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 2015

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 2015 together with the comparative figures of 2014.

The Board refers to the profit warning announcements of the Group dated 18 December 2015 and 14 March 2016. The following sets forth a summary of the audited consolidated results of the Group for the year ended 31 December 2015:

Total revenue of the continuing operations of the Group was approximately RMB232.2 million, representing a decrease of approximately 21.2% from approximately RMB294.6 million for 2014.

Operating loss from the continuing operations of the Group was reduced to approximately RMB106.8 million, representing a decrease by approximately 6.1% from approximately RMB113.7 million for 2014.

Net loss from the continuing operations narrowed to approximately RMB110.6 million as compared to a net loss of approximately RMB115.5 million for 2014.

Loss attributable to owners of the Company improved to approximately RMB110.6 million as compared with the attributable loss of approximately RMB116.5 million for 2014.

Loss per share from continuing operations (Basic and diluted) was approximately RMB3.80 cents per share.

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 2015

	Notes	2015 RMB'000	2014 RMB'000
Continuing operations			
Revenue	3	**232,181**	294,649
Cost of sales		**(143,893)**	(184,417)
Gross profit		**88,288**	110,232
Other income	4	**1,835**	2,778
Changes in fair value less costs to sell in respect of biological assets		**(122)**	(1,782)
Selling and distribution costs		**(89,629)**	(144,544)
Administrative expenses		**(52,831)**	(37,810)
Other expenses		**(54,364)**	(42,585)
Share of loss of a joint venture		**(696)**	—
Waiver of capital injection in a joint venture		**696**	—
Finance costs	5	**(3,755)**	(1,830)
Loss before taxation		**(110,578)**	(115,541)
Taxation	6	**—**	—
Loss for the year from continuing operations attributable to owners of the Company	7	**(110,578)**	(115,541)
Discontinued operation			
Loss for the year from discontinued operation attributable to owners of the Company	8	**(3)**	(916)
Loss for the year attributable to owners of the Company		**(110,581)**	(116,457)
Loss per share	10		
From continuing and discontinued operations			
Basic and diluted (RMB cents)		**(3.80)**	(4.00)
From continuing operations			
Basic and diluted (RMB cents)		**(3.80)**	(3.97)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015	2014
	RMB'000	*RMB'000*
Loss for the year	**(110,581)**	(116,457)
Other comprehensive expense		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(2,711)**	(106)
Total comprehensive expense for the year attributable to owners of the Company	**(113,292)**	(116,563)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	**2015** **RMB'000**	2014 *RMB'000*
Non-current assets			
Property, plant and equipment	*11*	**154,999**	225,340
Biological assets		**162**	175
		155,161	225,515
Current assets			
Inventories		**40,909**	52,039
Biological assets		**426**	426
Trade and other receivables	*12*	**64,869**	68,168
Deposit with bank		**20,000**	20,000
Bank balances and cash		**9,604**	16,934
		135,808	157,567
Current liabilities			
Trade and other payables	*13*	**171,888**	166,034
Amounts due to related parties		**7,301**	6,208
Income tax payables		**9,645**	9,645
Provisions		**3,826**	2,044
		192,660	183,931
Net current liabilities		**(56,852)**	(26,364)
Total assets less current liabilities		**98,309**	199,151

	Notes	**2015** RMB'000	2014 RMB'000
Non-current liabilities			
Loans from controlling shareholders		**54,946**	44,069
Deferred tax liability		**2,031**	2,031
		56,977	46,100
Net assets		**41,332**	153,051
Capital and reserves			
Share capital		**256,705**	256,639
Reserves		**(215,373)**	(103,588)
Total equity		**41,332**	153,051

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

BaWang International (Group) Holding Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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 (the "**Directors**") of the Company, and Ms. WAN Yuhua, a former 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 Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are the manufacturing and sales of the household and personal care products.

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

Going concern basis

The Group incurred a net loss of approximately RMB110,581,000 and reported a net cash outflow from operating activities of approximately RMB11,608,000 for the year ended 31 December 2015, and had accumulative losses of approximately RMB1,611,478,000 and net current liabilities of approximately RMB56,852,000 as at 31 December 2015. In view of such circumstances, 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.

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's Controlling Shareholders and Guangzhou Bawang Cosmetics Co., Ltd. ("**Guangzhou Bawang**"), an entity wholly-owned by the Controlling Shareholders, shall continue to provide loan facility to the Group until 31 December 2017 under the existing available facility amounted to approximately RMB85,058,000 as at 31 December 2015. On 17 March 2016, amount of HKD35,000,000 (equivalent to approximately RMB29,323,000) has been drawn down by the Group. The loan is unsecured, interest-free and repayable by 31 December 2017 or earlier as determined by the Group.

(ii) The Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

In light of the above, the Directors of the Company are of the opinion that it is still appropriate to prepare the consolidated financial statements for the year ended 31 December 2015 on a going concern basis.

Should the Group be not able to continue to operate as a going concern, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") AND NEW HONG KONG COMPANIES ORDINANCE

In the current year, the Group has applied the following amendments to IFRSs, which include IFRSs, International Accounting Standards ("**IAS(s)**"), amendments and interpretations ("**Int(s)**") issued by the International Accounting Standards Board (the "**IASB**") and the IFRS Interpretations Committee ("**IFRIC**") of the IASB.

Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle
Amendments to IAS 19	Defined Benefit Plan: Employee Contributions

Except as described below, the application of the above amendments 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.

Annual Improvements to IFRSs 2010–2012 Cycle

The Annual Improvements to IFRSs 2010–2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors of the Company consider that the application of the amendments included in the Annual Improvements to IFRSs 2010–2012 Cycle has had no material effect on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2011–2013 Cycle

The Annual Improvements to IFRSs 2011–2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of IAS 40; and

(b) the transaction meets the definition of a business combination under IFRS 3.

The Directors of the Company consider that the application of the amendments included in the Annual Improvements to IFRSs 2011–2013 Cycle has had no material effect on the Group's consolidated financial statements.

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 "**Accounts and Audit**" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

The Group has not early applied the new and revised IFRSs that have been issued but not yet effective.

2A. CHANGE OF ACCOUNTING ESTIMATES

Change of depreciation rate in the year

In previous years, machinery was depreciated at 10% per annum. With effect from 1 January 2015, machinery has been depreciated at 6.7% per annum. The decrease in depreciation rate used is due to the low utilisation rate of machinery with shrinking revenue. This change in depreciation rate has decreased the depreciation charge for the year by approximately RMB3,293,000.

3. REVENUE AND SEGMENT INFORMATION

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

Information reported to the Executive Directors of the Company, 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 Directors of the Company have chosen to organise the Group around differences in products. 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 year ended 31 December 2013. 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 Executive Directors of the Company are provided with segment information concerning segment revenue and result. Segment assets and liabilities are not reported to the Executive Directors of the Company regularly.

Segment revenue and results

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

	Continuing operations							
	Hair-care products		Skin-care products		Other household and personal care products		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Sales to external customers	**200,057**	256,474	**7,138**	14,084	**24,986**	24,091	**232,181**	294,649
Segment loss	**(70,597)**	(81,283)	**(3,013)**	(1,459)	**(21,788)**	(19,798)	**(95,398)**	(102,540)
Changes in fair value less costs to sell in respect of biological assets							**(122)**	(1,782)
Bank interest income							**620**	540
Other income							**1,164**	2,238
Share of loss of a joint venture							**(696)**	—
Waiver of capital injection in a joint venture							**696**	—
Corporate and other unallocated expenses							**(13,087)**	(12,167)
Finance costs							**(3,755)**	(1,830)
Loss before taxation (continuing operations)							**(110,578)**	(115,541)

Segment results represent the loss from each segment without allocation of changes in fair value less costs to sell of biological assets, bank interest income, gain on sales of scrap materials, government grants, net exchange gains/losses, provision for litigation recognised/reversed, write-off of other receivables, central administration cost, directors' emoluments and finance costs. This is the measure reported to the Executive Directors of the Company 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	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	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	**13,508**	21,913	**572**	1,272	**3,197**	3,813	**17,277**	26,998
Impairment loss recognised in respect of property, plant and equipment	**46,843**	37,650	**1,671**	1,358	**5,850**	3,536	**54,364**	42,544
(Gain) loss on disposal of property, plant and equipment	**(44)**	36	**(2)**	2	**(5)**	3	**(51)**	41
Impairment loss recognised in respect of trade receivables	**4,143**	63	**148**	3	**518**	6	**4,809**	72
Reversal of write-down of inventories	**(1,361)**	(742)	**(115)**	(63)	**(161)**	(88)	**(1,637)**	(893)
Write-down of inventories	**608**	1,000	**28**	62	**160**	194	**796**	1,256
Write-off of inventories	**2,655**	7,120	**2,715**	1,700	**736**	1,088	**6,106**	9,908

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 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.

	Revenue from external customers		Non-current assets	
	2015	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC (country of domicile)	**220,283**	278,995	**154,537**	224,622
Hong Kong	**5,011**	9,951	**624**	893
Singapore	**2,700**	1,241	**—**	—
Thailand	**2,933**	2,007	**—**	—
Malaysia	**899**	2,131	**—**	—
Others	**355**	324	**—**	—
Total	**232,181**	294,649	**155,161**	225,515

Information about major customers

Included in revenue arising from continuing operations for the year ended 31 December 2015 of approximately RMB232,181,000 is revenue of approximately RMB31,703,000 which arose from sales of hair-care products and other household and personal care products to the Group's largest customer. During the year ended 31 December 2014, included in revenue of approximately RMB294,649,000 is revenue of approximately RMB62,877,000 which arose from sales of hair-care products and other household and personal care products to the Group's largest customer. No other single customer contributed more than 10% to the Group's revenue for the years ended 31 December 2015 and 2014.

4. OTHER INCOME

	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Bank interest income	**620**	540
Gain on sales of scrap materials	**—**	1,205
Gain on disposal of property, plant and equipment	**51**	—
Recovery from litigation claim *(note a)*	**—**	680
Net foreign exchange gains	**—**	12
Reversal of provision for litigation	**—**	120
Government grant *(note b)*	**802**	—
Others	**362**	221
	1,835	2,778

Note a: During the year ended 31 December 2014, a claim against other party in respect of purchase of petroleum was settled by mediation and an amount of RMB680,000 (2015: nil) was recovered by the Group.

Note b: Included in the amount of government grants recognised during the years ended 31 December 2015 of approximately RMB802,000 were received from the PRC government in respect of certain research projects and export encourage scheme, the relevant granting criteria for which have been fulfilled and were immediately recognised as other income for the years.

5. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Imputed interest on non-interest bearing loans from controlling shareholders	**3,755**	1,830

6. TAXATION

(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 2015. However, Bawang Guangzhou did not have any assessable profits subject to Enterprise Income Tax for the years ended 31 December 2015 and 2014.

(b) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. No provision for Hong Kong Profits Tax has been provided for the year ended 31 December 2015 and 2014 as the Group does not have any assessable profits subject to Hong Kong Profits Tax for 2015 and 2014.

(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 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 the beneficial owner is 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 does not make provision of withholding income tax for the years ended 31 December 2015 and 2014 since the PRC subsidiaries incur 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):

	2015	2014
	RMB'000	*RMB'000*
Auditor's remuneration	**847**	737
Cost of inventories recognised as an expense *(note (a))*	**143,893**	184,417
Depreciation of property, plant and equipment	**17,277**	26,998
Impairment loss recognised in respect of property, plant and equipment (included in other expenses)	**54,364**	42,544
Impairment loss recognised in respect of trade receivables	**4,809**	72
Loss on disposal of property, plant and equipment	**—**	41
Net foreign exchange loss	**171**	—
Provision for litigation (included in administrative expenses)	**3,487**	—
Research and development costs recognised as an expense	**8,697**	10,036
Reversal of write-down of inventories (included in cost of inventories recognised as an expense above)	**(1,637)**	(893)
Staff costs *(note (b))*	**69,713**	74,854
Write-down of inventories (included in cost of inventories recognised as an expense above)	**796**	1,256
Write-off of inventories (included in cost of inventories recognised as an expense above)	**6,106**	9,908

Notes:

(a) Cost of inventories recognised as an expense from continuing operations included depreciation of property, plant and equipment and staff costs of approximately RMB15,089,000 (2014: RMB24,610,000) and RMB17,069,000 (2014: RMB21,385,000) respectively. The amounts were also included in the respective amounts disclosed above.

(b) Staff costs from the continuing operations included redundancy costs of approximately RMB4,221,000 (2014: RMB889,000) for the year ended 31 December 2015.

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 represented a separate major line of business of the Group in prior years, the discontinuance of production and sales of herbal tea products has constituted a discontinued operation during the year ended 31 December 2013.

The results of the herbal tea products operation for the years ended 31 December 2015 and 2014 were as follows:

	2015	2014
	RMB'000	*RMB'000*
Administrative expenses	**(3)**	(40)
Other expenses	**—**	(876)
Loss before taxation	**(3)**	(916)
Taxation	**—**	—
Loss for the year	**(3)**	(916)

Loss for the year from discontinued operation includes the following:

	2015	2014
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**—**	18
Loss on disposal of property, plant and equipment (included in other expenses above)	**—**	86
Provision for litigation (included in other expenses above)	**—**	662
Write-off of trade and other receivables (included in other expenses above)	**—**	128

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

9. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014: 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 owners of the Company is based on the loss for the year from continuing and discontinued operations of approximately RMB110,581,000 (2014: RMB116,457,000) and the weighted average number of approximately 2,911,460,912 (2014: 2,910,971,000) 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 owners of the Company is based on the loss for the year from continuing operations of approximately RMB110,578,000 (2014: RMB115,541,000) and the weighted average number of approximately 2,911,460,912 (2014: 2,910,971,000) ordinary shares in issue during the period.

From discontinued operation

Basic and diluted loss per share for the discontinued operation attributable to owners of the Company is RMB0 cent per share (2014: RMB0.03 cent per share), based on the loss for the year from the discontinued operation of approximately RMB3,000 (2014: RMB916,000) and the denominators detailed above for both basic and diluted loss per share.

For the years ended 31 December 2015 and 2014, 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 2015 and 2014 does not assume the exercise of the Company's share options since their exercise would result in a decrease in loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the year, the Directors of the Company has reassessed the estimated useful lives of property, plant and equipment and resolved that the useful life of machinery should be adjusted from 10 years to 15 years in view of the low utilisation rate of machinery with the shrinking revenue. The change in accounting estimate decreased the depreciation charge and loss before taxation for the year ended 31 December 2015.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use. Upon completion and commissioning for operation, depreciation will be provided at the appropriate rates specified above.

During the year ended 31 December 2015, the Directors of the Company 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 RMB54,364,000 (2014: RMB28,413,000) has been recognised under other expenses of continuing operations in the consolidated statement of profit or loss. The value in use calculation is determined based on the financial budgets covering a eleven-year period (2014: twelve-year period) which is reference to the estimated useful life of the assets, and a pre-tax discount rate of 15.27% (2014: 15.51%) per annum, approved by the management of the Group.

During the year ended 31 December 2014, a lawsuit was filed by Bawang Guangzhou against a supplier in Guangzhou Baiyun District Law Court (the "**District Court**") for the incomplete construction and unsatisfactory performance of plant and machineries provided by the supplier. On 2 February 2015, the District Court issued a verdict for the lawsuit whereby (i) the purchase contracts for the plant and machineries were terminated; (ii) the supplier should pay Bawang Guangzhou a sum of approximately RMB22,518,000 representing purchase cost paid and liquidated damages in addition to interest; and (iii) the plant and machineries concerned should be dismantled and removed from the factory of Bawang Guangzhou by the supplier. Due to the non-performance of those plant and machineries as at 31 December 2014, the carrying value of the related property, plant and equipment amounting to approximately RMB14,131,000 was fully impaired during the year ended 31 December 2014 and the impairment loss has been recognised under other expenses of continuing operations in the consolidated statement of profit or loss.

12. TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**69,193**	68,234
Less: allowance for impairment of trade receivables	**(9,521)**	(4,712)
	59,672	63,522
Prepayment for purchase of raw materials	**1,655**	819
Short-term prepaid advertising fee	**44**	667
Other receivables	**3,498**	3,160
Total trade and other receivables	**64,869**	68,168

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:

	2015	2014
	RMB'000	*RMB'000*
Neither past due nor impaired	**40,301**	41,612
Less than 3 months past due	**14,213**	17,865
More than 3 months but less than 6 months past due	**2,666**	2,779
More than 6 months but less than 12 months past due	**215**	1,191
More than 12 months past due	**2,277**	75
	19,371	21,910
	59,672	63,522

13. TRADE AND OTHER PAYABLES

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

	2015	2014
	RMB'000	*RMB'000*
Within 1 month or on demand	**32,856**	39,702
After 1 month but within 3 months	**978**	3,586
	33,834	43,288

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. LITIGATIONS

(a) The Directors of the Company consider 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. The trial of the legal proceedings has been completed on 29 August 2015, no judgement has been handed down by the High Court up to the date of this announcement.

(b) In prior years, Bawang Guangzhou was a defendant in a legal action involving the alleged software infringement and provision of RMB200,000 was recognised according to the legal opinion.

During the year ended 31 December 2014, the District Court issued a verdict for the lawsuit whereby Bawang Guangzhou was ordered to pay the software supplier of an aggregate amount of RMB80,000. Accordingly, reversal of provision in amount of RMB120,000 has been recognised as other income for the year ended 31 December 2014.

(c) In prior years, a lawsuit was filed by a former subcontractor against Bawang Beverage in People's Court of Songjiang District of Shanghai (the "**Shanghai Court**") in respect of a dispute in the material processing contract between the former subcontractor and Bawang Beverage. In 2013, Bawang Beverage received a civil order issued by the Shanghai Court, which 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 was frozen. No accrual has been recorded by the Group as at 31 December 2013 based on the opinion provided by the PRC legal counsel acting on behalf of Bawang Beverage.

On 20 June 2014, Shanghai No. 1 Intermediate People's Court gave its final ruling that Bawang Beverage was liable to the former subcontractor for an amount of approximately RMB643,000 and a legal cost of approximately RMB19,000. Accordingly, provision for litigation in amount of approximately RMB662,000 was recognised as other expense in the consolidated statement of profit or loss and amount of approximately RMB324,000 was settled during the year ended 31 December 2014. During the year ended 31 December 2015 and up to the date of this announcement, the remaining provision of approximately RMB338,000 has not been settled.

(d) During the year ended 31 December 2014, a lawsuit was filed by Bawang Guangzhou against a supplier in District Court for the incomplete construction and unsatisfactory performance of plant and machineries provided by the supplier. On 2 February 2015, the District Court issued a verdict for the lawsuit whereby (i) the purchase contracts for the plant and machineries were terminated; (ii) the supplier should pay Bawang Guangzhou a sum of approximately RMB22,518,000 representing purchase cost paid and liquidated damages in addition to interest; and (iii) the plant and machineries concerned should be dismantled and removed from the factory of Bawang Guangzhou.

During the year ended 31 December 2015, Bawang Guangzhou applied for an injunction against the supplier in District Court to execute the court order handed down in 2014. As at the date of this announcement, the legal proceedings are in progress. Upon further negotiation with the supplier, Bawang Guangzhou is willing to settle the case outside the court. During the year ended 31 December 2015 and up to the date of this announcement, no agreement has been signed and no settlement has been received from the supplier.

(e) During the year ended 31 December 2015, a lawsuit was filed by a total of 14 former employees against Bawang Guangzhou in the District Court in respect of termination compensation for a total sum of approximately RMB2,891,000 representing related severance payments, salaries and social insurance expenses. As at the date of this announcement, the legal proceedings are in progress. Provision of litigation in the amount of RMB500,000 was recognised as administrative expense in the consolidated statement of profit or loss based on the opinion provided by the PRC legal counsel acting on behalf of Bawang Guangzhou, representing the maximum compensation expected by the PRC legal counsel up to the date of this announcement.

(f) During the year ended 31 December 2015, a lawsuit was filed by a former employee against Bawang Guangzhou in the District Court in respect of termination compensation. On 8 October 2015, the District Court gave its first ruling that Bawang Guangzhou was liable to the former employee for a sum of approximately RMB149,000 representing related severance payments and salaries. Both the plaintiff and Bawang Guangzhou lodged an appeal against the decision. No hearing has yet been fixed for the appeal. Accordingly, provision of litigation in the amount of approximately RMB149,000 was recognised as administrative expense in the consolidated statement of profit or loss.

(g) During the year ended 31 December 2015, a lawsuit was filed by a former employee against Bawang Guangzhou in the Guangzhou Labour Dispute Arbitration Commission* (“**Guangzhou Labour Commission**”) in respect of termination compensation for a sum of approximately RMB174,000. On 8 April 2015, the Guangzhou Labour Commission gave its ruling that Bawang Guangzhou was liable to the former employee for a sum of approximately RMB17,000 representing related salaries. The plaintiff lodged an appeal against the decision to the District Court. On 15 October 2015, the District Court gave its ruling that Bawang

Guangzhou was liable to the former employee for a sum of approximately RMB17,000. The plaintiff did not file further appeal. The amount has been recognised in administrative expenses and settled during the year.

(h) During the year ended 31 December 2015, a total of 3 lawsuits were filed by the same supplier against Bawang Guangzhou in the District Court and Guangzhou Arbitration Commission for a total sum of approximately RMB1,810,000 and RMB859,000 respectively, representing outstanding retention fees and construction fees. As at the date of this announcement, the legal proceedings are in progress. Accordingly, provision of litigation in the amount of approximately RMB2,669,000 was recognised as administrative expense in the consolidated statement of profit or loss based on the opinion provided by the PRC legal counsel acting on behalf of Bawang Guangzhou.

15. EVENTS AFTER THE REPORTING PERIOD

On 17 March 2016, loan amount of HKD35,000,000 (equivalent to approximately RMB29,323,000) has been granted by the Controlling Shareholders to the Group. The loan is unsecured, interest-free and repayable by 31 December 2017 or earlier as determined by the Group.

BUSINESS REVIEW

The Directors report that the total revenue of the continuing operations of the Group for the year ended 31 December 2015 was approximately RMB232.2 million, representing a decrease of approximately 21.2% from approximately RMB294.6 million in 2014. The operating loss from the continuing operations of the Group for the year ended 31 December 2015 was approximately RMB106.8 million, representing an improvement by approximately 6.1%, as compared with the operating loss of approximately RMB113.7 million in 2014.

For the year ended 31 December 2015, the net loss from the continuing operations of the Group was approximately RMB110.6 million, as compared with the net loss of approximately RMB115.5 million in 2014. The Group was able to optimize its resources, resulting in a decrease in net loss from the continuing operations as compared with 2014.

For further information on the operating performance of the Group, please refer to the "Financial Review" section of this announcement.

During the year under review, the Group continued to implement stringent cost control measures. The successful implementation of the ongoing value-chain-oriented business model has enabled the Group to improve the operating results of the continuing operations by reducing the selling, distribution and administration costs in the amount of approximately RMB39.9 million for the year ended 31 December 2015, as compared with those in 2014.

For Bawang and Royal Wind branded products, the Group took an optimization program to close those loss-making retailer systems, to re-negotiate the terms of business with distributors, to eliminate the obsolete inventory in the channels, to streamline the establishment of the sales and marketing teams, and to implement new performance measurement systems for the sales teams.

The Group has been using the popular events and festive seasons for carrying out marketing campaigns and promotions for publicizing its branded products. During the year under review, the on-going promotion slogan for Bawang branded shampoo was "Scary of hair-fall, use Bawang shampoo (怕脫髮，用霸王)". As at 31 December 2015, the Bawang brand distribution network comprised approximately 482 distributors and 39 KA retailers, covering 27 provinces and four municipalities in China. Furthermore, the products of the Group were also sold in Hong Kong, Singapore, Thailand, Malaysia and Australia.

During the year under review, the Group further expanded the channel for supplying Royal Wind shampoo and shower gel to business hotel chains in China. The Group was promoting the brand image of Royal Wind shampoo with the marketing theme "Anti-dandruff in Speedy and Natural Manner (快速去屑更天然). As at 31 December

2015, the Royal Wind brand distribution network comprised approximately 482 distributors and 29 KA retailers, covering 27 provinces and four municipalities in China.

The Litao products mainly comprise shower gels and laundry detergent targeting at consumers living in the second-tier or third-tier cities in China. The Company's goal is to widen the market coverage in China. As at 31 December 2015, the Litao products distribution network comprised approximately 482 distributors and four KA retailers covering 27 provinces and four municipalities in China.

The Group's Herborn Chinese herbal skincare products target white-collar ladies in the age range of 18 to 45 who have relatively high net income and are dedicated to pursue a healthy and natural lifestyle. In terms of sales channels, the Group is now selling the products mainly through cosmetics specialty shops throughout China. As at 31 December 2015, the sales and distribution network for the Herborn Chinese herbal skincare products comprised approximately 87 distributors and one KA retailer covering 27 provinces and four municipalities in China. The Group also had about 5,500 counters in cosmetics specialty shops in China.

During the year under review, we were selling our natural plant skincare products series, Smerry, through established chain-stores. The Smerry branded products target young ladies in the age range of 18 to 28 who are dedicated to pursue a natural and healthy lifestyle.

During the year under review, the Group has established online flagship stores for our Bawang, Royal Wind and Herborn branded products at eight online retailing platforms in China.

During the year under review, we obtained the recognitions as follows:

— We obtained a Certificate of Accreditation on Work Safety Standardization (Grade 3) in Light Industry (安全生產標準化三級企業(輕工)) from the Guangzhou Association of Work Safety. The accreditation is valid for three years until June 2018.

— We were accredited as "The 2014 Major Taxpayer & Elite Enterprise of Baiyun District, Guangzhou (廣州市白雲區二零一四年度納稅大戶優秀企業)" by the Working Committee of Baiyun District People's Government in Guangzhou in May 2015.

— Our congratulatory messages for the Chinese New Year "Duang" in connection with Bawang shampoo was awarded a Gold Medal in Online Sales Category in the 7th China Advertisers Summit & Awards Presentation Ceremony held by the Organizing Committee of the China Advertisers Summit in May 2015.

— Bawang brand was named one of "2015 Asia's Influential Brands" in November 2015.

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, we commenced legal proceedings (the "**Legal Proceedings**") in the High Court of Hong Kong (the "**High Court**") in October 2010 against Next Magazine seeking, *inter alia*, damages and an injunction to restrain Next Magazine from publishing such contents or similar contents. The trial of the Legal Proceedings commenced on 2 March 2015 which lasted for a total of 40 days and ended on 29 August 2015. The judge of the High Court estimates that judgment will be ready for handing down before 30 April 2016. The Company will make further announcement in relation to this matter in due course.

FINANCIAL REVIEW

Continuing Operations

Revenue

During the year under review, the Group's revenue of the continuing operations amounted to approximately RMB232.2 million, representing a decrease of approximately 21.2% from approximately RMB294.6 million in 2014. The decrease was primarily attributable to the slowdown of the economy in China and the change in the business model of the traditional trade channel since the second quarter of 2014.

The Group's core brand, Bawang, generated approximately RMB183.5 million in revenue, which accounted for approximately 79.0% of the Group's total revenue of continuing operations in 2015, and represented a decrease of approximately 19.9% as compared to 2014.

The branded Chinese herbal anti-dandruff hair-care series, Royal Wind, generated approximately RMB23.5 million in revenue, which accounted for approximately 10.1% of the Group's total revenue of continuing operations in 2015, and represented a decrease of approximately 28.4% as compared to 2014.

The natural-based branded shampoo, shower gel and laundry detergent products series, Litao, generated approximately RMB18.0 million in revenue, which accounted for approximately 7.8% of the Group's total revenue of continuing operations in 2015, and represented a decrease of approximately 2.7% as compared to 2014.

The branded Chinese herbal skincare series, Herborn, generated approximately RMB6.5 million in revenue, which accounted for approximately 2.8% of the Group's total revenue of continuing operations in 2015, and represented a decrease of approximately 40.9% as compared to 2014.

Smerry generated approximately RMB0.6 million in revenue, which accounted for approximately 0.3% of the Group's total revenue of continuing operations in 2015.

We sold our products through extensive distribution and retail networks. During the year under review, sales to our distributors and retailers represented approximately 66.5% and approximately 33.5% of the Group's total revenue of continuing operations respectively.

In 2015, our products were sold in Hong Kong, Singapore, Thailand, Malaysia and Australia. The sales to these overseas markets outside China accounted for approximately 5.1% of our total revenue of continuing operations for 2015.

Cost of Sales

Cost of sales in 2015 amounted to approximately RMB143.9 million, representing a decrease of approximately 22.0% compared to approximately RMB184.4 million in 2014. Such decrease was mainly due to the decrease in manufacturing expenses, direct labour, raw materials and package materials consumed.

Gross Profit

During the year under review, the Group's gross profit decreased to approximately RMB88.3 million, representing a decrease of approximately 19.9% as compared to approximately RMB110.2 million for 2014. The gross profit margin increased from approximately 37.4% for 2014 to 38.0% for 2015. Such increase was mainly attributable to the decrease of cost of sales and the change in the business model of the traditional trade channel as mentioned above.

Selling and Distribution Costs

Selling and distribution costs decreased to approximately RMB89.6 million for 2015, representing a decrease of approximately 38.0% as compared to that for 2014. 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. As a percentage of revenue, our selling and distribution costs decreased from approximately 49.1% in 2014 to 38.6% in 2015.

Administrative Expenses

Administrative expenses for 2015 amounted to approximately RMB52.8 million, representing an increase of approximately 39.7% as compared to approximately RMB37.8 million in 2014. Such increase was mainly due to the increase in legal and professional fees and redundancy payments, which was partially offset by the decrease in non-capitalisable research and development expenditures. As a percentage of revenue, our administration costs were approximately 22.8% and 12.8% in 2015 and 2014 respectively.

Impairment Loss

For the year ended 31 December 2015, impairment loss on property, plant and equipment amounted to approximately RMB54.4 million (2014: approximately RMB28.4 million) has been recognised under other expenses following a valuation of the property, plant and equipment in use in the continuing operations, by reference to their value in use.

Loss from Operations

The Group recorded reduced operating loss for the continuing operations of approximately RMB106.8 million for 2015, as compared to the operating loss of approximately RMB113.7 million for 2014. The decrease in operating loss for the continuing operations was mainly because of the various cost optimization measures persistently adopted by the Group resulting in a decrease in selling, distribution and administration costs of approximately RMB39.9 million for the year ended 31 December 2015, as compared to those of 2014. However, such decrease was partially offset by the impairment loss of assets of approximately RMB54.4 million (2014: approximately RMB28.4 million) for the above mentioned factor.

Finance Costs and Income

For the year ended 31 December 2015, finance income of the Group amounted to approximately RMB0.6 million as compared with the finance income of approximately RMB0.5 million for 2014.

For the year ended 31 December 2015, the Group's imputed interest on non-interest bearing loans from controlling shareholders amounted to approximately RMB3.8 million (2014: approximately RMB1.8 million).

Taxation

The Group did not have any income tax in 2014 and 2015.

Loss for the Year from Continuing Operations

As a result of the combined effect of the above mentioned factors, the Group recorded reduced loss of approximately RMB110.6 million for 2015, as compared to the loss of approximately RMB115.5 million for 2014.

Discontinued Operation

The Board discontinued the production and sales of its herbal tea products from 1 July 2013. During the year under review, no revenue was attributable to the Group's Herbal tea products and this business segment recorded an operating loss of approximately RMB3,000.

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 improved attributable loss of approximately RMB110.6 million for 2015, as compared with the attributable loss of approximately RMB116.5 million for 2014.

Event after the Reporting Period

On 7 March 2016, the controlling shareholders of the Company have agreed to extend the repayment date of the shareholders' loan with the total amount of HK$16.5 million and USD6.7 million (equivalent to approximately RMB54.9 million) to 31 December 2017. The Shareholders' loan is unsecured, interest-free and can be repayable earlier than the repayment date as determined by the Group.

On 17 March 2016, an additional amount of HK$35.0 million (equivalent to approximately RMB29.3 million) was advanced to the Group by the controlling shareholders of the Company. The loan is unsecured, interest-free and repayable by 31 December 2017 or earlier as determined by the Group.

OUTLOOK

China's the economic growth target of 2015 to around 7.0 percent and it registered an actual growth of 6.9 percent as China continued to transform from an investment-driven economic structure to the one mainly based on domestic consumption. This is the slowest expansion in a quarter of a century. It is widely expected that the top leadership will place priority on stable growth with the emphasis on supply-side reform, aiming at trimming overcapacity and lifting tax burdens on companies. As indicated in its 13th Five-Year Plan, China expects an average annual growth rate of at least 6.5% from 2016 through 2020. Despite the persistent difficulties, some economists suggested that China is capable of maintaining medium to high growth, as the long-term economic fundamentals remain unchanged and there is ample room for the government to maneuver, and that the fluctuations in the market have not greatly affected the average Chinese households in their domestic spending. The Directors believe that China will strive to achieve its economic growth target of 6.5 percent this year. To cope with the pressure arising from the transition of China's economy, the Group will adopt a prudent and conservative approach in its business development and recovery model.

From the beginning of 2016, China adopted a two-child policy which allows every couple to have two children. The Directors believe that this policy will have a positive effect on the economy and serves as a direct stimulus effect on the maternal and child products. To capture this opportunity, the Group may roll out personal and skin care products specifically for mother and child segment in 2016.

With the appointment of the new chief executive officer, the main operational theme for Group in 2016 is, "To gather the strength for innovation (凝力量、創新章)".

For the two shampoo and hair care products, namely, Bawang and Royal Wind, the Group will enhance the quality of products as always. To strengthen the brand image, the Group will roll out new design and display for shops to increase the same-store sales growth. To increase the sales, the Group will develop new distributors and reactivate the dormant distribution channels.

For Bawang branded product series, the Group intends to develop high-end herbal essence hair care bundle products to satisfy the needs of the affluent consumer segment. To explore the market segment for young consumers, the Group would roll out advertising and publicity campaigns with the theme, "New Idea: To prevent hair-fall whilst you are young (防脱髮、年輕新主張)". Additionally, the Group will enlarge its online sales platform by cooperating new e-commerce companies so as to increase the revenue stream from this channel.

For Royal Wind branded product series, the Group will continue to enhance the brand recognition and image through dedicated advertising channels and publicity campaigns to fit in the trendy lifestyle of the young consumers. The Group will roll out high-end anti-dandruff hair care products. The Group will also launch high-end fragrance shower gels.

For Herborn branded products, the Group will roll out a high-end Empress Herbal Skincare Series and several other herbal skincare series. Internet and interactive social media will be used for the marketing and promotion campaigns. Apart from the conventional cosmetic specialty shops and counters, the Group will cooperate with several popular online sales platforms to increase the sales revenue.

For Litao branded products, the Group will roll out a product series of Chinese herbal based laundry detergent and softener to the low-tier cities and townships in China. At the same time, the Group will also roll out refreshing and healthy shower gels in family packaging.

For production management, as a measure to enhance the quality of products, performance pledges have been signed between the Group and the workshop supervisors whereby performance bonus will be awarded to those staff members who have achieved the target. To create a sense of belonging for the frontline workers and to recognize their organizational loyalty, the Group has implemented an annual long service award presentation to honor those workers who reach the specific milestone of services for the Group. To look after the welfare and well-being of the frontline workers, the Group would enhance the living conditions of the dormitory by establishing recreational activities and educate the frontline workers on the awareness of occupational health and safety.

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 opportunities with potential overseas distributors.

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

Looking forward, we focus on two areas to drive the strategic directions to sustain and develop our business in the volatile economic environment. 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 in the Group. In the long run, the Group will continue to focus on strengthening the business model and positioning to acquire market shares 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 2015 *RMB in million*	31 December 2014 *RMB in million*
Cash and cash equivalent	**9.6**	16.9
Total loans	**54.9**	44.1
Total assets	**291.0**	383.1
The gearing ratio[1]	**18.9%**	11.5%

Note:

1. Calculate as total loans 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 associate during the year under review.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

The operations of the Group are mainly carried out in China, with most transactions settled in Renminbi. The reporting currency of the Group is Renminbi. During the year under review, the Group had 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 2015, 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 are prepared to take prudent measures such as hedging when required.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2015.

CAPITAL COMMITMENT

As at 31 December 2015, the capital commitment of the Group amounted to approximately RMB7.6 million.

PLEDGE OF ASSETS

As at 31 December 2015, the Group had no pledge of assets.

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.

CHANGE OF DIRECTORS

On 9 December 2015, Ms. WAN Yuhua resigned as the executive Director, the chief executive officer and member of remuneration committee of the Company.

On 9 December 2015, Mr. CHEN Zheng He has been appointed as the chief executive officer and member of remuneration committee of the Company.

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 applicable code provisions of the Corporate Governance Code as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during year ended 31 December 2015.

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 AND RISK MANAGEMENT COMMITTEE

On 1 January 2016, the Audit Committee has been renamed as the audit and risk management committee (the "**Audit and Risk Management Committee**"). The Audit and Risk Management Committee has adopted terms of reference which are in line with the Corporate Governance Code. The Audit and Risk Management Committee has reviewed the annual results of the Group for the year ended 31 December 2015 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 2015.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 25 May 2016 to Friday, 27 May 2016 (both days inclusive), for the purpose of determining shareholders' entitlement to attend and vote at 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, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 24 May 2016.

The annual general meeting of the Company will be held on Friday, 27 May 2016. 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.hk). The annual report for the year ended 31 December 2015 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, 21 March 2016

As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely, Mr. CHEN Qiyuan, Mr. CHEN Zheng He and Mr. WONG Sin Yung and three independent non-executive directors, namely, Dr. NGAI Wai Fung, Mr. LI Bida and Mr. CHEUNG Kin Wing.