BaWang International (Group) Holding Limited *

霸王國際(集團)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01338)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

2009 ANNUAL RESULTS HIGHLIGHTS

- Revenue was RMB1,756.0 million
- Profit attributable to equity shareholders was RMB364.1 million, representing an increase of approximately 29.2% from RMB281.8 million in 2008
- Basic earnings per share was RMB0.15, representing an increase of 15.4% compared to that in 2008
- Proposed final dividend of HK4.25 cents per share
- Proposed special dividend of HK4.25 cents per share

* *for identification purpose only*

The board (the "Board") of directors (the "Directors") of BaWang International (Group) Holding Limited (the "Company") would like to announce the audited consolidated results of the Company and its subsidiaries (the "Group" or "we") for the year ended 31 December 2009 together with comparative figures for the corresponding period in 2008 as follows:

Consolidated income statement

For the year ended 31 December 2009
(Expressed in Renminbi)

	Note	**2009** *RMB'000*	2008 *RMB'000*
Turnover	4	**1,756,001**	1,411,248
Cost of sales		**(590,355)**	(509,324)
Gross profit		**1,165,646**	901,924
Other revenue		**—**	484
Other net losses		**(294)**	(779)
Selling and distribution costs		**(637,344)**	(512,285)
Administrative expenses		**(75,756)**	(47,419)
Profit from operations		**452,252**	341,925
Finance income	5(a)	**2,322**	3,117
Finance costs	5(a)	**(4,771)**	—
Net finance (costs)/income		**(2,449)**	3,117
Profit before taxation	5	**449,803**	345,042
Income tax	6(a)	**(85,659)**	(63,268)
Profit for the year attributable to the equity shareholders of the Company		**364,144**	281,774
Earnings per share (RMB Yuan)			
Basic	8(a)	**0.15**	0.13
Diluted	8(b)	**0.15**	0.13

Details of dividends payable to equity shareholders of the Company are set out in Note 7.

Consolidated statement of comprehensive income

For the year ended 31 December 2009
(Expressed in Renminbi)

	2009	2008
	RMB'000	*RMB'000*
Profit for the year attributable to the equity shareholders of the Company	**364,144**	281,774
Other comprehensive income for the year		
Exchange differences on translation of subsidiaries' financial statements in foreign currency	**(103)**	4,949
Total comprehensive income for the year attributable to the equity shareholders of the Company	**364,041**	286,723

Consolidated balance sheet

At 31 December 2009
(Expressed in Renminbi)

	Note	**2009**	2008
		RMB'000	*RMB'000*
Non-current assets			
Plant and equipment		**39,330**	31,510
Prepaid advertising fee		**6,081**	—
		45,411	31,510
Current assets			
Inventories		**60,384**	51,992
Trade and other receivables	9	**534,009**	136,495
Amounts due from related parties		**—**	132,746
Pledged deposits		**162,012**	—
Cash and cash equivalents		**1,742,523**	298,148
		2,498,928	619,381
Current liabilities			
Trade and other payables	10	**293,839**	171,997
Bank loans and overdrafts		**158,490**	—
Amounts due to related parties		**5,896**	144,342
Current taxation		**31,820**	13,655
		490,045	329,994
Net current assets		**2,008,883**	289,387
Total assets less current liabilities		**2,054,294**	320,897

	2009	2008
	RMB'000	*RMB'000*
Non-current liabilities		
Deferred tax liabilities	**20,062**	6,369
Net assets	**2,034,232**	314,528
Capital and reserves		
Share capital	**256,134**	—
Reserves	**1,778,098**	314,528
Total equity	**2,034,232**	314,528

Notes to Financial Statements:

1 Reporting entity

BaWang International (Group) Holding Limited (the "Company") was incorporated in the Cayman Islands on 11 December 2007 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and are expressed in Renminbi unless otherwise indicated. The Group is primarily engaged in the manufacturing and sales of household and personal care products.

2 Statement of compliance

The consolidated results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2009 but are extracted from those audited consolidated financial statements.

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued one new IFRS, a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, Operating segments
- IAS 1 (revised 2007), Presentation of financial statements
- Improvements to IFRSs (2008)

The Improvements to IFRSs (2008) have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group.

The presentation of segment information in prior accounting periods was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in different operating segments being identified (see Note 3).

As a result of the adoption of IAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholder in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

3 Segment reporting

The Group manages its business by a mixture of both product lines and geographical segments. On first-time adoption of IFRS 8, Operating segments and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has the following two operating segments:

- Hair-care products (mainland China and overseas)
- Skin-care and other household and personal care products (mainland China)

However, the above operating segments of the Group are not identified as reportable segments for the years ended 31 December 2009 and 2008 as the assets, revenue, and profit for the skin-care and other household and personal care products segment constituted only 2.5% of combined assets of all segments as of 31 December 2009 (as of 31 December 2008: 5.6%), and 4.9%, 1.1% of the combined revenue, combined segment result of all segments for the year then ended (for the year ended 31 December 2008: 5.5% and 7.6%).

Among the hair-care products operating segment, the sales in mainland China and overseas are not reported as sub-segments for the years ended 31 December 2009 and 2008 as the assets, revenue and profit from overseas constituted only 4.6% of combined assets of hair-care products operating segment as of 31 December 2009 (as of 31 December 2008: 0%), and 4.7%, 6.6% of the combined revenue, combined segment result of hair-care products operating segment for the year then ended (for the year ended 31 December 2008: 0.5% and 1.5%).

4 Turnover

The Group is principally engaged in the manufacturing and sales of the household and personal care products including hair-care and skin-care products.

Turnover represents the sales value of goods supplied to customers. Turnover excludes value added taxes and other sales taxes and is after deduction of any trade discounts. The amount of each significant category of revenue recognised in turnover during the years is as follows:

	For the year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Hair-care products	**1,669,025**	1,334,142
Skin-care and other household and personal care products	**86,976**	77,106
	1,756,001	1,411,248

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenues.

5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Finance income and costs

	For the year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Finance income		
Interest income on bank deposits	**(2,322)**	(1,957)
Net foreign exchange gain	**—**	(1,160)
Subtotal	**(2,322)**	(3,117)
Finance costs		
Interest on bank borrowings	**2,231**	—
Net foreign exchange losses	**2,540**	—
Subtotal	**4,771**	—
Net finance costs/(income)	**2,449**	(3,117)

(b) Staff costs*

	For the year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**84,027**	166,404
Equity-settled share-based payment expenses	**6,435**	—
Contributions to defined contribution retirement plan	**4,627**	4,330
	95,089	170,734

Staff costs included directors' remuneration.

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiary participates in a defined contribution retirement benefit scheme (the "Scheme") organised by the local authority whereby the PRC subsidiary is required to make contributions to the Scheme based on certain percentages of the eligible employee's salaries. The local government authority is responsible for the entire pension obligations payable to the retired employees.

The Group also maintains a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on the relevant income of the relevant employee and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other obligations for payment of retirement and other post-retirement benefits of employees other than the contribution described above.

(c) Other items

	For the year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Depreciation*	**6,721**	4,800
Auditors' remuneration	**4,378**	4,294
Cost of inventories*	**590,355**	509,324
Impairment loss for bad and doubtful debts (Note 9(b))	**1,549**	538

* Cost of inventories includes RMB31,326,000 (2008: RMB36,611,000) relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

6 Income tax expense

(a) Income tax expense in the consolidated income statements represents:

	For the year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Current tax — PRC income tax		
Provision for the year	**63,731**	56,401
Current tax — Hong Kong income tax		
Provision for the year	**1,866**	498
Deferred tax — PRC income tax		
Origination of temporary differences	**20,062**	6,369
Income tax expense	**85,659**	63,268

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) Bawang (Guangzhou) Co., Ltd. ("Bawang Guangzhou"), the PRC subsidiary of the Group, is a production-oriented wholly foreign owned enterprise located in the coastal economy open zone of Guangzhou. Pursuant to the applicable income tax law effective before 2008, Bawang Guangzhou is eligible for the "two-year exemption and three-year 50% reduction" tax holiday from 2006 to 2010.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("CIT law") which started to take effect on 1 January 2008. In December 2007, the Implementation Rules of the CIT Law of the PRC and "Guo Fa [2007] No. 39" were promulgated to specify certain implementation details and grandfathering arrangements of the CIT law. As a result, Bawang Guangzhou is subject to a unified tax rate of 25% from 1 January 2008, but it can continue to enjoy the 50% reduction in its applicable tax rate till the end of the tax holiday, i.e. 2010.

(iii) Pursuant to the Implementation Rules of the CIT Law, overseas investors to foreign investment enterprises ("FIEs") shall be liable for withholding income tax at 10% on the dividend derived from the profits of PRC subsidiaries with effect from 1 January 2008, unless the tax rate is reduced by treaty. Pursuant to the Sino-Hong Kong Double Tax Arrangements, the investor established in Hong Kong which is the beneficiary owner holding not less than 25% of the equity interests of its PRC subsidiaries can enjoy a reduced withholding tax rate of 5% on the dividend received from its PRC subsidiaries. On this basis, the Group has made provision of withholding income tax on the distributable profits generated by Bawang Guangzhou for the year.

(iv) The provision for Hong Kong Profits Tax was made by Hong Kong Bawang International Trading Limited ("Bawang Trading") and was calculated at 16.5% of the estimated assessable profits for the year (2008: 16.5%).

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	For the year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Profit before income tax	**449,803**	345,042
Income tax on profit before tax, calculated at the rates applicable to the PRC operations	**112,451**	86,261
Effect of withholding income tax (Note 6(a)(iii))	**21,193**	14,189
Effect of the difference in tax rates among the Company and the subsidiaries	**10,550**	2,306
Effect on deemed taxable income (i)	**1,377**	3,483
Effect of non-deductible expenses	**2,688**	5,470
Effect of tax concessions (ii)	**(62,600)**	(48,441)
Income tax expenses	**85,659**	63,268

(i) Effect on deemed taxable income represents deemed sales income in respect of promotional goods provided to customers at nil consideration, which is calculated in accordance with the CIT law of the PRC, applicable from 1 January 2008.

(ii) Effect of tax concessions represents the difference between standard income tax rate and preferential income tax rate enjoyed by the Group as set out in Note 6(a)(ii).

(c) Deferred taxation

The tax effects of temporary differences that give rise to significant portions of the deferred tax liabilities as of 31 December 2009 and 2008 are presented below:

	For the year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Deferred tax liabilities arising from undistributed earnings of PRC subsidiary since 1 January 2008 (Note 6(a)(iii))	**20,062**	6,369

7 Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2009	2008
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date of HK4.25 cents per ordinary share (2008: RMB0.12 per ordinary share)	**108,622**	249,680
Special dividend proposed after the balance sheet date of HK4.25 cents per ordinary share (2008: Nil)	**108,622**	—
	217,244	249,680

The final and special dividends proposed after the balance sheet date have not been recognised as a liability at the balance sheet date.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2009	2008
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year	**249,680**	—

8 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB364,144,000 (2008: RMB281,774,000) and the weighted average of 2,497,753,425 ordinary shares (2008: assuming 2,100,000,000 ordinary shares were in issue throughout the year) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	At 31 December	
	2009	2008
Issued ordinary shares at 1 January	**1**	1
Effect of repurchase of existing ordinary shares	**(1)**	(1)
Effect of increase in ordinary shares	**10,000**	10,000
Effect of capitalisation issue	**2,099,990,000**	2,099,990,000
Effect of shares issued upon initial public offering	**397,753,425**	—
Weighted average number of ordinary shares at 31 December	**2,497,753,425**	2,100,000,000

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB364,144,000 and the weighted average number of ordinary shares (diluted) of 2,500,976,782 shares.

Weighted average number of ordinary shares (diluted) is calculated as:

	31 December 2009
Weighted average number of ordinary shares	**2,497,753,425**
Effect of deemed issue of shares under the Company's share option scheme	**3,223,357**
Weighted average number of ordinary shares (diluted) at 31 December 2009	**2,500,976,782**

There were no dilutive potential ordinary shares in issue as at 31 December 2008, and therefore, diluted earnings per share are the same as the basic earnings per share for 2008.

9 Trade and other receivables

	The Group At 31 December 2009 RMB'000	2008 RMB'000
Trade debtors and bills receivable	**376,815**	101,874
Less: allowance for doubtful debts	**(1,650)**	(101)
	375,165	101,773
Prepayment for purchase of raw materials	**2,017**	1,004
Prepaid advertising fee	**150,622**	26,956
Other receivables	**6,205**	6,762
	534,009	136,495

The credit terms granted by the Group to customers generally range from 30 days to 90 days. Generally, all of the trade and other receivables are expected to be recovered within one year.

(a) Ageing analysis

Included in trade and other receivables of the Group are trade debtors of the Group and bills receivable (net of allowance for doubtful debts) with the following ageing analysis by due date as of the balance sheet date:

	The Group At 31 December 2009 RMB'000	2008 RMB'000
Current	**342,332**	72,450
Less than 3 months past due	**31,348**	27,096
More than 3 months but less than 6 months past due	**1,911**	2,227
More than 6 months but less than 12 months past due	**793**	101
More than 12 months past due	**431**	—
	376,815	101,874
Less: impairment loss for doubtful debts	**(1,650)**	(101)
	375,165	101,773

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable of the Group are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly.

The movement in the allowance for doubtful debts during the year, including mainly the specific losses, is as follows:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
At 1 January	**101**	1,501
Impairment loss recognised	**1,549**	538
Uncollectible amounts written off	**—**	(1,938)
At 31 December	**1,650**	101

At 31 December 2009, the Group's trade debtors and bills receivable of RMB1,650,000 (2008: RMB101,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that full amount of these receivables cannot be recovered. Consequently full provisions for these doubtful debts were recognised. The Group does not hold any collateral over these balances.

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group At 31 December	
	2009	2008
	RMB'000	*RMB'000*
Neither past due nor impaired	**341,370**	72,450
Less than 3 months past due	**31,260**	27,096
More than 3 months but less than 6 months past due	**1,906**	2,227
More than 6 months but less than 12 months past due	**598**	—
More than 12 months but less than 24 months past due	**31**	—
	33,795	29,323
	375,165	101,773

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

10 Trade and other payables

	The Group At 31 December	
	2009	2008
	RMB'000	*RMB'000*
Trade payables	**115,330**	60,754
Receipts in advance	**30,790**	41,669
Promotion fee payable	**49,812**	20,663
Accrued payroll	**11,977**	9,848
Other payables and accruals	**85,930**	39,063
	293,839	171,997

The credit period granted by the suppliers ranges from 30 days to 90 days.

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis of the balance sheet date:

	The Group At 31 December	
	2009	2008
	RMB'000	*RMB'000*
Due within 1 month or on demand	**84,662**	39,483
Due after 1 month but within 3 months	**30,668**	21,271
	115,330	60,754

11 Non-adjusting post balance sheet events

On 14 April 2010, the Board has resolved to propose a final and a special dividend to the shareholders whose names on the register of members of the Company at close of business on 25 May 2010. Details are disclosed in Note 7.

12 Capital commitments

Capital commitments outstanding at 31 December 2009 not provided for in the financial statements were as follows:

	2009	2008
	RMB'000	*RMB'000*
Contracted for	**3,503**	—

13 Comparative figures

As a results of the application of IAS 1 (revised 2007), Presentation of financial statements, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in Note 2.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The successful listing of our shares on 3 July 2009 on The Stock Exchange of Hong Kong Limited of (the "Stock Exchange") was an important milestone in the development of our Group. We are grateful for the fact that our shares were 446 times over-subscribed by the Hong Kong retail investors and significantly over-subscribed by high quality international institutional investors during the midst of the unprecedented global economic crisis. The overwhelming response and interest from our investors made our initial public offering one of the most popular listings in Hong Kong at that time which further enhanced consumers' recognition of our Bawang (霸王) branded products. We believe that the listing of our shares on the main board of the Stock Exchange will bring significant advantages to the future development of our Group.

The Directors are pleased to report that as the economic environment improved in the People's Republic of China ("China" or "PRC") in the second half of 2009, the Group was able to capture the opportunities and increased both the revenue and profitability of the Group. Consequently, the total revenue for the year of 2009 increased by 24.4% to RMB1,756.0 million. The profit attributable to the shareholders increased to RMB364.1 million, representing an increase of 29.2% from RMB281.8 million in 2008. Please refer to the Financial Review section of this results announcement for the details of operating performance of the Group.

The year of 2009 was a fruitful year for us in terms of brand building with the successful implementation of our multi-brand and multi-product strategy.

In May 2009, we successfully launched in China the Royal Wind Chinese herbal anti-dandruff shampoo series (追風系列) which is the first anti-dandruff shampoo with Chinese herbal ingredients. The Royal Wind series (追風系列) consists of three major categories of product including shampoo, hair-care and shower gel products. The Royal Wind series (追風系列) was subsequently launched in Hong Kong in October 2009.

In December 2009, we launched the Herborn Chinese herbal skincare products series (本草堂系列). This series of products aims to target at white-collar females aged between 25 and 45 who pusses with high purchasing power and pursue a healthy and natural lifestyle. The Company is making good progress in building up the sales channels for the Herborn Chinese herbal skincare products series (本草堂系列) in department stores and international supermarkets.

To effectively promote these two new series, internationally renowned celebrity Ms Faye Wong (王菲) has been invited as the brand ambassador for both Royal Wind (追風) and Herborn (本草堂) brands.

Towards the end of 2009, we further launched Bawang Men's Series (霸王男士系列) of products, a new series under our Bawang (霸王) brand. The Bawang Men's Series (霸王男士系列) is the first high-end professional Chinese herbal shampoo and hair-care series specially designed for men who face different hair-care problems introduced in the China market. This series consists of three major categories of products including shampoo, hair-care and shower gel products. To effectively promote these new series as one for "Mature, Successful and True Man", the Group has continued to retain internationally renowned celebrity Mr. Jackie Chan (成龍) to be the brand ambassador of the Bawang Men's Series (霸王男士系列).

We are pleased to report that the operating results of these three new series were generally in line with the expectations of the management.

In terms of the recognition gained by us in 2009, we were accredited as "China New Hi-Tech Enterprise" by Guangdong Science and Technology Department. With this accreditation, Bawang Guangzhou Company Limited, a wholly-owned subsidiary of the Group will be able to enjoy a preferential corporate income tax rate of 15% (10 percentage points lower than the unified tax rate) in the fiscal year of 2011 following the completion of the prevailing tax holiday. The Directors believe that the preferential tax rate will further enhance our operational competitiveness.

We have obtained the award of "National Outstanding Contribution Award for External Therapy of Traditional Chinese Medicine" in International Conference & Exposition on Traditional Medicine 2009. We have also obtained China New Hi-Tech products certificate from Guangdong Science and Technology Department for the breakthrough in the development of a method to extract stilbene glycosides (二苯乙烯甙) from polygonum (何首烏). All of these achievements served as high recognition of our continuous efforts in focusing the Group's strong capability in the research, development and industrialization of Chinese herbal medicine.

We are in the process of applying for the registration of a number of patents relating to Chinese herbs and hair blackening researches, the successful registration of which will be a further testament to our research and development capabilities.

We have been selected as a constituent of Hang Seng Composite Index (HSCI) effective from 8 March 2010. Among the constituents of HSCI, the Group is in the Consumer Goods and the Mid-Cap categories. We are honored to have been selected as one of the HSCI's constituent stocks. The Directors believe that the selection will not only further enhance Group's reputation and corporate image in the international capital markets, but will also help investors better assess the huge future development potential and importance of the Group in the sector.

Since 31 December 2009, there was no other important event affecting the Group except the events mentioned in Note 11 of this results announcement.

Financial Review

Revenue

During the year under review, the Group's revenue amounted to RMB1,756.0 million, representing an increase of 24.4% as compared with RMB1,411.2 million in 2008. The sales growth in 2009 mainly attributed to the increase in the sales of Bawang branded products and the launch of Royal Wind (追風) hair-care series in May 2009.

The Group's core brand, Bawang (霸王), generated RMB1,411.1 million in revenue, which accounted for 80.4% of the Group's total revenue for 2009. and represented an increase of 4.6% as compared to 2008.

The new branded Chinese herbal anti-dandruff hair-care series, Royal Wind (追風), recorded a revenue of RMB292.6 million since it was launched in May 2009, which accounted for approximately 16.7% of the Group's total revenue for 2009.

Litao (麗濤) and Smerry (雪美人) generated a total revenue of RMB52.0 million, which accounted for approximately 2.9% of the Group's total revenue for 2009.

We sell our products through extensive distribution and retail networks. During the year under review, sales to our distributors and retailers represented approximately 85.7% and 14.3% of total revenue for 2009 respectively.

We launched our products in Hong Kong, Macao, and Singapore in 2008. We further launched our products in Malaysia, Myanmar and Thailand in 2009. The sales to the markets outside the PRC accounted for 4.5% of our total revenue for 2009.

Cost of Sales

During the year under review, the Group's cost of sales for 2009 amounted to RMB590.4 million, representing an increase of 15.9% as compared to RMB509.3 million for 2008. Such increase was primarily due to the increase in production driven by the launch of the three new products, namely Royal Wind (追風) in May 2009, Herborn (本草堂) and Bawang Men's Series (霸王男士系列) in December 2009.

Gross Profit

During the year under review, the Group's profit increased RMB1,165.6 million, representing an increase of 29.2% as compared to RMB901.9 million for 2008. The gross profit margin increased from 63.9% for 2008 to 66.4% for 2009. Such increase was mainly attributable to the change in products mix and the decrease in the percentage of cost of raw materials against revenue.

Selling and Distribution Costs

Selling and distribution costs increased to RMB637.3 million for 2009, representing an increase of 24.4% as compared to that for 2008 because of the increased cost for the launch of our new brand product serie Royal Wind (追風) series in May 2009, Herborn (本草堂) and Bawang Men's Series (霸王男士系列) in December 2009.

Administrative Expenses

Administrative expenses for 2009 amounted to approximately RMB75.8 million, representing an increase of approximately 59.9% as compared with approximately RMB47.4 million in the same period in 2008. Such increase was mainly due to the non-capitalizable listing expenses, administrative staff salaries and other benefits including share-based payments.

Profit from Operations

Profit from operations increased to RMB452.3 million for 2009, representing an increase of 32.3% from RMB341.9 million in 2008. The Group's operating margin increased from 24.2% for 2008 to 25.8% for 2009. The increase was mainly due to the increase in sales and decrease in the percentage of costs of sales against revenue, which was partly offset by the increases in operating expenses as mentioned previously.

Income Tax

Income tax expenses increased to RMB85.7 million for 2009, representing an increase of 35.4% from RMB63.3 million in 2008. The effective income tax rate increased from 18.3% before tax for 2008 to 19.1% for 2009. This was mainly because more losses incurred in the Company in 2009 due to recognition of the non-capitalisable listing expenses. The Company was incorporated in Cayman Islands and thus is not subject to any income tax.

Profit for the Year Attributable to the Equity Shareholder

Profit attributable to equity shareholder increased to RMB364.1 million for 2009, representing an increase of 29.2% from RMB281.8 million in 2008. Net profit margin increased from 20.0% for 2008 to 20.7% for 2009 as the combined effect of the above analysis.

PROSPECT

With the gradual stabilization of the global capital and credit markets in early 2009, the second half of 2009 showed a continuation of recovery in operating environment. We have continued to see business and financial conditions improving, China's economy started to picking up recovery pace, and the fast moving consumer goods sector has shows strong signs of retail consumption after months of volatile market conditions. Nonetheless, the management remain cautious for the potential uncertainties that may arise from the potential implementation of any "exit strategies" by various governments of the world.

It is expected that with the continuous development and growth of China's economy, the retail sector will benefit from tremendous market opportunities. The continuous growth of household income has improved the living standards in China, which has at the same time increased public awareness of personal hygiene. The Directors expect that the needs for quality personal hygiene products would at the same time increase. To capture this exciting opportunity, the Company will continue to offer new brands and new products to maximize such enormous opportunities available in the Chinese markets.

Leveraging on our strong fundamentals, innovation and research and development capabilities, the Directors believe that the Group will be able to sustain its competitiveness in the Chinese herbal household personal care ("HPC") products market in China. As part of our development strategy to satisfy the needs for high-end quality HPC products, the Group will continue to develop and offer new brands/products along this line. In 2010, the Group will concentrate on the key initiatives to strengthen its market share, which are set out below.

For the Bawang (霸王) branded products, we target to consolidate its leadership in the Chinese herbal shampoo market in China, to further increase the revenue through extensive coverage of our sales and distribution network into new areas, to deepen the penetration of the existing established regional markets, particularly those regions other than Southern China, to boost up the sales to the same retailer and distributor, and to expand the revenue stream through the launch of new branded products and/or enhanced product sub-series.

For the Royal Wind Chinese herbal anti-dandruff shampoo series (追風系列), the Directors are pleased that we were able to achieve the sales target which had been pre-determined for the first year of launch of the products. We will continue to expand the sales and distribution network for this series of products and we target to increase the market share of in the Chinese herbal anti-dandruff shampoo market and to build up this brand as another leading Chinese herbal shampoo within the next few years.

For the Herborn Chinese herbal skincare products series (本草堂系列) branded products, this new series was launched at the end of 2009. We will continue to establish the sales network of this brand through different sales channels and to enhance the brand image through various brand building programmes. We strive to establish Herborn as a leading brand in the Chinese herbal skincare market so that it becomes one of our major contributor to revenue in near future.

For new products, we plan to launch a new branded herbal drink product series called "Bawang Herbal Drink" in late April 2010. Mr Ronnie Yan (甄子丹) has been appointed as the brand ambassador of this branded products. We may further launch a new branded Chinese herbal household cleaning product series later this year. Upon successful launching of these two new products series to the market, we would then move towards a more comprehensive product portfolio comprising three major categories namely personal care, beverage, and household care products. The Directors believe that such multi-brand and multi-product strategy will enable our Group to offer a variety of choices to satisfy the needs of different market segments and consumers. Upon the successful building of these new brands and products, we would be able to diversify our revenue generators in future.

As disclosed in the prospectus dated 22 June 2009 in relation to the global offering of the Company's shares ("the Prospectus"), the Group plans to lease a new production premises located in Baiyun District, Guangzhou with an estimated gross floor area of 75,000 square meters. The first phase of the new premises will be available for the installation and fittings work towards the later part this year. Once the new facilities of phase I are in operations, we estimate that our annual production capacity for shampoo products, hair-care products, and skincare products will increase by 100,000 metric tons to approximately 200,000 metric tons.

The Group has recently leased a piece of land of approximately 500 Chinese acres for Chinese herbal plantation in Guangdong province. The site preparation work is in progress. When the demonstrative plantation of Chinese herbs is in operations in 2011, we will adopt the concept of "Good Agriculture Practices (GAP)" for training and development of sub-contracting farmers which effectively expands the planting area and yield of Chinese herbs. The Group may get Chinese herbs from its own plantations for our production as early as 2011.

Market diversification is another key strategy that the Group pursues. For overseas market development, the Group will enter Brunei and the Middle East in 2010 and continue to explore potential markets in overseas countries. For domestic market development, the Group has recently expanded geographical coverage into two provinces in the western region namely, Qinghai and Ningxia, making the distribution network of the Group almost covering every province and/or municipality in China.

We will continue to explore business opportunities that may involve potential acquisition of HPC related business either to supplement to our existing business and/or fit into our long term business development strategies.

Looking forward, we will make use of our core competences and specialty in traditional Chinese herbs to develop advanced and competitive Chinese herbal HPC products and beverages. We also aim to inherit the essence of traditional Chinese herbal medicine so as to further enhance the competitiveness of Chinese herbal HPC products in the global market so as to accelerate the pace of industrialization and internationalization of Chinese herbal products. We will continue to increase its product lines and to implement multi-product and multi-brand strategy, aiming to become a global leader of branded Chinese herbal HPC products operator and to bring the best returns to our investors.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group adopts conservative financial management policies and maintains a good and solid financial position. With the successful listing of our shares on the Main Board of the Stock Exchange of Hong Kong Limited in July 2009 ("IPO") and the raising of gross proceeds of HKD1,915.9 million, the Group continues to fund its business operations and general working capital principally by internally generated resources and the net proceeds from the IPO.

As at 31 December 2009, the balance of cash and cash equivalent was approximately RMB1,742.5 million as compared with approximately RMB298.1 million as at 31 December 2008. As at 31 December 2009, the total bank and other borrowings of the Group were approximately RMB158.5 million (2008: nil), which were denominated in Hong Kong Dollars. The Group had also access to a standby short-term banking facility of RMB100.0 million. No drawdown of this facility was made as of 31 December 2009.

As at 31 December 2009, the total assets of the Group were RMB2,544.3 million (2008: RMB650.9 million), which included current assets amounted to RMB2,498.9 million (2008: RMB619.4 million). Total liabilities were RMB510.1 million (2008: RMB336.4 million) with bank borrowings amounting to RMB158.5 million (2008: nil). Total equity amounted to RMB2,034.2 million (2008: RMB314.5 million).

The gearing ratio (calculated as interest-bearing borrowings divided by total assets) of the Group as at 31 December 2009 was approximately 6.2% (2008: nil).

MATERIAL ACQUISITION AND DISPOSAL

The Group did not engage in any material acquisition or disposal of any its subsidiaries or associated companies for 2009.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

The operations of the Group are mainly carried out in the PRC, with most transactions settled in Renminbi. The reporting currency of the Group is Renminbi. The Group has exported its goods to Hong Kong and certain Southeast Asian countries. The transactions were settled in either Hong Kong Dollars or United States Dollars. The Group's cash and bank deposits are predominantly denominated in Hong Kong Dollars, Reminbi and United States Dollars. The Company will pay dividends in Hong Kong Dollars if dividends are declared. In addition, the Group paid certain advertising fees in United States Dollars or Hong Kong Dollars. The Directors are of the view that RMB is relatively stable against the other currencies and the Group will closely monitor the fluctuations in exchange rates, and that hedging by means of derivative instruments is therefore not necessary.

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2009, the Group had entered into a guarantee contract with a bank for a bank loan of HKD180.0 million, which became effective on 3 July 2009. Pursuant to the guarantee contract, the Group provided time deposits amounted to HKD184.0 million to the bank as a pledge to this bank loan on 22 July 2009.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2009.

CAPITAL COMMITMENT

The Group had capital commitment amounting to RMB3.5 million as at 31 December 2009.

HUMAN RESOURCES

As at 31 December 2009, the Group had a total of approximately 3,300 employees (including staff members and contract personnel) in the PRC and Hong Kong. For the year ended 31 December 2009, the Group reported staff costs of approximately RMB95.1 million.

The employees' remuneration, promotion and salary review are based on job responsibilities, work performances, professional experiences and the prevailing industry practices.

Our employees in the PRC and Hong Kong joined social insurance contribution plans and mandatory provident fund scheme respectively. Other benefits include performance-based incentive bonus scheme and share options granted or to be granted under the share option schemes.

To enable our employees to reach their full potential, we are committed to staff training and development. In 2009, the Group organized 16 in-house training classes with more than 2,250 participants in aggregate.

The Directors believe that the Group's human resources policies play a crucial part in further development of the Group. Promising career prospects, good staff remuneration and benefits as well as pleasant working environment are essential factors for maintenance of a stable workforce for the Group.

PROPOSED DIVIDENDS

The Board recommended the payment of a final dividend for the year ended 31 December 2009 of HK4.25 cents per share and an additional special dividend of HK4.25 cents per share. Upon the approval being obtained in the forthcoming annual general meeting, the above dividend will be paid on or about Thursday, 10 June 2010 to the Shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 25 May 2010.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Thursday, 20 May 2010 to Tuesday, 25 May 2010 (both dates inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed dividend and be entitled to attend and vote at the forthcoming annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m on Wednesday, 19 May 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year under review.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to enhancing the corporate governance of the Group, and the Board reviews and updates all such necessary measures in order to promote good corporate governance.

The Company has adopted and complied with the provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to Listing Rules during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year under review.

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with the Rule 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company has also complied with Rules 3.10(1) and 3.10(2) of the Listing Rules and appointed three independent non-executive Directors including one with financial management expertise. The primary duties of the Audit Committee (inter alia) are to review the financial reporting process and internal control system of the Group. The Audit Committee also provides advice and suggestions to the Board. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2009 with the management of the Company and the Company's independent auditors and recommended its adoption by the Board.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Tuesday, 25 May 2010. A notice of the annual general meeting will be published and despatched to shareholders in accordance with the requirement of the Listing Rules.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is also published on the websites of the Company (www.bawang.com.cn) and the Stock Exchange (www.hkex.com.hk). The annual report for the year ended 31 December 2009 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and available on the above websites in due course.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all Shareholders, customers, suppliers, banks, professional parties and employees of the Company for their continuous commitment and support.

By Order of the Board
BaWang International (Group) Holding Limited
Chen Qiyuan
Chairman

Hong Kong, 15 April 2010

As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely, Mr. CHEN Qiyuan, Ms. WAN Yuhua, Mr. SHEN Xiaodi and Mr. WONG Sin Yung, one non-executive director, namely, Ms. GUO Jing, and three independent non-executive directors, namely, Mr. NGAI Wai Fung, Mr. LI Bida and Mr. CHEN Kaizhi.