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 2016

The board (the "**Board**") of directors (the "**Directors**") of BaWang International (Group) Holding Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**" or "**we**") for the year ended 31 December 2016 together with the comparative figures of the year ended 31 December 2015.

The Board refers to the positive profit alert announcement of the Company dated 14 March 2017. The following sets forth a summary of the audited consolidated results of the Group for the year ended 31 December 2016:

Total revenue from the continuing operations of the Group was approximately RMB264.2 million, representing an increase of approximately 13.8% from approximately RMB232.2 million for 2015.

Operating profit from the continuing operations of the Group was approximately RMB42.6 million, as compared to an operating loss of RMB106.7 million for 2015 (restated).

Net profit from the continuing operations was approximately RMB43.7 million, as compared to a net loss of approximately RMB110.4 million for 2015 (restated).

Profit attributable to owners of the Company improved to approximately RMB43.7 million as compared with the attributable loss to owners of the Company of approximately RMB110.4 million for 2015 (restated).

Earnings per share from the continuing operations (Basic and diluted) was approximately RMB1.4292 cents and RMB1.4289 cents per share respectively.

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 2016

	Notes	**2016**	2015
		RMB'000	*RMB'000*
			(Restated)
Continuing operations			
Revenue	*3*	**264,229**	232,181
Cost of sales		**(137,699)**	(143,896)
Gross profit		**126,530**	88,285
Other income	*4*	**28,001**	1,835
Changes in fair value less costs to sell in respect of biological assets		**29**	116
Selling and distribution costs		**(80,080)**	(89,629)
Administrative expenses		**(30,458)**	(52,910)
Other expenses		**(1,455)**	(54,364)
Share of loss of a joint venture		**—**	(696)
Waiver of capital injection in a joint venture		**—**	696
Finance costs	*5*	**(1,473)**	(3,755)
Profit/(loss) before taxation		**41,094**	(110,422)
Taxation	*6*	**2,610**	—
Profit/(loss) for the year from continuing operations attributable to owners of the Company	*7*	**43,704**	(110,422)
Discontinued operation			
Loss for the year from discontinued operation attributable to owners of the Company	*8*	**—**	(3)
Profit/(loss) for the year attributable to owners of the Company		**43,704**	(110,425)
Earnings/(loss) per share	*10*		
From continuing and discontinued operations			
Basic		**RMB1.4292 cents**	RMB(3.7928) cents
Diluted		**RMB1.4289 cents**	RMB(3.7928) cents
From continuing operations			
Basic		**RMB1.4292 cents**	RMB(3.7927) cents
Diluted		**RMB1.4289 cents**	RMB(3.7927) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Profit/(loss) for the year	**43,704**	(110,425)
Other comprehensive expense		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(1,740)**	(2,711)
Total comprehensive income/(expense) for the year attributable to owners of the Company	**41,964**	(113,136)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	31.12.2016 RMB'000	31.12.2015 RMB'000 (Restated)	1.1.2015 RMB'000 (Restated)
Non-current asset				
Property, plant and equipment	11	**137,237**	155,284	225,482
Current assets				
Inventories		**41,827**	40,909	52,039
Biological assets		**457**	426	426
Trade and other receivables	12	**65,584**	64,794	68,168
Amounts due from related parties		**8,075**	75	—
Pledged bank deposits		**10**	—	—
Deposit with bank		**20,000**	20,000	20,000
Bank balances and cash		**22,312**	9,604	16,934
		158,265	135,808	157,567
Current liabilities				
Trade and other payables	13	**127,121**	171,888	166,034
Amounts due to related parties		**660**	7,301	6,208
Bank borrowings		**5,610**	—	—
Income tax payables		**9,066**	9,645	9,645
Provisions		**2,503**	3,826	2,044
		144,960	192,660	183,931
Net current assets/(liabilities)		**13,305**	(56,852)	(26,364)
Total assets less current liabilities		**150,542**	98,432	199,118

	Notes	**31.12.2016**	31.12.2015	1.1.2015
		RMB'000	*RMB'000*	*RMB'000*
			(Restated)	(Restated)
Non-current liabilities				
Loans from controlling shareholders		**—**	54,946	44,069
Deferred tax liability		**—**	2,031	2,031
		—	56,977	46,100
Net assets		**150,542**	41,455	153,018
Capital and reserves				
Share capital		**277,878**	256,705	256,639
Reserves		**(127,336)**	(215,250)	(103,621)
Total equity		**150,542**	41,455	153,018

NOTES:

1. GENERAL AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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 reported a net cash outflow from operating activities of approximately RMB1,160,000 for the year ended 31 December 2016, and had accumulative losses of approximately RMB1,567,651,000 as at 31 December 2016. 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 had unutilised banking facilities of RMB4,400,000 as at 31 December 2016;

(ii) On 6 March 2017, a subsidiary of the Group entered into a banking facilities agreement with a bank in the PRC with available banking facilities of up to RMB80,000,000; and

(iii) 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 2016 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)")

In the current year, the Group has applied the following new and revised 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 2012–2014 Cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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 16 and IAS 41 Agriculture: Bearer Plants

The amendments to IAS 16 and IAS 41 define bearer plants. Biological assets that meet the definition of bearer plants are no longer accounted for under IAS 41, but under IAS 16 instead. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The Group has applied the amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants for the first time in the current year. The amendments should be applied retrospectively.

Summary of the effects of the above change in Amendments to IAS 16 and IAS 41

The effects of the change in Amendments to IAS 16 and IAS 41 described above on the results for the preceding year by line items presented in the consolidated statement of profit or loss are as follows:

	2015 *RMB'000*
Increase in cost of sales	3
Increase in administrative expenses	79
Increase in changes in fair value less costs to sell in respect of biological assets	(238)
Net decrease in loss for the year attributable to owners of the Company	(156)

The effects of the change in Amendments to IAS 16 and IAS 41 described above on the consolidated statement of financial position of the Group as at the end of the immediately preceding financial year, i.e. 31 December 2015, are as follow:

	As at 31 December 2015 (Originally stated) *RMB'000*	**Adjustments** *RMB'000*	**As at 31 December 2015** (Restated) *RMB'000*
Property, plant and equipment	154,999	285	155,284
Biological assets (non-current portion)	162	(162)	—
Biological assets (current portion)	426	—	426
Total effect on net assets	155,587	123	155,710
Accumulated losses and total effect on equity	(1,611,478)	123	(1,611,355)

The effects of the change in Amendments to IAS 16 and IAS 41 described above on the consolidated statement of financial position of the Group as at the beginning of the comparative period, i.e. 1 January 2015, are as follows:

	As at 1 January 2015 (Originally stated) *RMB'000*	**Adjustments** *RMB'000*	**As at 1 January 2015** (Restated) *RMB'000*
Property, plant and equipment	225,340	142	225,482
Biological assets (non-current portion)	175	(175)	—
Biological assets (current portion)	426	—	426
Total effect on net assets	225,941	(33)	225,908
Accumulated losses and total effect on equity	(1,501,422)	(33)	(1,501,455)

	Impact on basic loss per share from continuing operations 2015	**Impact on diluted loss per share from continuing operations 2015**
Figures before adjustments (RMB cents)	(3.7980)	(3.7980)
Adjustment arising from change in accounting policy in relation to application of amendments to IAS 16 and IAS 41	0.0053	0.0053
Figures after adjustments (RMB cents)	(3.7927)	(3.7927)

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

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 segments 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 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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)
Sales to external customers	**215,638**	200,057	**13,276**	7,138	**35,315**	24,986	**264,229**	232,181
Segment profit/(loss)	**30,571**	(70,668)	**2,430**	(3,015)	**(8,489)**	(21,797)	**24,512**	(95,480)
Changes in fair value less costs to sell in respect of biological assets							**29**	116
Bank interest income							**406**	620
Other income							**23,512**	1,164
Share of loss of a joint venture							**—**	(696)
Waiver of capital injection in a joint venture							**—**	696
Corporate and other unallocated expenses							**(5,892)**	(13,087)
Finance costs							**(1,473)**	(3,755)
Profit/(loss) before taxation (continuing operations)							**41,094**	(110,422)

Other segment information

	Continuing operations									
	Hair-care products		Skin-care products		Other household and personal care products		Unallocated		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)								(Restated)
Amounts included in the measure of segment results										
Depreciation of property, plant and equipment	**8,470**	13,511	**612**	572	**2,656**	3,197	**160**	—	**11,898**	17,280
Impairment loss recognised in respect of property, plant and equipment	**—**	46,843	**—**	1,671	**—**	5,850	**—**	—	**—**	54,364
Loss/(gain) on disposal of property, plant and equipment	**396**	(44)	**24**	(2)	**65**	(5)	**970**	—	**1,455**	(51)
Impairment loss recognised in respect of trade receivables	**1,979**	4,143	**122**	148	**324**	518	**—**	—	**2,425**	4,809
Reversal of write-down of inventories	**(202)**	(1,361)	**(17)**	(115)	**(24)**	(161)	**—**	—	**(243)**	(1,637)
Write-down of inventories	**1,016**	608	**75**	28	**336**	160	**—**	—	**1,427**	796
Write-off of inventories	**860**	2,655	**463**	2,715	**1,170**	736	**—**	—	**2,493**	6,106

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	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
				(Restated)
PRC (country of domicile)	**257,263**	220,283	**136,247**	154,660
Hong Kong	**4,813**	5,011	**990**	624
Singapore	**505**	2,700	**—**	—
Thailand	**551**	2,933	**—**	—
Malaysia	**1,097**	899	**—**	—
Others	**—**	355	**—**	—
Total	**264,229**	232,181	**137,237**	155,284

Information about major customers

Included in revenue arising from continuing operations for the year ended 31 December 2016 of approximately RMB264,229,000 is revenue of approximately RMB28,889,000 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 2015, included in revenue 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. No other single customer contributed more than 10% to the Group's revenue for the years ended 31 December 2016 and 2015.

4. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Continuing operations		
Bank interest income	**406**	620
Write-back of payables for property, plant and equipment	**4,083**	—
Gain on sales of scrap materials	**598**	—
Gain on disposal of property, plant and equipment	**—**	51
Recovery from litigation claim *(note a)*	**18,815**	—
Government grant *(note b)*	**2,811**	802
Net exchange gains	**810**	—
Others	**478**	362
	28,001	1,835

Note a: During the year ended 31 December 2016, claims against other parties in respect of malicious falsehood by a media company and unsatisfactory performance of plant and machineries by a supplier were settled and amounts of approximately RMB18,646,000 (2015: nil) and RMB169,000 (2015: nil) were recovered by the Group respectively.

Note b: Included in the amount of government grants recognised during the year ended 31 December 2016 of approximately RMB2,811,000 (2015: RMB802,000) were received from the PRC government in respect of certain research projects, electronic shopping platform 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

	2016	2015
	RMB'000	*RMB'000*
Continuing operations		
Imputed interest on non-interest bearing loans from controlling shareholders	**1,473**	3,755

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 2018. However, Bawang Guangzhou did not have any assessable profits subject to Enterprise Income Tax for the years ended 31 December 2016 and 2015.

(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 2016 and 2015 as the Group does not have any assessable profits subject to Hong Kong Profits Tax for 2016 and 2015.

(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 2016 and 2015 since the PRC subsidiaries generated profits which were offset by tax losses brought forward from prior years during the year ended 31 December 2016 and incurred losses during the year ended 31 December 2015.

7. PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

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

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Auditor's remuneration	**938**	847
Cost of inventories recognised as an expense *(note (a))*	**137,699**	143,896
Depreciation of property, plant and equipment	**11,898**	17,280
Impairment loss recognised in respect of property, plant and equipment (included in other expenses)	**—**	54,364
Impairment loss recognised in respect of trade receivables	**2,425**	4,809
Loss/(gain) on disposal of property, plant and equipment	**1,455**	(51)
Net foreign exchange (gains)/losses	**(810)**	171
Provision for litigation (included in administrative expenses)	**722**	3,487
Research and development costs recognised as an expense	**10,130**	8,697
Reversal of write-down of inventories (included in cost of inventories recognised as an expense above)	**(243)**	(1,637)
Staff costs *(note (b))*	**48,133**	69,713
Write-down of inventories (included in cost of inventories recognised as an expense above)	**1,427**	796
Write-off of inventories (included in cost of inventories recognised as an expense above)	**2,493**	6,106

Notes:

(a) Cost of inventories recognised as an expense from continuing operations included depreciation of property, plant and equipment and staff costs of approximately RMB10,695,000 (2015: RMB15,089,000) and RMB13,675,000 (2015: RMB17,069,000) respectively. The amounts were also included in the respective amounts disclosed above.

(b) Staff costs from the continuing operations included redundancy costs of approximately RMB377,000 (2015: RMB4,221,000) for the year ended 31 December 2016.

8. DISCONTINUED OPERATION

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 2016 and 2015 were as follows:

	2016	2015
	RMB'000	*RMB'000*
Administrative expenses and loss before taxation	**—**	(3)
Taxation	**—**	—
Loss for the year	**—**	(3)

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

Net cash outflows on discontinued operation are as follows:

	2016	2015
	RMB'000	*RMB'000*
Operating activities	**—**	(3)

9. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: nil).

10. EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Earnings/(loss)		
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share	**43,704**	(110,425)

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/loss per share	**3,057,986**	2,911,461
Effect of dilutive potential ordinary shares:		
Options	**499**	508
Weighted average number of ordinary shares for the purpose of diluted earnings/loss per share	**3,058,485**	2,911,969

From continuing operations

The calculation of the basic and diluted earnings/(loss) per share from continuing operations attributable to the owners of the Company is based on the following data:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Earnings/(loss)		
Profit/(loss) for the year attributable to owners of the Company	**43,704**	(110,425)
Less:		
Loss for the year from discontinued operations	**—**	(3)
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share	**43,704**	(110,422)

The denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

From discontinued operation

Basic and diluted loss per share for the discontinued operation attributable to owners of the Company is RMB0 cents per share (2015: RMB0.0001 cent per share), based on the loss for the year from the discontinued operation of RMB0 (2015: RMB3,000) and the denominators detailed above for both basic and diluted loss per share.

For the year ended 31 December 2015, the diluted loss per share is same as the basic loss per share. The computation of diluted loss per share for the year ended 31 December 2015 does not assume the exercise of the Company's share options since their exercise would result in an decrease in loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2016, buildings with carrying values of approximately RMB3,927,000 (2015: nil) has been pledged to secure banking facilities granted to the Group.

12. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Trade receivables	**56,288**	69,193
Less: allowance for impairment of trade receivables	**(11,946)**	(9,521)
	44,342	59,672
Prepayment for purchase of raw materials	**1,516**	1,655
Short-term prepaid advertising fee	**212**	44
Litigation costs receivable *(note 14)*	**16,101**	—
Other receivables	**3,413**	3,423
Total trade and other receivables	**65,584**	64,794

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 allowance for impairment of trade receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2016	2015
	RMB'000	*RMB'000*
Less than 3 months	**23,952**	39,592
More than 3 months but less than 6 months	**11,203**	15,719
More than 6 months but less than 12 months	**2,249**	3,651
More than 12 months	**6,938**	710
	44,342	59,672

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:

	2016	2015
	RMB'000	*RMB'000*
Within 1 month or on demand	**25,540**	32,856
After 1 month but within 3 months	**8,106**	978
	33,646	33,834

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

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. On 23 May 2016, the Group received the final judgment handed down by the Court of First Instance of the High Court of Hong Kong in respect of the legal proceedings and the Group won the Legal Proceedings. According to the final judgment the media company was ordered by the High Court of Hong Kong to pay the Group, general damages for libel in an aggregate amount of approximately HK$3,005,000 (the "Damages"). The High Court of Hong Kong also made a costs order nisi that Next Magazine should pay to the Group 80% of the legal costs of the Company and Bawang Guangzhou in respect of the Legal Proceedings (the "Costs"). On 16 December 2016, the Court of First Instance made an order by consent of the parties that in lieu of taxation of the costs of the action, the Defendant do pay the Plantiffs the sum of HK$18,000,000 (inclusive of interest and the cost of taxation) (equivalent of approximately RMB16,101,000) in full and final settlement of the Costs payable by the Defendant to the Plantiffs in the action pursuant to the above. The Damages was received by the Group during the year ended 31 December 2016. Subsequent to the end of the reporting period, on 25 January 2017, the Group received the final settlement of HK$18,000,000 (equivalent to approximately RMB16,101,000).

The Damages and the Costs have been recognised as other income for the year ended 31 December 2016.

15. EVENT AFTER THE REPORTING PERIOD

As mentioned in note 14, subsequent on 25 January 2017, the Costs of HK$18,000,000 (equivalent of approximately RMB16,101,000) recovered from litigation was received by the Group.

16. COMPARATIVES

Trade and other receivables presented in the consolidated statement of financial position previously included an amount due from related parties and trade and other receivables. To conform to current year's presentation, an amount due from related parties as at 31 December 2015 has been reclassified from trade and other receivables and separately presented in the consolidated statement of financial position to facilitate a better presentation.

BUSINESS REVIEW

The Directors report that the total revenue from the continuing operations of the Group for the year ended 31 December 2016 was approximately RMB264.2 million, representing an increase of approximately 13.8% from approximately RMB232.2 million in 2015. The operating profit from the continuing operations of the Group for the year ended 31 December 2016 was approximately RMB42.6 million as compared with the operating loss of approximately RMB106.7 million in 2015 (restated).

For the year ended 31 December 2016, the net profit from the continuing operations of the Group was approximately RMB43.7 million, as compared with a net loss of approximately RMB110.4 million in 2015 (restated).

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 continued implementation of cost control measures and our success in implementing the value-chain-oriented business model have improved the operating results of the Group's continuing operations, and the Group's selling, distribution and administration costs were reduced by approximately RMB32.0 million for the year ended 31 December 2016, as compared with the same period ended 31 December 2015.

To kick-start the corporate operational theme of the year "Gathering strength for innovation", a national distributors' meeting was held in Guangzhou in January 2016 to introduce the new Bawang shampoo products, to explain the Group's investments in brand building and expansion of channels, and to demonstrate the upcoming marketing campaigns and publicity programs for the year.

To enhance the sales of Bawang branded products, extensive in-store promotions were carried out on the festive days throughout the year.

To further motivate the Group's distributors and sales teams, an incentive travel scheme was set up, whereby the participating distributors and internal sales staff will be eligible to leisure travel overseas for free if they complete the predetermined sales target for a specific period of time. As a result, over 130 distributors and 60 internal sales staff in the aggregate were eligible to join one or both travel events in August 2016 and January 2017 under the incentive travel scheme.

In September 2016, following the adoption of two-child policy in China in early 2016, the Group launched a personal and skin care product series under a new brand known as "Little King", which targets the market segment for children under 12 years old. To enhance the brand awareness of Little King, the Group has acquired the right to use of a popular animated character "Superwing" under license, and has rolled out a co-branded product series in December 2016.

As at 31 December 2016, the Bawang brand distribution network comprised approximately 633 distributors and 33 KA retailers, covering 27 provinces and four municipalities in China. Furthermore, the Bawang branded products were also sold in Hong Kong, Singapore, Thailand and Malaysia.

During the year under review, the Group rolled out new Royal Wind branded shampoo products with the marketing theme "Follow your true self as a natural trend setter" primarily for the online sales channel. As at 31 December 2016, the Royal Wind brand distribution network comprised approximately 576 distributors and 23 KA retailers, covering 27 provinces and four municipalities in China.

The Litao products mainly comprise shower gels and laundry detergents, which target consumers living in the second-tier or third-tier cities in China. The Group's goal is to widen the market coverage in China. A natural fruit shower gel series was rolled out during the year under review. As at 31 December 2016, the Litao products distribution network comprised approximately 564 distributors and two KA retailers, covering 27 provinces and four municipalities in China.

The Herborn Chinese herbal skincare product series targets white-collar ladies in the age range from 25 to 45 who have relatively high net incomes and who are dedicated to pursue a healthy and natural lifestyle. In May 2016, a distributors' meeting was held in Guangzhou to launch the enhanced Herborn Chinese herbal skincare product series. Six new series of herbal skincare products and a Chinese herbal face mask product were rolled out during the year. In terms of sales channels, the Group is now selling the products mainly through cosmetics specialty shops throughout China. As at 31 December 2016, the sales and distribution network for the Herborn Chinese herbal skincare products comprised approximately 93 distributors and one KA retailer covering 27 provinces and four municipalities in China. As at 31 December 2016, the Group also had about 4,780 counters in cosmetics specialty shops in China.

During the year under review, the Group has established online flagship stores for our Bawang, Royal Wind and Herborn branded products on 37 online retailing platforms in China.

During the year under review, we obtained the certificates and/or recognitions as follows:

— we have renewed the permit for production of cosmetic products, which was issued by the Guangdong Provincial Food & Drug Administration and is valid until May 2021;

— we were awarded the "Golden Ant 2015–2016" certificate by the China (Guangzhou) Logistic Equipment & Technology Development Committee in May 2016; and

— in January 2016, three Bawang branded shampoos were recognized as "The 2015 New High-Tech Products in Guangdong" by the Guangdong Provincial Bureau of Science & Technology for a period of three years until the end of 2018.

Conclusion of Litigation

The Board considers that the contents of an 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 Publishing Ltd ("**Next Magazine**") seeking, *inter alia*, damages and an injunction to restrain Next Magazine from publishing such contents or similar contents.

During the year under review, the Court of First Instance of the High Court handed down a judgement against Next Magazine in relation to the libel claim made by the Company and Bawang Guangzhou, including general damages for libel in an aggregate amount of approximately HK$3,005,000, together with 80% of the legal costs of the Company and Bawang Guangzhou in respect of the Legal Proceedings. Subsequent to the judgement, the Company, Bawang Guangzhou and Next Magazine jointly applied to the Court by way of Consent Summonses to discontinue the appeal lodged by the Company and Bawang Guangzhou and to settle the Legal Proceedings, and Next Magazine was ordered to pay to the Company and Bawang Guangzhou the sum of HK$18,000,000 in full and final settlement of (i) the claim for costs, disbursements, interest and costs of taxation in respect of the Legal Proceedings by the Company and Bawang Guangzhou, and (ii) any costs that Next Magazine may be entitled to in respect of the appeal lodged by the Company and Bawang Guangzhou in respect of the Legal Proceedings.

FINANCIAL REVIEW

Continuing Operations

Revenue

During the year under review, the Group's revenue from the continuing operations amounted to approximately RMB264.2 million, representing an increase of approximately 13.8% from approximately RMB232.2 million in 2015. The increase was primarily attributable to the sales of new and/or enhanced Bawang branded products during the year, the increase in sales of Bawang branded products in June 2016 following the release of the judgment in favour of the Group, and the increase in sales through the online sales channel.

The Group's core brand, Bawang, generated approximately RMB207.5 million in revenue, which accounted for approximately 78.5% of the Group's total revenue from continuing operations in 2016, and represented an increase of approximately 13.1% as compared to 2015.

The branded Chinese herbal anti-dandruff hair-care series, Royal Wind, generated approximately RMB21.9 million in revenue, which accounted for approximately 8.3% of the Group's total revenue from continuing operations in 2016, and represented a decrease of approximately 6.8% as compared to 2015.

The natural-based branded shampoo, shower gel and laundry detergent products series, Litao, generated approximately RMB19.9 million in revenue, which accounted for approximately 7.5% of the Group's total revenue from continuing operations in 2016, and represented an increase of approximately 10.6% as compared to 2015.

The branded Chinese herbal skincare series, Herborn, generated approximately RMB13.2 million in revenue, which accounted for approximately 5% of the Group's total revenue from continuing operations in 2016, and represented an increase of approximately 103.1% as compared to 2015.

We sold our products through extensive distribution and retail networks. During the year under review, sales to our distributors and retailers represented approximately 67.7% and approximately 32.3% of the Group's total revenue from the continuing operations respectively.

In 2016, our products were also sold in Hong Kong, Singapore, Thailand and Malaysia. The sales to these overseas markets outside of China accounted for approximately 2.6% of our total revenue from the continuing operations for 2016.

Cost of Sales

Cost of sales in 2016 amounted to approximately RMB137.7 million, representing a decrease of approximately 4.3% compared to approximately RMB143.9 million in 2015 (restated). Such decrease was mainly due to the decrease in manufacturing expenses and direct labour expenses, which was partially offset by the increase in the cost of raw materials and package materials consumed.

Gross Profit

During the year under review, the Group's gross profit increased to approximately RMB126.5 million, representing an increase of approximately 43.3% as compared to approximately RMB88.3 million for 2015 (restated). The gross profit margin increased from approximately 38.0% for 2015 (restated) to 47.9% for 2016. Such increase was mainly attributable to the increase of revenue, decrease of cost of sales and the roll-out of high-margin products during the year under review.

Selling and Distribution Costs

Selling and distribution costs decreased to approximately RMB80.1 million for 2016, representing a decrease of approximately 10.7% as compared to that for 2015. Such decrease was mainly due to effective cost control measures leading to the decrease in depreciation, advertising fee, and the savings achieved in promotion fees and salaries through optimizing the resources of promotion staff. As a percentage of revenue, our selling and distribution costs decreased from approximately 38.6% in 2015 to 30.3% in 2016.

Administrative Expenses

Administrative expenses for 2016 amounted to approximately RMB30.5 million, representing a decrease of approximately 42.3% as compared to approximately RMB52.9 million in 2015 (restated). Such decrease was mainly due to the decrease in legal and professional fees and the decrease in provisions for bad debt. As a percentage of revenue, our administration costs were approximately 11.5% and 22.8% in 2016 and 2015 (restated) respectively.

Impairment Loss

For the year ended 31 December 2016, no impairment loss on property, plant and equipment was made (2015: approximately RMB54.4 million).

Profit from Operations

The Group recorded an operating profit from the continuing operations of approximately RMB42.6 million for 2016, as compared to operating loss of approximately RMB106.7 million for 2015 (restated). The increase in operating profit 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 RMB32.0 million for the year ended 31 December 2016, as compared to those of 2015 (restated).

Finance Costs and Income

For the year ended 31 December 2016, finance income of the Group amounted to approximately RMB0.4 million as compared with the finance income of approximately RMB0.6 million for 2015.

For the year ended 31 December 2016, the Group's imputed interest on non-interest bearing loans from controlling shareholders amounted to approximately RMB1.5 million (2015: approximately RMB3.8 million).

Taxation

The Group did not have any income tax in 2015 and 2016. A write-back of the excess of previous years' provision for the Enterprise Income Tax of China in the amount of RMB2.6 million was credited to the taxation account during the year under review.

Profit for the Year from Continuing Operations

As a result of the combined effect of the above mentioned factors, the Group recorded a profit from the continuing operations of approximately RMB43.7 million for 2016, as compared to the loss of approximately RMB110.4 million for 2015 (restated).

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. But this business segment recorded an operating loss of approximately RMB3,000 for 2015.

Profit for the Year Attributable to Owners of the Company

As a result of the combined effect of the above factors, the Group recorded a profit attributable to owners of the Company of approximately RMB43.7 million for 2016, as compared with an attributable loss to owners of the Company of approximately RMB110.4 million for 2015 (restated).

Event after the Reporting Period

Reference is made to the paragraph headed "Conclusion of Litigation" above.

The sealed copies of the Orders from the Court of Appeal and the Court of First Instance of the High Court of Hong Kong were received on 22 December 2016 and 24 January 2017 respectively.

The Company and Bawang Guangzhou duly received the sum of HK$18,000,000 on 25 January 2017, which was recognised as other income for the year ended 31 December 2016.

OUTLOOK

After China announced that its gross domestic product ("GDP") grew by 6.7% in 2016, the International Monetary Fund upgraded its 2017 forecast for China's GDP growth to 6.5%, which is 0.3% higher than its October 2016 estimate. The upgrade has been attributable to the continued government stimulus and new loan growth.

Subsequently, China has also announced in its latest National People's Congress that its GDP growth target is around 6.5% for 2017. The projected target is in line with both economic principles and realities, which would help stabilize market expectations and facilitate the country's structural adjustments.

Based on an analysis by the Organisation for Economic Co-operation and Development, China's economic growth may face a long-term downward trend, but that slower overall growth is still enough to sustain increases in the potential spending of China's middle- and upper-income segments.

However, some analysts express that the Chinese government would institute policies such as infrastructure stimulus, looser property restrictions, and promotion of consumption to support the economy. The Directors tend to agree with these views.

The corporate operational theme for 2017 is "To quantify with performance following the precise execution of plans". The Group would adopt a bottom-up market-oriented approach for devising sales plans for both the Group and its distributors.

For Bawang branded product series, we will tailor-make specific promotional slogans for promotional programs in the supermarkets for each festival during the year. Promotional assorted Bawang branded products will be offered for sale as a way of attracting customers. High-end herbal essence hair care bundled products would be rolled out in order to satisfy the needs of the affluent consumer segment. To accelerate the channel development and reduce the running costs in the distribution channel, the Group intends to develop strategic relationships with distributors who have obtained an exclusive right to sell HPC products in dedicated areas inside their respective contracted supermarkets.

As the Little King branded children's product series is still at its introductory stage, the Group will work on the brand-building process and develop both the traditional as well as online sales channels. The Group will also strive to gain a foothold in the mother & child channel for this product category.

For Royal Wind branded product series, the Group has always promoted its brand image to cater for the trendy lifestyle of young customers. The Group will roll out high-end hair care products and fragrance shower gels for sale at the counters inside cosmetic specialty shops.

For Herborn branded products series, the Group intends to expand the cosmetic specialty channel through the recruitment of distributors who already have established sales network and proven track record of success as strategic partners. Separately, the Group will expand its online sales platforms to increase its sales revenue.

For production management, the Group has set up benchmark controls to ensure optimization of material usage and minimization of production spoilage to alleviate the pressure on the rising costs of raw materials. Monetary incentive that is based on the cost-savings that the production lines have achieved will be offered to workers. In addition, every effort would be made by the management to improve the living environments, well-being and welfare of the frontline workers. To ensure high quality standard output, the Group will work with independent accreditation agencies to enhance its production management systems.

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 is actively exploring business opportunities that may involve potential acquisition currently.

Looking forward, we plan to 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 2016 *RMB in million*	31 December 2015 *RMB in million*
Cash and cash equivalent	**22.3**	9.6
Total loans	**5.6**	54.9
Total assets	**295.5**	291.0
The gearing ratio[1]	**1.9%**	18.9%

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 2016, 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 2016.

CAPITAL COMMITMENT

As at 31 December 2016, the capital commitment of the Group amounted to approximately RMB2.4 million.

CHARGE OF ASSETS

As at 31 December 2016, buildings with carrying values of approximately RMB3,927,000 (2015: nil) and pledged bank deposits of approximately RMB10,000 (2015: nil) have been pledged to secure banking facilities granted to the Group. As at 31 December 2016, banking facilities of approximately RMB5,600,000 were utilised and approximately RMB4,400,000 were unutilised and available for the Group's future financing.

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

Reference is made to the Company's announcement dated 31 May 2016 titled "Completion of Issue of Shares under Generate Mandate", under which it was announced that a total of 250,000,000 fully paid subscription shares were allotted and issued by the Company to the subscribers, and the subscription shares represented approximately 7.91% of the issued share capital of the Company as at 31 May 2016. Save for the foregoing, 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

The Company is committed to enhancing the corporate governance and the internal control of the Group, and the Board reviews and updates all such necessary measures in order to achieve and maintain a high standard of corporate governance and internal control, resulting in attainment of better results and improvement of its corporate image.

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 of Hong Kong Limited (the "**Listing Rules**") during year ended 31 December 2016.

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

The Audit and Risk Management Committee has reviewed the annual results of the Group for the year ended 31 December 2016 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 a final dividend in respect of the year ended 31 December 2016.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the "**Annual General Meeting**") of the Company will be held on Friday, 26 May 2017. The register of members of the Company will be closed from Saturday, 20 May 2017 to Friday, 26 May 2017 (both days inclusive) for the purpose of determining shareholders' entitlement to attend and vote at the forthcoming 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 Friday, 19 May 2017.

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 of Hong Kong Limited (www.hkexnews.hk). The annual report for the year ended 31 December 2016 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 this opportunity 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 2017

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.