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 2013

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 2013 together with the comparative figures of 2012.

The Board refers to the profit warning announcement of the Group dated 7 March 2014. The following sets forth a summary of the audited consolidated results of the Group for the year ended 31 December 2013:

Total revenue of the continuing operations of the Group was approximately RMB477.7 million, representing a decrease of 11.3% from approximately RMB538.4 million for 2012.

Operating loss from the continuing operations of the Group was approximately RMB136.2 million, representing a substantial improvement by 68.8% from approximately RMB436.5 million for 2012.

Net loss from the continuing operations was approximately RMB136.9 million as compared to a net loss of approximately RMB519.9 million for 2012.

Loss attributable to owners of the Company was approximately RMB143.5 million as compared with the attributable loss of approximately RMB617.6 million for 2012.

Loss per share from continuing operations (Basic and diluted) was RMB0.047.

Following review of the operating results of the Group, the Board does not recommend the payment of a final dividend.

* *for identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000 (Restated)
Continuing operations			
Turnover	3	**477,657**	538,372
Cost of sales		**(246,066)**	(312,609)
Gross profit		**231,591**	225,763
Other income	4	**5,408**	2,485
Changes in fair value less costs to sell of biological assets		**(223)**	(665)
Selling and distribution costs		**(295,024)**	(551,126)
Administrative expenses		**(58,583)**	(88,040)
Other expense		**(19,358)**	(24,956)
Finance costs	5	**(702)**	(731)
Loss before taxation		**(136,891)**	(437,270)
Taxation	6	**—**	(82,605)
Loss for the year from continuing operations attributable to owners of the Company	7	**(136,891)**	(519,875)
Discontinued operation			
Loss for the year from discontinued operation attributable to owners of the Company	8	**(6,611)**	(97,694)
Loss for the year attributable to owners of the Company		**(143,502)**	(617,569)
Loss per share	10		
From continuing and discontinued operations			
Basic and diluted (RMB)		**(0.049)**	(0.212)
From continuing operations			
Basic and diluted (RMB)		**(0.047)**	(0.179)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Loss for the year	**(143,502)**	(617,569)
Other comprehensive expense		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(6,910)**	(629)
Total comprehensive expenses for the year attributable to owners of the Company	**(150,412)**	(618,198)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	*11*	**294,256**	321,619
Prepaid advertising fee		**123**	1,454
Biological assets		**170**	142
		294,549	323,215
Current assets			
Inventories		**55,341**	64,801
Biological assets		**1,886**	1,836
Trade and other receivables	*12*	**94,922**	138,161
Restricted bank balance		**309**	—
Bank balances and cash		**43,302**	224,608
		195,760	429,406
Current liabilities			
Trade and other payables	*13*	**212,121**	247,785
Secured bank loans		**—**	76,390
Amounts due to related parties		**1,514**	4,090
Income tax payables		**9,645**	9,656
Provisions		**1,826**	—
		225,106	337,921
Net current (liabilities) assets		**(29,346)**	91,485
Total assets less current liabilities		**265,203**	414,700

	2013	2012
	RMB'000	*RMB'000*
Non-current liability		
Deferred tax liability	**2,031**	2,031
Net assets	**263,172**	412,669
Capital and reserves		
Share capital	**256,639**	256,639
Reserves	**6,533**	156,030
Total equity	**263,172**	412,669

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated in Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. Its immediate parent company is Fortune Station Limited, which is incorporated in the British Virgin Islands (the "BVI") and is beneficially owned by Mr. Chen Qiyuan, the Chairman of the board of directors of the Company, and Ms. Wan Yuhua, the director and Chief Executive Officer of the Company (collectively referred to as the "Controlling Shareholders").

The address of the registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is at 6th Floor, 181 Tangle Road, Tangyong Village, Xinshi, Baiyun District, Guangzhou, 510410, the People's Republic of China (the "PRC").

The principal activities of the Group are the manufacturing and sales of the household and personal care products. The Group was also engaged in the sales of herbal tea products which was discontinued in current year (see note 8).

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

Going concern basis

The Group incurred a net loss of approximately RMB143,502,000 and reported a net cash outflow from operating activities of approximately RMB86,082,000 for the year ended 31 December 2013, and had cumulative losses of approximately RMB1,386,739,000 and net current liabilities of approximately RMB29,346,000 as at 31 December 2013. In view of such circumstance, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis. In the opinion of the directors of the Company, the Group is able to continue as a going concern in the coming year taking into consideration of the following:

(i) The Group had bank balances and cash of approximately RMB43,302,000 as at 31 December 2013.

(ii) In March 2013, the Controlling Shareholders and Guangzhou Bawang Cosmetics Co., Ltd. ("Guangzhou Bawang"), an entity wholly-owned by the Controlling Shareholders, have undertaken to provide a long-term loan facility to the Group in an amount up to RMB140,000,000 for a period from 15 March 2013 to 31 December 2015. Subsequent on 23 January 2014 and 26 February 2014, respective amount of HK$9,500,000 (equivalent to approximately RMB7,515,000) and USD6,700,000 (equivalent to approximately RMB41,088,000) have been drawn down by the Group. The long-term loans are unsecured, interest-free and repayable by 29 November 2016 or earlier as determined by the Group.

(iii) The directors of the Company have been taking measures to optimise the Group's operations and improve the cost structure, which include the following:

— adopting measures to expand the revenue stream through the launch of enhanced or new products series and promotion of certain existing product lines of higher margin; and

— adopting various cost control measures to tighten the costs of operations and various general and administrative expenses, including but not limited to adopting more cost-effective advertising and promotion channels and reducing the staff headcounts.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following new and revised IFRSs issued by the International Accounting Standard Board for the first time.

Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle
Amendments to IFRS 1	First-time Adoption of IFRSs — Government Loans
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 13	Fair Value Measurement
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
IFRIC* — Interpretation ("Int") 20	Stripping Costs in the Production Phase of a Surface Mine

* IFRIC represents the International Financial Reporting Standards Interpretation Committee.

Except as described below, the application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to IAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

IFRS 13 — Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions within the scope of IFRS 2 Share-based Payment, leasing transaction within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application. In accordance with the transitional provisions of IFRS 13, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable of the goods sold to customers, net of discounts allowed, volume rebates and sales related taxes where applicable.

Information reported to the most senior executive management of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on a mixture of product lines and geography. The segments are managed separately as each operating segment offers different products which require different production information to formulate different strategies. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under IFRS 8 are as follows:

- Hair-care products
- Skin-care products
- Other household and personal care products

An operating segment regarding herbal tea products was discontinued in the current year. The segment information reported below does not include any amounts for this discontinued operation, which is described in more detail in note 8.

Also, the Group's senior executive management is provided with segment information concerning segment revenue and result. Segment assets and liabilities are not reported to the Group's senior executive management regularly.

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment:

	Continuing operations							
	Hair-care products		Skin-care products		Other household and personal care products		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
								(Restated)
Sales to external customers	**400,447**	446,666	**34,427**	67,308	**42,783**	24,398	**477,657**	538,372
Segment loss	**(107,053)**	(336,681)	**(9,972)**	(68,752)	**(6,445)**	(9,380)	**(123,470)**	(414,813)
Changes in fair value less costs to sell of biological assets							**(223)**	(665)
Bank interest income							**834**	1,124
Other revenue							**1,577**	674
Corporate and other unallocated expenses							**(14,907)**	(22,859)
Finance costs							**(702)**	(731)
Loss before tax (continuing operations)							**(136,891)**	(437,270)

Segment results represent the loss made by each segment without allocation of changes in fair value less costs to sell of biological assets, bank interest income, net exchange gains/losses, provision for litigation, write-off of other receivables, central administration cost, directors' emoluments and finance costs. This is the measure reported to the senior executive management of the Group for the purposes of resource allocation and performance assessment.

Other segment information

	Continuing operations							
	Hair-care products		Skin-care products		Other household and personal care products		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Amounts included in the measure of segment results								
Depreciation of property, plant and equipment	**22,324**	16,837	**1,849**	2,538	**2,532**	1,208	**26,705**	20,583
Impairment loss on property, plant and equipment	**14,330**	—	**1,232**	—	**1,531**	—	**17,093**	—
(Gain) loss on disposal of property, plant and equipment	**(235)**	9,564	**(20)**	13,860	**(25)**	522	**(280)**	23,946
(Reversal of) impairment loss on trade receivables	**(2,278)**	3,186	**(196)**	480	**(243)**	174	**(2,717)**	3,840
Reversal of write-down of inventories	**(8,278)**	(39,148)	**(701)**	(6,192)	**(978)**	(4,336)	**(9,957)**	(49,676)
Write-down of inventories	**2,734**	13,283	**232**	2,101	**323**	1,471	**3,289**	16,855
Write-off of inventories	**10,930**	42,444	**661**	8,385	**1,001**	9,159	**12,592**	59,988

Geographical information

The Group's continuing operations are mainly located in the PRC (country of domicile) and Hong Kong.

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and biological assets, and the location of the operation to which they are allocated, in the case of the non-current portion of prepaid advertising fee.

	Revenue from external customers		Non-current assets	
	Year ended 2013	Year ended 2012	**2013**	2012
	RMB'000	*RMB'000* (Restated)	***RMB'000***	*RMB'000*
PRC (country of domicile)	**458,891**	518,972	**293,412**	321,233
Hong Kong	**12,786**	14,221	**1,137**	1,982
Singapore	**2,184**	1,614	**—**	—
Thailand	**2,032**	3,137	**—**	—
Malaysia	**1,598**	428	**—**	—
Others	**166**	—	**—**	—
Total	**477,657**	538,372	**294,549**	323,215

Information about major customers

During the years ended 31 December 2013 and 2012, none of the Group's individual customer contributed more than 10% to the total turnover of the Group.

4. OTHER INCOME

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Bank interest income	**834**	1,124
Gain on sales of scrap materials	**1,060**	687
Investment income	**—**	36
Net foreign exchange gains	**—**	110
Gain on disposals of property, plant and equipment	**280**	—
Reversal of impairment loss on trade receivables	**2,717**	—
Others	**517**	528
	5,408	2,485

5. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Continuing operations		
Interest on secured bank loans wholly repayable within five years	**702**	731

6. TAXATION

Tax charge for the year represents:

	2013	2012
	RMB'000	*RMB'000*
Continuing operations		
Deferred tax		
Reversal of temporary differences	**—**	(82,605)

(a) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries is 25% from 1 January 2008 onwards.

The PRC EIT Law allows enterprises to apply for the certificates of "High and New Technology Enterprise" ("HNTE") which entitles the qualified companies to a preferential income tax rate of 15%. Bawang (Guangzhou) Co., Ltd. ("Bawang Guangzhou"), a PRC subsidiary of the Group, was qualified as a HNTE in 2009 and the qualification was renewed and valid until 2014. However, Bawang Guangzhou did not have any assessable profits subject to Enterprise Income Tax for the years ended 31 December 2013 and 2012.

(b) No provision for Hong Kong Profits Tax has been provided as the Group did not have any assessable profits subject to Hong Kong Profits Tax for both years.

(c) Pursuant to the laws 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 for the current and previous years.

(d) Pursuant to the Implementation Rules of the EIT Law, overseas investors of foreign investment companies ("FIE") 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. The Group did not make provision of withholding income tax for the years ended 31 December 2013 and 2012 since the PRC subsidiaries incurred losses in both years.

7. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the year from continuing operations has been arrived at after charging (crediting):

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Auditor's remuneration	**673**	1,600
Cost of inventories recognised as an expense *(note (a))*	**246,066**	312,609
Depreciation of property, plant and equipment	**27,440**	21,689
Impairment loss on property, plant and equipment (included in other expenses)	**17,093**	—
Impairment loss on trade receivables	**—**	3,840
Loss on disposal of property, plant and equipment	**—**	25,065
Net foreign exchange loss	**34**	—
Provision for litigation (included in other expenses)	**1,826**	—
Research and development costs recognised as an expense	**17,862**	30,948
Reversal of write-down of inventories (included in cost of inventories recognised as an expense above)	**(9,957)**	(49,676)
Staff costs *(note (b))*	**132,566**	225,454
Write-down of inventories (included in cost of inventories recognised as an expense above)	**3,289**	16,855
Write-off of inventories (included in cost of inventories recognised as an expense above)	**12,592**	59,988
Write-off of other receivables (included in other expenses)	**439**	—

Notes:

(a) Cost of inventories recognised as expenses from continuing operations included depreciation of property, plant and equipment and staff costs of approximately RMB21,695,000 (2012: RMB6,872,000) and RMB39,172,000 (2012: RMB49,807,000) respectively. The amounts were also included in the respective amounts disclosed above.

(b) Staff costs from the continuing operations included redundancy costs of approximately RMB9,679,000 (2012: RMB4,330,000) for the year ended 31 December 2013.

8. DISCONTINUED OPERATION

During the year ended 31 December 2013, the directors of the Company resolved to discontinue the production and sales of its herbal tea products due to the unsatisfactory financial performance of the business of the herbal tea products with effect from 1 July 2013.

As the herbal tea products segment represents a separate major line of business of the Group, the discontinuance of production and sales of herbal tea products has constituted a discontinued operation. The comparative figures in the statement of profit or loss have been restated to re-present the herbal tea products as a discontinued operation.

The results of the herbal tea products operation for the year ended 31 December 2013 were as follows:

	2013	2012
	RMB'000	*RMB'000*
Turnover	**723**	17,583
Cost of sales	**(2,046)**	(31,297)
Other income	**2,477**	866
Selling and distribution costs	**(6,397)**	(83,903)
Administrative expenses	**(328)**	(898)
Other expenses	**(1,040)**	(45)
Loss before taxation	**(6,611)**	(97,694)
Taxation	**—**	—
Loss for the year	**(6,611)**	(97,694)

Loss for the year from discontinued operation includes the following:

	2013	2012
	RMB'000	*RMB'000*
Bank interest income	**(2)**	(82)
Cost of inventories recognised as an expense	**2,046**	31,297
Depreciation of property, plant and equipment	**213**	405
Impairment loss on property, plant and equipment (included in other expenses above)	**645**	—
Loss on disposal of property, plant and equipment (included in other expenses above)	**13**	—
Reversal of write-down of inventories (included in cost of inventories recognised as an expense above)	**—**	(5,034)
Staff costs *(note)*	**1,521**	15,833
Write-off of other receivables (included in other expenses above)	**150**	—
Write-back of trade and other payables	**(2,471)**	—
Write-down of inventories (included in cost of inventories recognised as an expense above)	**854**	8,748
Write-off of inventories (included in cost of inventories recognised as an expense above)	**462**	3,853

No charge or credit arose on loss on discontinuance of the operation.

Note: Staff costs from discontinued operation included redundancy costs of approximately RMB482,000 (2012: RMB19,000) for the year ended 31 December 2013.

9. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).

10. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the loss for the year from continuing and discontinued operations of approximately RMB143,502,000 (2012: RMB617,569,000) and the weighted average number of approximately 2,910,971,000 (2012: 2,910,159,000) ordinary shares in issue during the period.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the loss for the year from continuing operations of approximately RMB136,891,000 (2012: RMB519,875,000) and the weighted average number of approximately 2,910,971,000 (2012: 2,910,159,000) ordinary shares in issue during the period.

From discontinued operation

Basic and diluted loss per share for the discontinued operation attributable to the owners of the Company is RMB0.002 per share (2012: RMB0.033 per share), based on the loss for the year from the discontinued operation of approximately RMB6,611,000 (2012: RMB97,694,000) and the denominators detailed above for both basic and diluted loss per share.

For the years ended 31 December 2013 and 2012, the diluted loss per share is same as the basic loss per share.

The computation of diluted loss per share for the years ended 31 December 2013 and 2012 does not assume the exercise of the Company's share options as the effect is anti-dilutive.

11. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2013, the management conducted a review of the property, plant and equipment which were used in the continuing operations and determined that those assets were impaired with reference to their value in use. Accordingly, impairment loss of approximately RMB17,093,000 (2012: nil) has been recognised under other expenses in the consolidated statement of profit or loss. The value in use calculation is determined based on the financial budgets covering a ten-year period which is reference to the estimated useful life of the assets, and a pre-tax discount rate of 17.73%, approved by the management of the Group.

During the year ended 31 December 2013, the management conducted a review of the manufacturing assets which were used for the production of herbal tea products and determined that a number of those assets were impaired due to idleness following discontinued operation. Accordingly, impairment loss of approximately RMB645,000 (2012: nil) has been recognised under other expenses of discontinued operation for the year ended 31 December 2013.

12. TRADE RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**89,937**	102,271
Less: Accumulated impairment	**(4,640)**	(7,357)
	85,297	94,914

The Group allows an average credit period of 30 to 90 days to its trade customers.

The following is an aged analysis of trade receivables, net of impairment, presented based on the due date at the end of the reporting period:

	2013	2012
	RMB'000	*RMB'000*
Neither past due nor impaired	**56,742**	59,250
Less than 3 months past due	**20,937**	29,232
More than 3 months but less than 6 months past due	**6,790**	5,970
More than 6 months but less than 12 months past due	**372**	395
More than 12 months past due	**456**	67
	28,555	35,664
	85,297	94,914

13. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the due date at the end of the reporting period:

	2013	2012
	RMB'000	*RMB'000*
Due within 1 month or on demand	**42,963**	51,911
Due after 1 month but within 3 months	**5,908**	7,827
	48,871	59,738

The average credit period on purchases is 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

14. CONTINGENT LIABILITIES

During the year ended 31 December 2013, Bawang (China) Beverage Co., Ltd. ("Bawang Beverage") received a civil order issued by the People's Court of Songjiang District of Shanghai (the "Shanghai Court") regarding a lawsuit from a former subcontractor against Bawang Beverage in relation to a claim of subcontracting fee of approximately RMB1,332,000. Pursuant to the civil order, the Shanghai Court accepted the application by the former subcontractor for property attachment prior to lawsuit to freeze Bawang Beverage's bank accounts in the amount of approximately RMB873,000 or other assets under the name of Bawang Beverage. In connection with the lawsuit, one of Bawang Beverage's bank accounts with an amount of approximately RMB309,000 has been frozen. As of the date of this announcement, no judgment has been made by the Shanghai Court.

Based on the opinion provided by the PRC legal counsel acting on behalf of Bawang Beverage, the Group is unable to predict the outcome of the case, or reasonably estimate a range of possible loss, if any, given the current status of the litigation. No accrual has been recorded by the Group as at 31 December 2013 in respect of the case.

15. LITIGATION

(a) The Board considers that the contents of the relevant article published by a media company on 14 July 2010 are defamatory to the Group and/or amount to malicious falsehood. Therefore, the Group commenced legal proceedings in the High Court of Hong Kong in October 2010 against the media company seeking, *inter alia*, damages and an injunction to restrain the media company from publishing such contents or similar contents. As of the date of this announcement, the legal proceedings are in progress.

(b) A lawsuit had been filed by a distributor against Bawang Guangzhou in Guangzhou Baiyun District Law Court (the "**District Court**") whereby the distributor alleged that Bawang Guangzhou was liable to pay an outstanding reimbursement for the promotion fees of approximately RMB6,413,000 pursuant to an agreement entered into between it and Bawang Guangzhou on 12 April 2010.

On 20 November 2013, the District Court issued a verdict for the lawsuit whereby Bawang Guangzhou was ordered to pay the distributor of an aggregate amount of approximately RMB1,606,000 and a legal cost of approximately RMB20,000. The distributor has subsequently appealed to a higher court and the date of hearing has not yet been fixed. As at 31 December 2013, an aggregate provision of approximately RMB1,626,000 has been made by the Group in the consolidated financial statements.

(c) During the year ended 31 December 2013, Bawang Guangzhou is a defendant in a legal action involving the alleged software infringement. According to the legal opinion, the total expected monetary compensation may amount to approximately RMB200,000 which Bawang Guangzhou is probable to be liable. Accordingly, provision of RMB200,000 has been made by the Group as at 31 December 2013 in the consolidated financial statements.

16. COMPARATIVE FIGURES

The presentation of comparative information in respect of the consolidated statement of profit or loss and statement of profit or loss and other comprehensive income for the year ended 31 December 2012 has been restated in order to disclose the discontinued operation separately from continuing operations.

Also, the following comparative figures for continuing operations have been reclassified to conform to current year's presentation as the directors of the Company consider the reclassification are more meaningful.

(i) Bank interest income and net foreign exchange gain in relation to continuing operations have been reclassified from finance income to other income in the consolidated statement of profit or loss.

(ii) Gain on sales of scrap materials has been reclassified from other expenses to other income in the consolidated statement of profit or loss.

As the reclassifications do not affect the consolidated statement of financial position, it is not necessary to disclose comparative information as at 1 January 2012.

BUSINESS REVIEW

The Directors report that the total revenue of the continuing operations of the Group for the year ended 31 December 2013 was RMB477.7 million, representing a decrease of 11.3% from RMB538.4 million for 2012. The operating loss from the continuing operations of the Group for the year ended 31 December 2013 was RMB136.2 million, representing a substantial improvement by 68.8% as compared with the operating loss of RMB436.5 in 2012. For the year ended 31 December 2013, the net loss from the continuing operations of the Group was RMB136.9 million, as compared with the net loss of approximately RMB519.9 million in 2012. For further information on the operating performance of the Group, please refer to the Financial Review section of this announcement.

In 2013, the Group continued to exercise stringent cost control measures, along with sales growth operating strategies. Amid the slowdown in the PRC macro-economic recovery in the first quarter of 2013, the Board decided to optimise the workforce and streamline the production process further. The continuous implementation of the value-chain-oriented business model known as "Project Win-win (共贏項目)" and the newly-implemented performance-based rewards system known as "Job Target and Responsibility Statement (工作目標和職責責任書)", together with the enhancement of operational efficiency and effectiveness as a result of the Sales Automation Management System (SAMS), the Group was able to reduce the operating costs, resulting in the improvement in the profitability of the Group from the continuing operations in 2013. The business operations of the Group remain stable throughout the rest of the year notwithstanding the significant downsizing of our work force in May 2013.

In 2013, the Group has expanded the scope of Project Excel (卓越項目) for improvement in profitability of our production centres. Apart from optimising the organisational resources through reducing a substantial number of staff members in the production and logistic departments, the Group has also changed its staff compensation system from fixed monthly wages to performance-based system. The attitude of the workers towards their work have improved. Additionally, stringent measures have been taken to enhance the management of our research and development, production process, environmental protection, and quality assurance management. As a result, the Group was awarded four major certificates in recognition of our significant achievements in quality control and product safety.

In early March 2013, the Group rolled out a sentimental marketing and promotional campaign with the theme "Shampooing for your love (為愛洗一次頭)". The campaign was aimed to foster the relationships among the family members and friends and at the same time publicize the advantages and knowledge of doing hair care with herbal shampoo products. The showcase events were held in six different major cities in China during the festive days whereby the participants were doing shampoos for their loved one on the stage in front of the consumer-audience. The on-site atmosphere was both emotional and overwhelming. The video scripts of the activities were popular on the web, which have positively promoted the brand and the corporate image of the Group. Apart from the brand ambassador of Bawang products - Mr. Jackie Chan, a total of more than 40 other celebrities, comprising singers and movie pop stars, joined in the events at different stages in various cities. We obtained the top prize for this campaign as the Best Public Relations Case in the Marketing Communication Competition of the 5th China Advertiser Summit.

The Group managed to expand the sales channels and increase the revenue streams of Bawang branded products. In late June 2013, the Group launched a brand new high-end herbal shampoo series, namely, Bawang Cardamom Essence Shampoo series (霸王豆蔻精華洗髮水) for ladies, which help relieving the problems of hair-falling, grey hair, dry hair and dandruff of female users. Both Mr. Jackie Chan and Miss. Kim Hui Seon continued to be the brand ambassadors during the year under review.

As of 31 December 2013, the Bawang brand distribution network comprised approximately 513 distributors and 46 KA retailers, covering 26 provinces and four municipalities. Furthermore, the products of the Group are sold in Hong Kong, Singapore, Myanmar, Thailand, Malaysia, Brunei and Australia.

During the year under review, the Group continued to promote the rebranded image of Royal Wind with the main theme "Zero-burden Eliminate Dandruff by Traditional Chinese Medicine (中藥去屑零負擔)" with products. Mr. Han Geng continued to be the brand ambassador during the year under review.

As of 31 December 2013, the Royal Wind brand distribution network comprised approximately 476 distributors and 42 KA retailers, covering 26 province and four municipalities.

In July 2013, the Group expanded the portfolio of Litao into a complete series of natural-based household products, consisting of shampoo, shower gels, and laundry detergent. Additionally, Bawang toothpaste and Dr. Gao hand-wash liquid were rolled at the same time. All these products target consumers living in the second-tier or third-tier cities in China. The successful launch of these products series has fulfilled part of the Company's goal to increase the market presence in the low-tier cities of China. As these products are principally sold through traditional sales channels, the Group does not need to incur significant selling and distribution costs.

As of 31 December 2013, the Litao products distribution network comprised approximately 396 distributors covering 26 provinces and four municipalities.

The Group's Herborn Chinese herbal skincare products target office ladies in the age range of 25 to 45 who have relatively high disposable income and are dedicated to pursue a healthy and natural lifestyle. The Group has been appointed for the fourth time as the exclusive sponsor of skincare products to the Miss World Pageant in 2013, China. Apart from providing our Herborn Chinese herbal skincare products to the contestants, we also provided a series of skincare seminars for the contestants, so as to allow them to understand the concepts and benefits of using traditional Chinese medicine for skin-care. In the second half of 2013, the Group invited over 1,000 distributors and/or specialty shop owners to participate in a brand strategy meeting for introducing the new marketing and promotion plans.

As of 31 December 2013, the sales and distribution network for the Herborn Chinese herbal skincare products is comprised of approximately 93 distributors and one KA retailers covering 27 provinces and four municipalities and also approximately 70 counters in department stores and/or hypermarkets. The Group also had approximately 3,300 counters in cosmetics specialty shops in China.

During the year under review, we continued to sell our natural plant skincare products series, Smerry which target young female customers in the age range of 18 to 28 who are dedicated to pursue a natural and healthy lifestyle. Miss. Jing Tian, a popular artist among the younger generation, continues to be the brand ambassador during the year under review. With her positive image, we believe that she will successfully portray the natural plant essence brand positioning of Smerry thereby enhancing its brand awareness and recognition. Towards the end of 2013, the Group took steps to consolidate the channel of Smerry whereby we have refocused our strategy to develop this brand at the Watsons chain stores in the first-tier cities of southern China with a view to improving the same-store sales.

Effective from 1 July 2013, the Group discontinued the business operations of Bawang Herbal Tea product series. The discontinuance of this business was due to the continuous decrease in its sales over the past few years. The Group is in the course of following up the matters after the discontinuance of this business.

In a presentation ceremony for the 18th National Top Selling and Leading Brand Awards held by the Chinese Industrial Information Issuing Center of the National Bureau of Statistics of China, Bawang brand product was honored for the second time as the No. 1 Chinese Herbal Anti-hair Loss Shampoo on China in 2013.

During the year under review, we obtained awards and recognitions as below:

— A number of Bawang branded products were recognised by the China Quality Assurance Council as "A Certified Product with Stable Quality in China (全國質量檢驗穩定合格產品)" in March 2013.

— Bawang Guangzhou was recognised by the China Quality Control Association as "A Reliable Quality and Committed Enterprise of China (全國質量誠信承諾優秀企業)" in March 2013.

— Bawang Guangzhou obtained the Quality Management System Certificate in ISO 9001:2008 Standard (質量管理體系ISO 9001:2008標準) in respect of its research and development, production and service of shampoo, hair care and skincare products in May 2013.

— Bawang Guangzhou obtained the Environmental Management System Certificate in ISO 14001:2004 Standard (環境管理體系ISO 14001:2004標準) in respect of its research and development, production and service of shampoo, hair care and skincare products in May 2013.

— Bawang Guangzhou's production processes for hair care and skincare products were assessed by SGS in July 2013 as meeting the requirements of US FDA CFSAN (美國食品安全與營養中心) by reference to Cosmetics Good Manufacturing Practices (GMP) Guidelines 2008.

— Bawang Guangzhou's production processes for hair care and skincare products were assessed by SGS in July 2013 as meeting the requirements of ISO 22716:2007 (化妝品良好生產操作指南 ISO 22716:2007標準) by reference to Cosmetics Good Manufacturing Practices (GMP).

— Ms. WAN Yuhua, CEO of the Group, has been recognised as the "People of the Economic Year 2013 (2013中國經濟年度人物)" in the 11th Chinese Economists Annual Competition of the China Economic Summit 2013.

— Mr. CHEN Qiyuan, Chairman of the Group, has been honoured as the "Distinguished People of Yunfu City (雲浮傑出紳士)" for recognition of his contribution to the development of the city.

The Board believes that these achievements were recognitions of the Group's continuous effort in research, development and industrialisation of Chinese herbal medicine.

From time to time, we make applications for registration of patents relating to our research findings on the application of Chinese herbs in the hair care, skincare and healthcare products. The successful registration of which is a further recognition for our continuous dedication to research and development.

Litigation

The Board considers that the contents of the relevant article published by Next Magazine on 14 July 2010 are defamatory to the Group and/or amount to malicious falsehood. Therefore, the Group commenced legal proceedings in the High Court of Hong Kong in October 2010 against Next Magazine seeking, *inter alia*, damages and an injunction to restrain Next Magazine from publishing such contents or similar contents. As of the date of this announcement, the legal proceedings are in progress.

FINANCIAL REVIEW

Continuing Operations

Revenue

During the year under review, the Group's revenue of the continuing operations amounted to approximately RMB477.7 million, representing a decrease of 11.3% from approximately RMB538.4 million in 2012. The decrease was primarily attributable to the slowdown of the economy in China. Although the Group has implemented the Project Excel since the second half of 2012 whereby the Group had been optimising the size of its workforce and streamlining its business operations, the Board believes that it takes time to see the positive financial effects of this cost-saving project.

The Group's core brand, Bawang, generated RMB323.5 million in revenue, which accounted for approximately 67.7% of the Group's total revenue of continuing operations in 2013, and represented a decrease of 8.3% as compared to 2012.

The branded Chinese herbal anti-dandruff hair-care series, Royal Wind, generated RMB80.6 million in revenue, which accounted for approximately 16.9% of the Group's total revenue of continuing operations in 2013, and represented a decrease of 21.6% as compared to 2012.

The natural-based branded shampoo, shower gel and laundry detergent products series, Litao, generated RMB39.1 million in revenue, which accounted for approximately 8.2% of the Group's total revenue of continuing operations in 2013, and represented an increase of 154.1% as compared to 2012.

The branded Chinese herbal skincare series, Herborn, generated RMB32.6 million in revenue, which accounted for approximately 6.8% of the Group's total revenue of continuing operations in 2013, and represented a decrease of 46.3% as compared to 2012.

Smerry generated RMB1.9 million in revenue, which accounted for approximately 0.4% of the Group's total revenue of continuing operations in 2013.

We were selling our products through extensive distribution and retail networks. During the year under review, sales to our distributors and retailers represented approximately 72.0% and approximately 28.0% of the Group's total revenue of continuing operations respectively.

In 2013, our products were sold in Hong Kong, Singapore, Myanmar, Thailand, Malaysia, Brunei and Australia. The sales to these markets outside the PRC accounted for 3.9% of our total revenue of continuing operations for 2013.

Cost of Sales

Cost of sales for 2013 amounted to approximately RMB246.1 million, representing a decrease of 21.3% compared to RMB312.6 million for 2012. Such decrease was mainly due to the decrease in direct labour, raw materials and package materials consumed, partially offset by the increase in manufacturing expenses.

Gross Profit

During the year under review, the Group's gross profit increased to approximately RMB231.6 million, representing an increase of approximately 2.6% as compared to RMB225.8 million for 2012. The gross profit margin increased from approximately 41.9% for 2012 to 48.5% for 2013. Such increase was mainly attributable to the decrease of cost of sales.

Selling and Distribution Costs

Selling and distribution costs decreased to approximately RMB295.0 million for 2013, representing a decrease of approximately 46.5% as compared to that for 2012. Such decrease was mainly due to the effective cost controls leading to the decrease in depreciation, advertising fee and the saving achieved in promotion fee and salary through optimising the resources of promotion staff.

Administrative Expenses

Administrative expenses for 2013 amounted to approximately RMB58.6 million, representing a decrease of approximately 33.4% as compared to approximately RMB88.0 million in 2012. Such decrease was mainly due to the decrease in legal and professional fees arising from litigation, amortization of share option cost, communication, auditing fee, non-capitalisable research and development expenditures, salary and remuneration payments.

Loss from Operations

The Group recorded an operating loss for the continuing operations of approximately RMB136.2 million for 2013, as compared to the operating loss of approximately RMB436.5 million for 2012. The Group's operating profit margin improved from –81.1% for 2012 to –28.5% for 2013. The improvement was mainly due to the decrease in the effective cost controls leading to substantial decrease in the overall selling and administrative expenses.

Income Tax

The Group did not have any income tax in 2013 as compared to income tax non-cash charge of RMB82.6 million for 2012.

Provision for Inventories

Our accounting policy prescribes that inventories are stated at the lower of cost and net realizable value ("**NRV**"). In the event that NRV falls below cost, the difference is taken as provision for inventories. As at 31 December 2013, the amount of provision for write-down of inventories of the continuing operations was RMB3.3 million, represented a net decrease in stock provision of RMB13.6 million when compared to 2012. Such decrease was mainly due to an increase in NRV following a decrease in selling expenses.

Loss for the Year from Continuing Operations

As a result of the combined effect of the above mentioned factors, the Group recorded loss of RMB136.9 million for 2013, as compared to the loss of RMB519.9 million for 2012.

Discontinued Operation

During the year under review, the revenue attributable to the Group's Herbal tea products amounted to RMB0.7 million and this business segment recorded an operating loss of RMB6.6 million. As a result of the unsatisfactory financial performance of the business of the herbal tea products, the Board decided to discontinue the production and sales of its herbal tea products with effect from 1 July 2013. Since then, the Group is able to focus on the business development of the hair-care and skin-care products.

Loss for the Year Attributable to Owners of the Company

As a result of the combined effect of the above factors, the Group recorded an attributable loss of RMB143.5 million for 2013, as compared with the attributable loss of RMB617.6 million for 2012.

OUTLOOK

The structural reform proposed by the Third Plenary Session of the 18th Central Committee of the Communist Party of China in November 2013 is expected to generate positive impact on the domestic consumption and private investment amounts in 2014.

According to an economic forecast by Asian Development Bank, the PRC economic growth in 2014 is likely to reach 7.5%, which is driven by the structural reform and improved exports due to the better performance of the developed countries. Such level of economic growth will enable a stable employment rate in China.

However, the upside potential for growth may be limited by the continuation of credit tapering and the deceleration of the public investments which are intended to curtail the local government borrowing. Additionally, China's exports fell in February 2014 and swung the trade balance into deficit which raised the prospects of economic slowdown in the world's second largest economy.

The Group will continue to adopt a prudent approach in its business development model, which could sustain the stability of the business of the Group.

For Bawang branded products, to boost the sales performance of the existing product series, the Group plans to roll out in China a nationwide promotion slogan known as "Scary of hair-fall, use Bawang Shampoo (怕脱髮，用霸王)". Promotion work will be conducted to highlight the analogy between Bawang brand name and anti-hair fall. In terms of promoting the brand recognition and publicity, the Group will use new media such as micro-blogging, web-based movie, and digital platform. To increase its sales revenue, the Group will also expand the traditional sales channel and will actively develop new channels and new customer groups.

For Royal Wind branded products, the Group will adopt brand publicity strategy which is similar to that of Bawang brand. We intend to use the marketing slogan known as "Anti-dandruff in Speedy and Natural Manner (快速去屑更天然)". We plan to roll out large scale promotion campaigns to attract new consumers.

For Herborn branded products, the Group will strengthen the sales channel management which emphasises direct communication with the distributors and specialty shop owners so as to monitor the changes in the market and to make swift action to satisfy the consumers' needs. We intend to increase the market share of this series of products through the promotion of doing skincare through herbal products by conducting a series of herbal skincare seminars. The Directors expect that these activities would enable the consumers understand the basic principles and in turn attract them to use the products resulting in the sales increase.

For Smerry branded products, this mass market brand targets trendy youngsters. We will continue to focus our sales promotional efforts to expand the chain stores and further increase the same-store sales growth. To expand the revenue stream, we will explore internet sales channels which suit the lifestyle of the target consumers.

For production management, the Group treats the production facilities as an "independent profit centre" whereby the production facilities are required to make profit contribution to the Group. The Group will conduct the operations with regards to health, safety, and the environment so as to enhance our corporate image. The Group will continue to implement its human resource reform through the motivation of the labor so as to instill a culture of proactive approach towards work.

As part of the business expansion plan, the Group will continue to explore the possibility with potential distributors for launching our branded products to other countries. The Group is open to explore further business opportunist with potential overseas distributors.

As of the date of this announcement, the Group does not have any outstanding acquisition opportunity in hand, nor explore actively business opportunities that may involve potential acquisition.

Looking forward, the strategic directions to sustain and develop our business in the midst of the volatile business environments focus on two areas. In the short run, the Group intends to continue building up a management team with strong experience in both domestic and global HPC sectors, to regain the sales growth momentum and profitability, and to improve investors' confidence on the Group. In the long run, the Group will continue to focus on strengthening the business model and positioning to increase the market share from domestic and international competitors, maintaining a multi-brand and multi-product strategy in HPC sectors, and becoming a leader in the branded Chinese herbal HPC products.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group adopts conservative financial management policies and maintains a good and solid financial position. A summary of liquidity and financial resources is set out below:

	31 December 2013 *RMB in million*	31 December 2012 *RMB in million*
Cash and cash equivalent	**43.3**	224.6
Total bank and other borrowings	**—**	76.4
Total assets	**490.3**	752.6
The gearing ratio[1]	**—**	10.2%

Note:

1. Calculate as interest-bearing borrowings divided by total assets

MATERIAL ACQUISITION AND DISPOSAL

The Group did not engage in any material acquisitions or disposal of any of its subsidiaries or associated companies during the year under review.

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. During the year under review, the Group has exported its goods to Hong Kong and certain overseas countries. The transactions were settled in either Hong Kong Dollars or United States Dollars. The Group's cash and bank deposits are mostly denominated in Renminbi. 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 the Group conducts its business transactions principally in Renminbi and thus the exchange risk at the Group's operational level is not significant. As at 31 December 2013, the Group had not issued any material financial instruments or entered into any material contracts for foreign currency hedging purposes. However, the Directors will continue to monitor the foreign exchange exposure and is prepared to take prudent measures such as hedging when required.

CONTINGENT LIABILITIES

A lawsuit (the "**Lawsuit**") had been filed by a distributor against Bawang Guangzhou in Guangzhou Baiyun District Law Court (the "**District Court**") whereby the distributor alleged that Bawang Guangzhou is liable to pay an outstanding reimbursement for the promotion fees of RMB6.4 million pursuant to an agreement entered into between it and Bawang Guangzhou on 12 April 2010.

On 20 November 2013, the District Law issued a verdict for the Lawsuit whereby Bawang Guangzhou was ordered to pay the distributor of an aggregate amount of approximately RMB1.6 million and a legal cost of RMB20,358. The distributor has subsequently appealed the Lawsuit to a higher court (the "**Appeal**").

As of the date of this announcement, the Appeal is still in progress. The date of hearing has not yet been fixed. Given the current status of the Appeal, the Group is not in the position to predict the outcome of the Appeal. Nor the Group is able to predict the amount of the loss that may be incurred by the Group.

As of 31 December 2013, an aggregate provision of RMB1.63 million has been made by the Group arising from the verdict of the Lawsuit issued by the District Court and no other provision has been made by the Group in respect of the Appeal.

During the year ended 31 December 2013, Bawang Guangzhou is a defendant in a legal action involving the alleged software infringement. According to the legal opinion, the total expected monetary compensation may amount to approximately RMB200,000 which Bawang Guangzhou is probable to be liable. A provision for this legal action in the amount of RMB200,000 has been made by the Group.

As of 31 December 2013, a total provision of RMB1.83 has been made for the aforesaid two court cases.

CAPITAL COMMITMENT

As of 31 December 2013, the capital commitment of the Group was amounted to RMB14.8 million.

HUMAN RESOURCES

To provide incentive to the employees of the Group, the Group is committed to staff training and development under any economic circumstances. The Group will continue to invest in our human capital so as to retain a quality workforce to achieve our organisational goal.

In 2013, the Group organised various in-house training classes to strengthen the soft skills of our staff members such as time management, stress management, and leadership development. Apart from these in-house courses, the Group also required our department managers to attend external courses on reward and compensation, and motivation, we required our senior sales and marketing staff to attend brand positioning strategy course, and we required our finance and accounting staff members to attend seminars about the latest accounting standards, taxation practices and budgetary control.

As of 31 December 2013, the Group employed approximately 2,858 employees (31 December 2012: 4,713), consisting of full-time employees and contract personnel in the PRC and Hong Kong. Additionally, the Group also engaged approximately 208 salespersons (31 December 2012: 263) through contract personnel agency to help with our marketing and promotional activities. The total personnel expenses of the continuing operations, comprising wages, salaries and benefits, and equity-settled share-based payments, amounted to RMB132.6 million for 2013 (31 December 2012: RMB225.5 million).

The following table sets forth a breakdown of the total headcount of our employees and outsourcing personnel of the continuing operations as of 31 December 2012 and 2013:

	31 December 2013	31 December 2012
Full-time employees	**361**	598
Contract personnel		
— Salespersons	**1,670**	2,551
— Others	**827**	1,564
Total employees	**2,858**	4,713
Outsourcing personnel		
— Salespersons	**208**	263
Total headcount of the continuing operations	**3,066**	4,976

The employees' remuneration, promotion and salary review are based on individual 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.

The Directors believe that the Group's human resources policies play a crucial part in the 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.

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

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

THE CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

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 Board is of the view that the Company has complied with the principles and applicable code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the year ended 31 December 2013.

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 Listing Rules. The Audit Committee has adopted terms of reference which are in line with the Corporate Governance Code. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2013 with the management of the Company and the Company's independent auditors and recommended its adoption by the Board.

DIVIDENDS

The Board does not recommend the payment of any final dividends in respect of the year ended 31 December 2013.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 28 May 2014 to Friday, 30 May 2014 (both days inclusive), for the purpose of determining shareholders' entitlement to attend the forthcoming annual general meeting (the "**Annual General Meeting**"), during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 27 May 2014.

The annual general meeting of the Company will be held on Friday, 30 May 2014. 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), IRasia (www.irasia.com/listco/hk/bawang/) and the Stock Exchange (www.hkexnews.com.hk). The annual report for the year ended 31 December 2013 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and available on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 28 March 2014

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