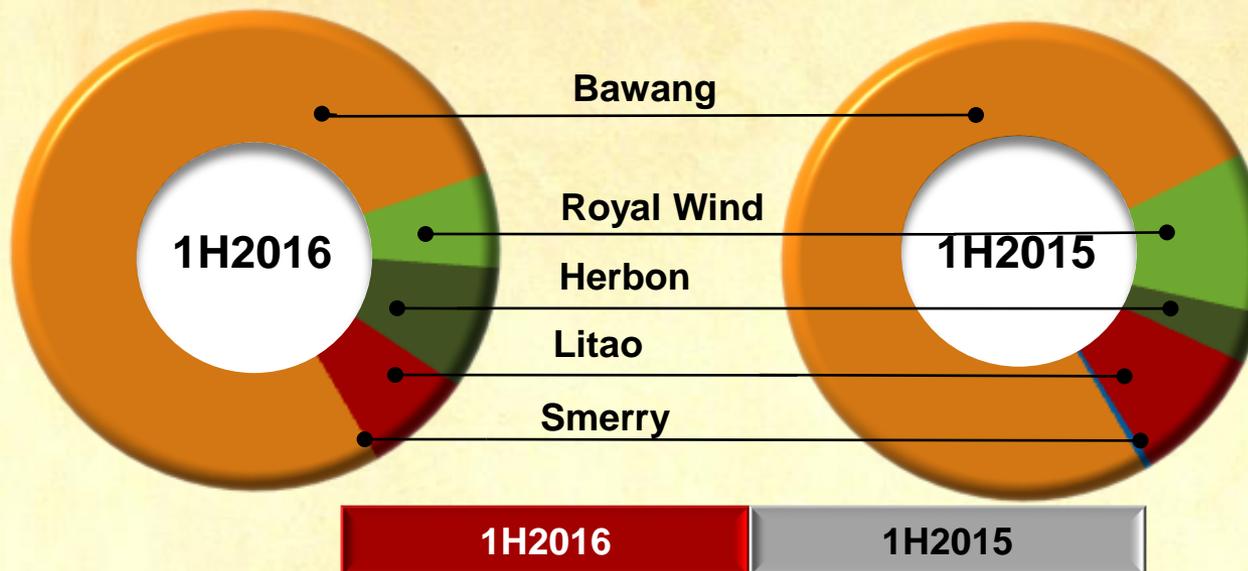
## (Continuing Operations)



	1H2016		1H2015	
	(RMB'000)	%	(RMB'000)	%
Shampoo & hair-care products	107,837	79.6%	90,667	89.8%
Skincare products	9,753	7.2%	4,085	4%
Other products	17,806	13.2%	6,224	6.2%
<b>Total</b>	<b>135,396</b>	<b>100%</b>	<b>100,976</b>	<b>100.0%</b>



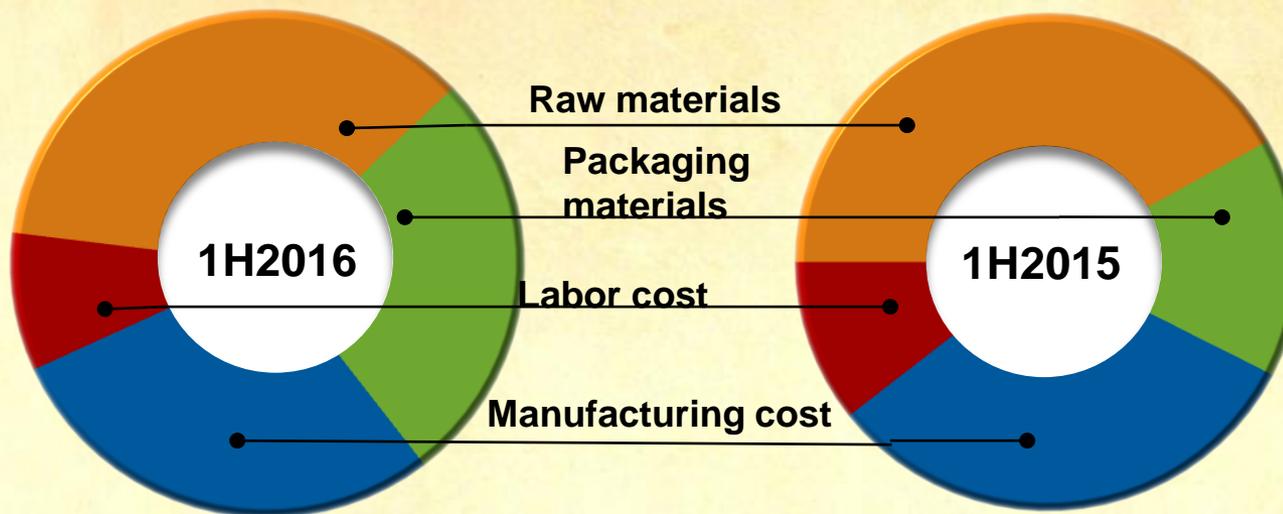
# Revenue by Brand (Continuing Operations)



	1H2016		1H2015	
Bawang	105,731	78.1%	76,663	75.9%
Royal Wind	8,692	6.4%	10,968	10.9%
Herborn	9,753	8.3%	3,513	3.5%
Litao	11,220	7.2%	9,287	9.2%
Smerry	-	0%	545	0.5%
<b>Total</b>	<b>135,396</b>	<b>100%</b>	<b>100,976</b>	<b>100.0%</b>



# Cost of Sales Breakdown (Continuing Operations)



	1H2016		1H2015	
	(RMB'000)	%	(RMB'000)	%
Raw materials	22,514	35.9%	28,500	41.9%
Packaging materials	16,745	26.7%	10,654	15.6%
Manufacturing cost	17,986	28.6%	21,690	31.9%
Labor cost	5,526	8.8%	7,233	10.6%
<b>Total</b>	<b>62,771</b>	<b>100.0%</b>	<b>68,076</b>	<b>100.0%</b>



# Operating Expenses Analysis

## (Continuing Operations)

- Successful cost reduction
- Improve business operations and cost control

(RMB'000)	1H2016	1H2015	+/- %
<b>Selling and distribution costs*</b>	<b>36,704</b>	43,822	<b>-16.2%</b>
– Advertising	1,293	1,258	2.8%
– Promotion & Salary	13,826	17,824	-22.4%
– R & D expenses	405	372	8.9%
– Others (including new products launch, meetings etc)	21,180	24,368	-13.1%
<b>Administrative expenses*</b>	<b>16,730</b>	23,814	<b>29.7%</b>
– R & D expenses	3,405	3,800	-10.4%
<b>Total</b>	<b>53,434</b>	67,636	<b>-21%</b>

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



# Financial Position

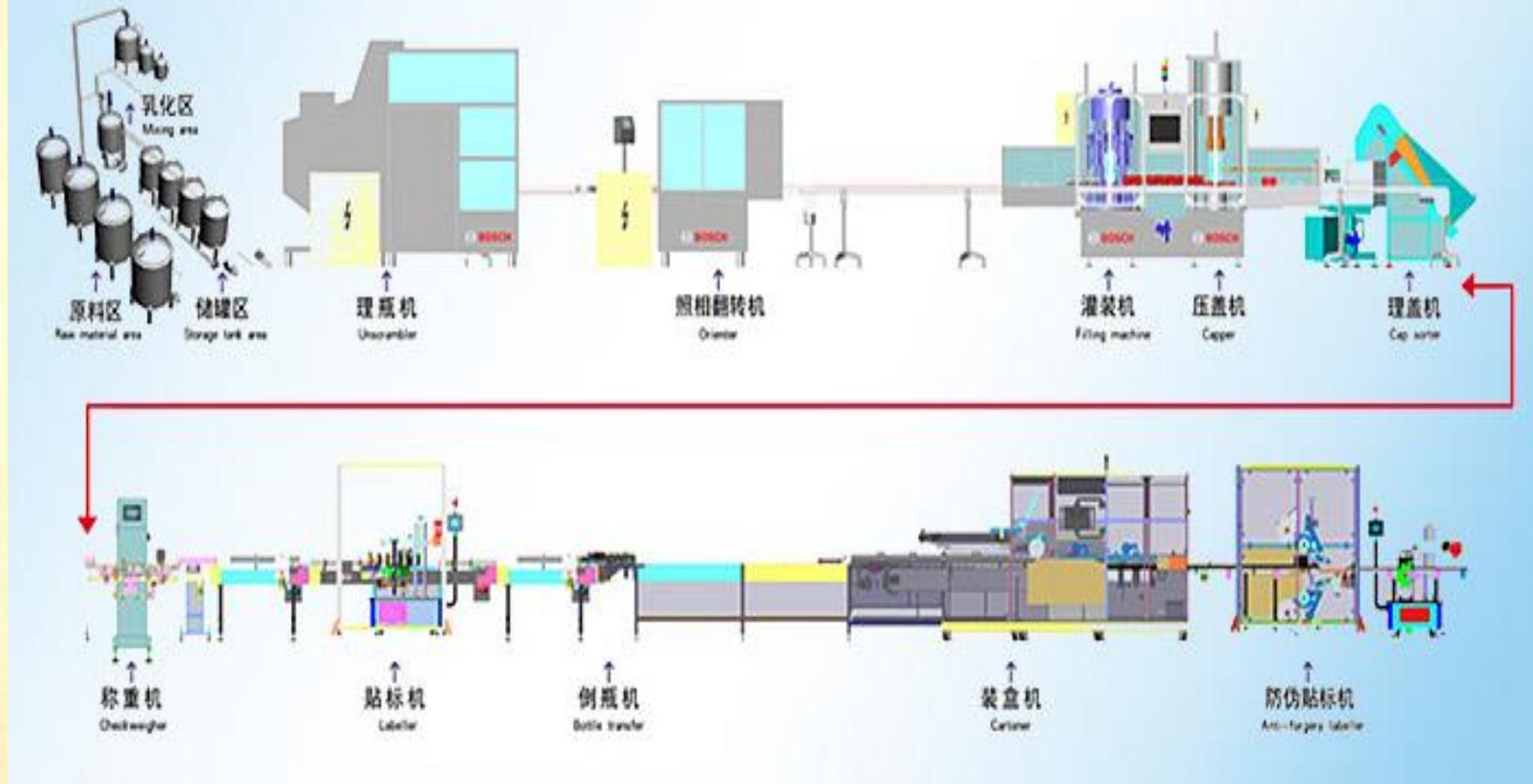
<i>(RMB'000)</i>	<b>1H2016</b>	<b>1H2015</b>
<b>Net trade receivable days</b>	<b>68 days</b>	<b>96 days</b>
<b>Trade payable days</b>	<b>55 days</b>	<b>106 days</b>
<b>Inventory turnover days</b>	<b>116 days</b>	<b>139 days</b>

<b>Cash &amp; cash equivalents</b>	<b>52,392</b>	<b>31,556</b>
<b>Current assets</b>	<b>141,008</b>	<b>130,645</b>
<b>Current liabilities</b>	<b>153,313</b>	<b>174,206</b>
<b>Net assets</b>	<b>136,910</b>	<b>72,134</b>
<b>Current ratio</b>	<b>0.9 times</b>	<b>0.7 times</b>

# CAPEX Plan

- Estimated CAPEX for 1H2016 will be RMB 7.41 million.

霸王集团工业园洗发水生产工艺流程图



# Strategic Goals





# Strategic Goals



**霸王**  
**BAWANG**

## Short-term Goals

Improve investor confidence

Continue to build up a sales and management team

Regain sales growth break-even 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

# Q&A

