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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

The board of directors (the "**Board**" or the "**Directors**") of BaWang International (Group) Holding Limited (the "**Company**") would like to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**" or "**we**") for the six months ended 30 June 2009 ("**1H2009**") together with comparative figures for the corresponding period in 2008 ("**1H2008**"). These consolidated interim financial statements have not been audited, but have been reviewed by the Company's independent auditors and the audit committee of the Company (the "**Audit Committee**").

* *for identification purpose only*

Consolidated Income Statement

For the six months ended 30 June 2009 — unaudited
(Expressed in Renminbi)

	Note	**For the six months ended 30 June** **2009** ***RMB'000***	2008 *RMB'000*
Turnover	4	**681,090**	693,901
Cost of sales		**(230,364)**	(269,080)
Gross profit		**450,726**	424,821
Other revenue		**—**	375
Other net (loss)/income		**(2,069)**	298
Selling and distribution costs		**(284,103)**	(243,299)
Administrative expenses		**(36,016)**	(14,729)
Profit from operations		**128,538**	167,466
Finance income	5(a)	**916**	1,773
Finance expenses	5(a)	**(214)**	—
Net finance income	5(a)	**702**	1,773
Profit before income tax	5	**129,240**	169,239
Income tax	6	**(29,228)**	(30,017)
Profit for the period attributable to the equity shareholder of the Company		**100,012**	139,222
Earnings per share	7		
Basic and diluted earnings per share (RMB yuan)		**0.05**	0.07

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009 — unaudited
(Expressed in Renminbi)

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Profit for the period	**100,012**	139,222
Other comprehensive income for the period:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(183)**	5,585
Total comprehensive income for the period attributable to the equity shareholder of the Company	**99,829**	144,807

Consolidated Balance Sheet

At 30 June 2009 — unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2009** *RMB'000*	At 31 December 2008 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment	8	**33,669**	31,510
Prepaid advertising fee		**12,163**	—
		45,832	31,510
Current assets			
Inventories	9	**45,731**	51,992
Trade and other receivables	10	**235,847**	136,495
Amounts due from related parties	18(b)(i)	**—**	132,746
Cash and cash equivalents	11	**256,764**	298,148
		538,342	619,381
Current liabilities			
Trade and other payables	12	**237,956**	171,997
Bank loans and overdrafts	13	**158,670**	—
Amounts due to related parties	18(b)(ii)	**2,849**	144,342
Current tax payables		**12,620**	13,655
		412,095	329,994
Net current assets		**126,247**	289,387
Total assets less current liabilities		**172,079**	320,897

	Note	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000 (audited)
Non-current liabilities			
Deferred tax liabilities		**6,432**	6,369
Net assets		**165,647**	314,528
Capital and reserves			
Share capital	14	**1**	—
Reserves	15	**165,646**	314,528
Total equity		**165,647**	314,528

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009 — unaudited
(Expressed in Renminbi)

	Attributable to equity shareholder of the Company						
	Share capital	**PRC statutory reserves**	**Capital reserve**	**Merger reserve**	**Translation reserves**	**Retained earnings**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 14)	(Note 15(a))		(Note 15(b))	(Note 15(c))		
Balance at 1 January 2008	—	28,722	—	8,468	—	137,038	174,228
Changes in equity for the six months ended 30 June 2008:							
Total comprehensive income for the period	—	—	—	—	5,585	139,222	144,807
Dividend declared during the period (Note 15(d))	—	—	—	—	—	(146,423)	(146,423)
Balance at 30 June 2008 and 1 July 2008	—	28,722	—	8,468	5,585	129,837	172,612
Changes in equity for the six months ended 31 December 2008:							
Total comprehensive income for the period	—	—	—	—	(636)	142,552	141,916
Appropriation to statutory reserves	—	21,165	—	—	—	(21,165)	—
Balance at 31 December 2008	—	49,887	—	8,468	4,949	251,224	314,528
Changes in equity for the six months ended 30 June 2009:							
Issue of new shares	**1**	**—**	**—**	**—**	**—**	**—**	**1**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**(183)**	**100,012**	**99,829**
Dividends declared during the period (Note 15(d))	**—**	**—**	**—**	**—**	**—**	**(249,680)**	**(249,680)**
Equity settled share-based transactions (Note 16)	**—**	**—**	**969**	**—**	**—**	**—**	**969**
Balance at 30 June 2009	**1**	**49,887**	**969**	**8,468**	**4,766**	**101,556**	**165,647**

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009 — unaudited
(Expressed in Renminbi)

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Cash generated from operations	**87,509**	5,800
Income tax paid	**(30,200)**	(16,760)
Net cash generated from operating activities	**57,309**	(10,960)
Net cash (used in)/generated from investing activities	**(7,683)**	74,955
Net cash used in financing activities	**(91,010)**	(146,423)
Net decrease in cash and cash equivalents	**(41,384)**	(82,428)
Cash and cash equivalents at 1 January	**298,148**	102,830
Cash and cash equivalents at 30 June	**256,764**	20,402

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK"), including compliance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 15 September 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the financial year ended 31 December 2008 as reported in the accountants' report included in the prospectus of the Company dated 22 June 2009 (the "Prospectus") in relation to the global offering of the Company's shares, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 "Interim Financial Reporting" requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries (the "Group") since the 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2008 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements and the consolidated financial statements for that financial year are derived from the accountants' report in the Prospectus.

2 Changes in accounting policies

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

IFRS 8	Operating segments
IAS 1 (revised 2007)	Presentation of financial statements

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

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

3 Segment reporting

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

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

However, the above operating segments of the Group are not identified as reportable segments for the six-month periods ended 30 June 2009 and 2008 as the assets, revenue, and profit for the skin-care and other HPC products segment constituted only 0.1% of combined assets of all segments as of 30 June 2009 (as of 30 June 2008: 0.3%), and 0.6%, 1.4% of the combined revenue, combined segment result of all segments for the six-month period then ended (for the six-month period ended 30 June 2008: 0.5% and 1.0%).

Among the hair-care products operating segment, the sales in mainland China and overseas are not reported as sub-segments for the six-month periods ended 30 June 2009 and 2008 as the assets, revenue and profit from overseas constituted only 3.8% of combined assets of hair-care products operating segment as of 30 June 2009 (as of 30 June 2008: 0%), and 4.6%, 7.7% of the combined revenue, combined segment result of hair-care products operating segment for the six-month period then ended (for the six-month period ended 30 June 2008: 0.6% and 1.9%).

4 Turnover

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

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

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Hair care products	**643,761**	653,873
Skin-care and other HPC products	**37,329**	40,028
	681,090	693,901

5 Profit before income tax

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

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
(a) Finance income and expenses:		
Finance income		
Interest income on bank deposits	**(916)**	(1,070)
Net foreign exchange gain	**—**	(703)
Subtotal	**(916)**	(1,773)
Finance expenses		
Net foreign exchange losses	**214**	—
Net finance income	**(702)**	(1,773)

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
(b) Staff costs:		
Salaries, wages and other benefits	**36,075**	88,215
Equity-settled share-based payment expenses (Note 16)	**969**	—
Contributions to defined contribution retirement plan	**2,551**	1,897
	39,595	90,112

Staff costs included directors' remuneration.

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

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

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
(c) Other items:		
Depreciation	**3,122**	1,905
Advertising expenses	**87,674**	72,256
Promotion and gift expenses	**148,274**	82,808
Auditors' remuneration	**2,052**	39
Cost of inventories*	**230,364**	269,080
Impairment loss for bad and doubtful debts	**903**	—

* Cost of inventories includes RMB15,527,067 and RMB17,658,847 for the periods ended 30 June 2009 and 2008 respectively relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

6 Income tax expenses

Income tax expenses in the consolidated income statement represent:

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Current tax — PRC income tax		
Provision for the period	**21,314**	23,438
Current tax — Hong Kong income tax		
Provision for the period	**1,482**	—
Deferred tax — PRC income tax		
Origination of temporary differences	**6,432**	6,579
Income tax expenses	**29,228**	30,017

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

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

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

(c) Pursuant to the Implementation Rules of the CIT Law, overseas investors to foreign investment companies ("FIE") shall be liable for withholding income tax at 10% on the dividend derived from the profits of PRC subsidiaries with effect from 1 January 2008, unless the tax rate is reduced by treaty. Pursuant to the Sino-Hong Kong Double Tax Arrangements, the investor established in Hong Kong is subject to a reduced withholding tax rate of 5% on the dividend received from its PRC subsidiaries. In addition, pursuant to the grandfathering relief, dividends received by the overseas investor from its PRC subsidiaries to the extent which are attributable to the undistributed profits derived prior to 31 December 2007 are exempted from the withholding income tax. The Group has made provision of withholding income tax on the distributable profits generated by Bawang Guangzhou for the six-month periods ended 30 June 2009 and 30 June 2008.

(d) Hong Kong Bawang International Trading Limited ("Bawang Trading") was loss-making for the six months ended 30 June 2008 and it became profit-making for the six months ended 30 June 2009. Accordingly, it has made a provision for Hong Kong Profits Tax for the six-month period ended 30 June 2009 based on the applicable tax rate of 16.5%.

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2009 is based on the profit attributable to ordinary equity shareholder of the Company of RMB100,012,000 during the period (six months ended 30 June 2008: RMB139,222,000) and on the assumption that 2,100,000,000 ordinary shares were in issue throughout the entire six-month periods ended 30 June 2009 and 2008, comprising 10,000 ordinary shares as at 30 June 2009 and 2,099,990,000 ordinary shares issued pursuant to the capitalisation issue as detailed in Note 19.

(b) Diluted earnings per share

The Company's Pre-IPO share options were granted on 8 June 2009 and did not give rise to any dilution as at 30 June 2009. Therefore, the diluted earnings per share are the same as the basic earnings per share.

There were no dilutive potential ordinary shares in issue as at 30 June 2008.

8 Property, plant and equipment

	Machinery	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2009	25,789	11,204	5,465	—	42,458
Additions	2,395	221	3,819	190	6,625
Disposals	(1,578)	—	—	—	(1,578)
At 30 June 2009	26,606	11,425	9,284	190	47,505
Accumulated depreciation:					
At 1 January 2009	(6,613)	(2,761)	(1,574)	—	(10,948)
Charge for the period	(1,568)	(1,050)	(504)	—	(3,122)
Written back on disposals	231	—	3	—	234
At 30 June 2009	(7,950)	(3,811)	(2,075)	—	(13,836)
Carrying amount:					
At 1 January 2009	19,176	8,443	3,891	—	31,510
At 30 June 2009	18,656	7,614	7,209	190	33,669

9 Inventories

	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000* (audited)
Raw materials	**4,685**	4,194
Work in progress	**637**	4,500
Finished goods	**28,741**	32,164
Packing materials	**11,668**	11,134
	45,731	51,992

10 Trade and other receivables

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000 (audited)
Trade receivables	**163,508**	101,773
Prepayment for purchase of raw materials	**754**	1,004
Prepaid advertising fee	**40,688**	26,956
Other receivables	**30,897**	6,762
	235,847	136,495

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

An ageing analysis of trade receivables by due date is as follows:

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000 (audited)
Current	**120,531**	72,450
Less than 3 months past due	**35,444**	27,096
More than 3 months but less than 6 months past due	**6,031**	2,227
More than 6 months but less than 12 months past due	**2,472**	101
More than 12 months but less than 24 months past due	**34**	—
	164,512	101,874
Less: impairment loss for doubtful debts	**(1,004)**	(101)
	163,508	101,773

The movement in the allowance for impairment in respect of trade receivables is as follows:

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000 (audited)
Balance at 1 January	**101**	1,501
Impairment loss recognised	**903**	538
Written off	**—**	(1,938)
Balance at 30 June/31 December	**1,004**	101

11 Cash and cash equivalents

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000* (audited)
Cash at bank and in hand	**256,764**	298,148

12 Trade and other payables

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000* (audited)
Trade payables	**84,650**	60,754
Receipts in advance	**55,445**	41,669
Payable to advertising agents	**3,705**	5,578
Promotion fee payable	**23,163**	20,663
Accrued payroll	**5,568**	9,848
Other payables and accruals	**65,425**	33,485
	237,956	171,997

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

An ageing analysis of trade payables by due date is as follows:

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000* (audited)
Due within 1 month or on demand	**58,769**	39,483
Due after 1 month but within 3 months	**25,881**	21,271
	84,650	60,754

13 Bank loans and overdrafts

The balance as at 30 June 2009 mainly represented a short-term loan provided by China Merchants Bank Co., Ltd ("China Merchants Bank") to Bawang Trading, a subsidiary of the Company (as of 31 December 2008: nil).

Bawang Trading obtained the loan mainly to settle the amounts due to the related parties. Details of the loan facilities are as follows:

An agreement was entered into between Bawang Trading and China Merchants Bank on 18 June 2009, pursuant to which China Merchants Bank agreed to provide Bawang Trading with a credit facility of up to HK$180 million (the "Credit Facility").

Bawang Trading drew down a loan of HK$180 million under the Credit Facility agreement on 18 June 2009, at an interest rate of 3-month Hong Kong Interbank Offered Rate plus a margin of 1.5%, with a one-year loan period.

As a condition of the Credit Facility:

— Bawang Group Limited, an entity wholly owned by Mr. Chen Qiyuan and Ms. Wan Yuhua (the "Controlling Shareholders" of the Group), entered into a pledge agreement (the "Pledge Agreement I") with China Merchants Bank on 18 June 2009. According to the Pledge Agreement I, Bawang Group Limited provided a pledge of assets in favour of China Merchants Bank of HK$184 million on 18 June 2009, including the full amount drawn down under the Credit Facility and the estimated interest expenses. The Pledge Agreement I was terminated upon the listing of the Company's shares on the Main Board of the SEHK on 3 July 2009.

— The Company entered into a guarantee contract (the "Guarantee Contract") with China Merchants Bank on 18 June 2009. According to the Guarantee Contract, the Company guaranteed the Credit Facility in favour of China Merchants Bank effective from 3 July 2009. In addition, a pledge agreement (the "Pledge Agreement II") was entered into by the Company and China Merchants Bank on 22 July 2009. Pursuant to the Pledge Agreement II, the Company provided a pledge of assets amounting to HK$184 million to China Merchants Bank on 22 July 2009.

Moreover, Bawang Guangzhou obtained a standby short-term bank facility of RMB100 million from Bank of China on 24 April 2009, which was reserved for general capital purpose. There has been no draw-down from this bank facility as of 30 June 2009.

14 Share capital

The Company was incorporated in Cayman Islands on 11 December 2007 and became the holding company of the companies now comprising the Group. The share capital as at 1 January 2008 represented the nominal value of the share capital of the Company amounting to US$1 (equivalent to RMB7 yuan), which consisted of 1 ordinary share. Pursuant to a written resolution of the shareholder of the Company passed on 10 December 2008, the Company repurchased the existing ordinary share in issue at par value (the "Repurchase") and increased its authorised share capital by HK$1,000 (equivalent to approximately RMB882 yuan) by the creation of 10,000 shares of HK$0.10 par value each, which were issued to its shareholder, Fortune Station Limited (the "Issue"). Both the Repurchase and the Issue were settled in April 2009.

15 Reserves

(a) PRC statutory reserves

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the PRC subsidiary of the Group, Bawang Guangzhou. Transfers to the reserves were approved by the board of directors of Bawang Guangzhou.

Bawang Guangzhou, which is a wholly foreign owned enterprise established in the PRC, is required to transfer at least 10% of its net profit (after offsetting prior year losses), as determined under the PRC accounting rules and regulations, to statutory general reserve until the reserve balance reaches 50% of the registered capital under the PRC Company Law and the articles of association of the entity. The transfer to this reserve must be made before distribution of dividends to equity shareholder. As of 31 December 2008, the statutory reserve balance has reached 50% of the registered capital of Bawang Guangzhou, hence, no further transfer to statutory reserves was made during the six-month period ended 30 June 2009 (six-month period ended 30 June 2008: nil).

Statutory general reserve can be used to make good prior years' losses, if any, and may be converted into share capital by issuing new shares to equity shareholders proportionate to their existing percentage of equity interests provided that the balance after such issue is not less than 25% of the registered capital.

(b) Merger reserve

On 20 December 2007, Bawang International Group Holding (HK) Limited, a wholly owned subsidiary of the Company, acquired all the equity interest of Bawang Guangzhou amounting to US$12,500,000, which was previously held by a company owned by the Controlling Shareholders, at a consideration of the same amount. Accordingly, the share capital of Bawang Guangzhou was eliminated and a merger reserve arose due to foreign exchange differences.

(c) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(d) Dividends

Pursuant to the resolution passed by the equity shareholder of the Company on 15 May 2008, dividend with an aggregate amount of HK$163,000,000 (equivalent to RMB146,423,000), was declared by the Company to the equity shareholder. The amount declared was fully paid in May 2008.

Pursuant to the resolution passed by the equity shareholder of the Company on 7 January 2009 and 23 May 2009, dividends with an aggregate amount of HK$166,666,667 (equivalent to RMB147,000,000) and HK$116,650,000 (equivalent to RMB102,679,996) respectively were declared by the Company to the equity shareholder. The amounts declared were fully paid in January 2009 and May 2009 respectively.

16 Equity settled share-based transactions

The Board of Directors approved a Pre-IPO Share Option Scheme on 10 December 2008. On 8 June 2009, the Company conditionally granted certain Pre-IPO share options to the directors, senior management and employees under this Pre-IPO Share Option Scheme. The exercise of these share options would entitle two of the Company's directors to subscribe for an aggregate of 4,200,000 shares of the Company, and forty of senior management and employees for an aggregate of 10,332,000 shares. According to the grant letters signed by the Company and the beneficial individuals, the exercise price of each share under the Pre-IPO Share Option Scheme is either at par value of HK$ 0.1 (four people under this tranche including two directors), or at 50% discount to the offer price of HK$ 1.19 under the global offering (thirty eight people under this tranche). Each option granted under the Pre-IPO Share Option Scheme has a vesting period of one to five years, commencing from the listing date and the options are exercisable until 8 June 2019.

The weighted average value per Pre-IPO share option granted during the period estimated at the date of grant using binomial model was HK$2.0 (equivalent to RMB1.77). The weighted average assumptions used are as follows:

Risk-free interest rate	2.84%
Expected life	From vesting date to 8 June 2019
Volatility	52.8%
Dividend yield	0%

17 Operating lease commitments

At the balance sheet date, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Leases expiring:		
Within 1 year	**4,231**	4,681
Between 1 and 2 years	**2,315**	3,508
Between 2 and 3 years	**354**	1,173
Total	**6,900**	9,362

18 Material related party transactions

During the six-month period ended 30 June 2009, the directors are of the view that related parties of the Group include the following individuals/companies:

Name of related party	Relationship with the Group
Mr CHEN Qiyuan	Controlling Shareholder
Ms WAN Yuhua	Controlling Shareholder
Actual Reality Inc.	100% owned by the Controlling Shareholders
Bawang Group Limited	100% owned by the Controlling Shareholders
Guangzhou Qiancai Packaging Materials Co., Ltd.	Under the control of Controlling Shareholders' close family member
Guangzhou Chenming Paper Products Company Limited	Under the control of Controlling Shareholders' close family member
Guangzhou Bawang Cosmetics Co., Ltd. ("Guangzhou Bawang")	Effectively 100% owned by the Controlling Shareholders

(a) Transactions with related parties

(i) Production premises and office lease agreements

Bawang Guangzhou, a wholly owned subsidiary of the Company, and Guangzhou Bawang entered into a production premise and office lease agreement on 22 January 2008, pursuant to which Bawang Guangzhou leased from Guangzhou Bawang the production premise and office building with a total floor area of 16,735 square metres. The term of the lease under the agreement is 3 years with a fixed monthly rental payable of RMB184,083, commencing from 4 December 2007.

(ii) Purchase of raw materials from related parties

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Guangzhou Qiancai Packaging Materials Co., Ltd.	**1,622**	2,024
Guangzhou Chenming Paper Products Company Limited	**4,230**	446

The directors have confirmed that the basis of consideration for the above purchase of raw materials from related parties is the prevailing market price.

(iii) Utilities expenses paid on behalf of the Group

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Guangzhou Bawang	**2,334**	—

The directors are of the opinion that the above transactions set out in note 18a(i), 18a(ii) and 18a(iii) with related parties were conducted on normal commercial terms in the ordinary course of business.

(iv) Repayment of advertising fee paid by a related party on behalf of the Group

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Actual Reality Inc.	**42,891**	—

(v) Net repayment of advances to Controlling Shareholders and Guangzhou Bawang

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
CHEN Qiyuan	**104,318**	4,034
Guangzhou Bawang	**2,234**	2,676

(vi) Short-term advance to Guangzhou Bawang

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Guangzhou Bawang	**—**	20,254

(vii) Pledge of asset provided by Bawang Group Limited in relation to the short-term loan

According to the Pledge Agreement I entered into by Bawang Group Limited and China Merchants Bank, Bawang Group Limited provided a pledge of assets in favor of China Merchants Bank of HK$184 million on 18 June 2009, including the full amount of the loan borrowed under the Credit Facility of HK$180 million granted to Bawang Trading and the estimated interest expenses. Such pledge was released upon the listing of the Company's shares on the Main Board of the SEHK on 3 July 2009. Please refer to note 13 for details.

(b) Balances with related parties

As at the respective balance sheet dates, the Group had the following balances with related parties:

(i) Trade and other receivables

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Non-trade related		
CHEN Qiyuan	**—**	132,692
Guangzhou Bawang	**—**	54
	—	132,746

(ii) Trade and other payables

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Non-trade related		
CHEN Qiyuan	**—**	104,318
Actual Reality Inc.	**—**	36,792
Guangzhou Bawang	**1,100**	134
Trade related		
Guangzhou Qiancai Packaging Materials Co., Ltd.	**536**	600
Guangzhou Chenming Paper Products Company Limited	**1,213**	2,498
	2,849	144,342

The above non-trade related balances are unsecured, interest free and have no fixed terms of repayment. With the exception of the amounts due to Guangzhou Bawang, all these were collected/settled before the listing of the Company's shares on the Main Board of the SEHK. As at 30 June 2009, the balance due to Guangzhou Bawang mainly represented the utility expenses paid by Guangzhou Bawang on behalf of the Group from April to June 2009.

(c) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors.

Remuneration for key management personnel of the Group is as follows:

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Salary and other emoluments	**1,471**	947
Equity-settled share-based payment expenses	**653**	—
Contribution to defined contribution retirement plans	**146**	144
	2,270	1,091

Total remuneration is included in "staff costs" (see note 5(b)).

19 Non-adjusting post balance sheet events

(a) Capitalisation issue

Pursuant to the resolution of the Company's sole shareholder passed on 20 May 2009, 2,099,990,000 ordinary shares of HK$0.1 each were issued at par value on 3 July 2008 to the sole shareholder of the Company by way of capitalisation of HK$209,999,000 from the Company's share premium account.

(b) Initial public offering

The shares of the Company were listed on the Main Board of the SEHK on 3 July 2009, with a total number of 2,800,000,000 shares, among which 700,000,000 shares (25% of the total number of shares of the Company) were issued to the public. The gross proceeds received from the global offering were approximately HK$1,666 million.

Moreover, the over-allotment option referred to in the Prospectus was fully exercised on 3 July 2009 in respect of an aggregate of 105,000,000 shares (the "Over-allotment Shares"), representing 15% of the shares initially offered under the global offering before any exercise of the over-allotment option. Immediately after the issue and allotment of the Over-allotment Shares by the Company, approximately 27.7% of the issued share capital of the Company was held by the public. The 105,000,000 Over-allotment Shares were issued and allotted by the Company at HK$2.38 per share, being the offer price per share in connection with the global offering. The gross proceeds from the global offering after the issue of the Over-allotment Shares were approximately HK$1,916 million. Listing of and dealing in such Over-allotment Shares commenced on the Main Board of the SEHK on 8 July 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Directors are pleased to report that with the gradually stabilizing global economic condition, the continuous economic growth in the People's Republic of China ("**China**" or "**PRC**") and the roll-out of the RMB4 trillion economic stimulus packages by the China's central government, the PRC economy showed signs of recovery in the second quarter of 2009. The Company has benefited from this economic recovery in terms of both revenue and profitability.

Our business improved significantly in the two months ended 30 June 2009, amid the impact of the financial crisis, which was in contrast to the decreases for the four-month period ended 30 April 2009. As a result, our aggregate turnover for the six months ended 30 June 2009 only slightly decreased by 1.8% as compared with our turnover for the same period in 2008.

The Group recorded profit attributable to equity shareholder of the Company of approximately RMB100.0 million for 1H2009, representing a net profit margin of 14.7% or an increase of 3.7 percentage points as compared to the net profit margin of around 11.0% for the first four month in 2009.

During the period under review, the pressure experienced by global capital and credit markets that began in the second half of 2007 continues and substantially increased during the second half of 2008. Concerns over the availability and cost of credit, the United States mortgage market, energy costs, inflation, and a declining United States real estate market have contributed to increased volatility and diminished expectations for the global economy and the financial markets going forward.

These factors, combined with declining business and consumer confidence and increased unemployment in the United States and Europe, have precipitated a recession and lower consumer demand worldwide. China and international equity markets have also been experiencing heightened volatility. These events and the continuing upheavals have resulted in an economic slowdown and a decrease in consumer confidence in the PRC, which has in turn affected consumers' spending preferences and their demand for consumer products in general.

Moreover, the increasingly conservative approach adopted by our distributors and retailers in managing their inventory levels in the first few months of 2009 resulted in the reduction of pre-orders of our products. As disclosed in the prospectus dated 22 June 2009 in relation to the global offering of the Company's shares ("**the Prospectus**"), our revenue for the four months ended 30 April 2009 decreased by approximately 10.4% as compared to the same period in 2008.

Notwithstanding the complex environment as discussed above, we strived to leverage on the consumer recognition of Bawang (霸王) branded products and its premium product quality, and to continue our investment in marketing planning, and promotional activities. Our business improved significantly in May and June 2009. We were therefore able to maintain our market share and our business in a profitable position as of 30 June 2009. The results were generally in line with the expectation of the management of the Company.

In May 2009, the Group launched a new Chinese herbal anti-dandruff hair-care series in the PRC market namely, Royal Wind (追風), with Ms Faye Wong (王菲), a popular singer in Asia Pacific Region as its brand ambassador. This new branded series was overwhelmingly accepted by our distributors, retailers as well as the media. After a couple of months of initial efforts to refine the retail concept and to promote the product at the startup phase, the Directors believe that a solid platform has been built up for the business relating to Royal Wind (追風) branded products for further development and expansion.

FINANCIAL REVIEW

Revenue

During the period under review, the Group's revenue amounted to RMB681.1 million, representing a decrease of 1.8% as compared with RMB693.9 million during the same period in 2008.

The Group's core brand, Bawang (霸王), generated RMB626.8 million in revenue, which accounted for 92.0% of the Group's total revenue for 1H2009. and represented a decrease of 5.4% as compared to the corresponding period last year. Owing to the general decline in the global economic conditions early this year, our distributors and retailers adopted a prudent approach to manage their inventories resulting in reduction of orders for the products.

The new branded Chinese herbal anti-dandruff hair-care series, Royal Wind (追風), recorded a revenue of RMB25.8 million since it was launched in May 2009, which accounted for approximately 3.8% of the Group's total revenue for 1H2009.

Litao (丽涛) and Smerry (雪美人) generated a total revenue of RMB28.5 million or 4.2%.

We generally sell our products through extensive distribution and retail networks. During the period under review, sales to our distributors and retailers represented approximately 84.6% and approximately 15.4% of total revenue respectively.

We launched our products in Hong Kong, Macao, and Singapore in 2008. We recently launched our products in Malaysia and Myanmar. The sales to these markets outside the PRC accounted for 4.6% of our total revenue for 1H2009.

Cost of Sales

Cost of sales for 1H2009 amounted to RMB230.4 million, representing a decrease of 14.4% as compared to RMB269.1 million for 1H2008. Such decrease was mainly due to the decline in sales and production volume, the effective control over the production costs, and the change in product mix.

Gross Profit

Gross profit increased by 6.1%, from RMB424.8 million for 1H2008 to RMB450.7 million for 1H2009. Gross profit margin increased from 61.2% for 1H2008 to 66.2% for 1H2009. Such increase was mainly due to the change in product mix and decrease in cost of sales as discussed above.

Selling and Distribution Costs

Distribution expenses increased by 16.8% to RMB284.1 million for 1H2009 because of the increased expenses for the launch of our new branded product series Royal Wind (追風) in May 2009 and other household and personal care ("**HPC**") product to be launched this year.

Administrative Expenses

Administrative expenses for 1H2009 amounted to approximately RMB36.0 million, representing an increase of approximately 144.9% as compared with approximately RMB14.7 million in the same period in 2008. Such increase was mainly due to the non-capitalizable listing expenses, and administrative staff salaries and other benefits including share-based payments.

Profit from Operations

Profit from operations decreased by 23.3% from RMB167.5 million for 1H2008 to RMB128.5 million for 1H2009. The Group's operating margin decreased from 24.1% for 1H2008 to 18.9% for 1H2009. Such decrease in profitability was largely due to the increase in selling, distribution and administration costs.

Net Finance Income

Net finance income decreased from RMB1.8 million for 1H2008 to RMB0.7 million for 1H2009, representing a decrease of 61.1%. Such decrease was mainly due to the decrease in net foreign exchange gain.

Income Tax

Income tax expenses decreased by 2.7%, from RMB30.0 million for 1H2008 to RMB29.2 million for 1H2009. The effective income tax rate increased from 17.7% before tax for 1H2008 to 22.6% for 1H2009, which was mainly due to the loss before taxation reported by the Company arising from the recognition of non-capitalisable listing expenses, which was not recognised as deferred tax assets.

Profit for the Period Attributable to the Equity Shareholder

Profit attributable to equity shareholder decreased by 28.2%, from RMB139.2 million for 1H2008 to RMB100.0 million for 1H2009. Net profit margin decreased from 20.1% for 1H2008 to 14.7% for 1H2009 as the combined effect of the above analysis.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 30 June 2009, the balance of cash and cash equivalent was approximately RMB256.8 million as compared with approximately RMB298.1 million as at 31 December 2008.

As at 30 June 2009, the total bank and other borrowings of the Group were approximately RMB158.7 million (31 December 2008: nil), which were wholly denominated in Hong Kong Dollars. The Group had also access to a standby short-term banking facility of RMB100.0 million. No drawdown of this facility was made as of 30 June 2009.

As at 30 June 2009, the total assets of the Group were RMB584.2 million (31 December 2008: RMB650.9 million), which includes current assets amounted to RMB538.3 million (31 December 2008: RMB619.4 million). Total liabilities were RMB418.5 million (31 December 2008: RMB336.4 million), which bank borrowings amounted to RMB158.7 million (31 December 2008: nil). Total equity amounted to RMB165.6 million (31 December 2008: RMB314.5 million).

The gearing ratio (calculated as interest-bearing borrowings divided by total assets) of the Group as at 30 June 2009 was approximately 27.2% (31 December 2008: nil).

MATERIAL ACQUISITION AND DISPOSAL

The Group did not engage in any material acquisitions or disposal of any its subsidiaries or associated companies for 1H2009.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

The operations of the Group are mainly carried out in the PRC, with most transactions settled in Renminbi. The reporting currency of the Group is Renminbi. The Group has exported its goods to Hong Kong and certain Southeast Asian countries. The transactions were settled in either Hong Kong Dollars or United States Dollars. The Group's cash and bank deposits are mostly denominated in Reminbi. 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's exposure to foreign exchange rate risk is not significant, and that hedging by means of derivative instruments is therefore not necessary.

PLEDGE OF ASSETS OF THE GROUP

As at 30 June 2009, the Group had entered into a guarantee contract with a bank for a bank loan of HKD180.0 million, which became effective on 3 July 2009. Pursuant to the guarantee contract, the Group provided a pledge of assets amounted to HKD184.0 million to the bank on 22 July 2009.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2009.

CAPITAL COMMITMENT

The Group had no material capital commitment as at 30 June 2009.

HUMAN RESOURCES

As of 30 June 2009, the Group employed approximately 2,560 employees (including staff members and contract personnel) in the PRC and Hong Kong. Total personnel expenses, comprising wages, salaries and benefits, and equity-settled share-based payments, amounted to RMB39.6 million for 1H2009.

The Group periodically engaged a number of contract personnel through an independent third-party employment agency on an as needed basis to help our operations including production, and marketing and promotional activities. The Group recognizes the importance of establishing a good relationship with its employees. In addition to the basic salary and sales commission, the Group has established a performance-based incentive bonus scheme to motivate the employees whereby their performance will be reviewed by our management regularly every year.

The Group's PRC members are subject to social insurance contribution plans. In accordance with the relevant national and local labor and social welfare laws and regulations, the Group's PRC members are required to pay for and on behalf of their employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. The Group's Hong Kong members have participated in mandatory provident fund scheme, if applicable, in accordance with the applicable Hong Kong laws and regulations.

Moreover, the Pre-IPO Share Option Scheme was adopted at 10 December 2008 to retain staff members who have made contributions to the success of the Group. As at 8 June 2009, options in aggregate of 14,532,000 shares were granted to two executive Directors and 40 employees of the Group. The Directors believe that the compensation packages offered by the Group to staff members are competitive in comparison with market standards and practices.

Under the current difficult economic conditions, the Directors believe that the Group's human resources policies play a crucial part in helping the Group overcome the difficulties. A solid financial background, strong career prospects, good staff remuneration and benefits as well as a pleasant working and living environment are essential factors for maintenance of a stable workforce for the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for 1H2009 (1H2008: Nil).

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held by the Company as at 30 June 2009.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2009 was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

MATERIAL EVENT SINCE THE END OF THE FINANCIAL PERIOD

The shares of the Company have been successfully listed on the Stock Exchange since 3 July 2009. The gross proceeds from the Global Offering were approximately HKD1,915.9 million. The Group will use the proceeds to strengthen its competitiveness by implementing the future plans as stated in the Prospectus.

Apart from the event mentioned above, there has been no other important event affecting the Group since 30 June 2009.

BUSINESS OUTLOOK

While there have been signs of improvement in the global capital and credit markets during the first half of 2009, a full recovery in the overall business environment may take some time. Despite the uncertainty of the future macro-economic conditions, the strong fundamentals of the Group would help maintain profitability as a result of its leading market position in Chinese herbal shampoo market, differentiated products, unique brand positioning, brand recognition, established nationwide distribution and retail network and experienced management team. The Group will adopt various marketing strategies to strengthen its competitive advantages, further increase our market share, and maximize our profitability.

While we invested our resources to develop and incubate Royal Wind (追風) branded products and/or other Chinese herbal HPC product offerings, we will strive to maintain the growth of our Bawang (霸王) branded products through continuous dedicated marketing and promotional efforts. The Directors believe that such diversification strategy enables us to offer a more comprehensive product portfolio, differentiate and segment our target market with unique brand names that cater for and appeal to different consumer groups and therefore increase our profitability. We plan to launch a new branded Chinese herbal skin care product series later this year.

Market diversification is another strategy that the Group is adopting. The Group will continue to further expand its business in other geographical regions in China on top of the existing market in southern China and will develop its business in other markets outside the PRC. This shift to include more business from other potential markets would help dilute the Group's current concentration on the market in southern China. We successfully launched our products in Hong Kong, Macao and Singapore in 2008. We have been awarded the best selling traditional Chinese medicine shampoo by a well-known retailer in Singapore. We recently launched our Bawang (霸王) branded products in Malaysia and Myanmar. We are about to launch our Bawang (霸王) branded products in Thailand. We will continue to explore the business opportunities in other Asian countries.

To reduce the impact of the external economic environment, the Group will continue to optimize the product formula, implement cost control measures and improve its production efficiency in order to achieve a better balance between its cost and sales and to maintain its gross profit margin.

The Group may explore business opportunities that may involve potential acquisition of HPC related businesses which either supplement our existing business or fit into our long-term strategy.

OTHER INFORMATION

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

Subsequent to the date of listing of our shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Listing Date**") and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to Listing Rules during the period under review.

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

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with the Rule 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company has also complied with Rules 3.10(1) and 3.10(2) of the Listing Rules and appointed three independent non-executive Directors including one with financial management expertise. The primary duties of the Audit Committee (inter alia) are to review the financial reporting process and internal control system of the Group, and to make proposals to the Board as to the appointment, renewal and resignation of the Company's independent auditors and the related remuneration and appointment terms. The Audit Committee has reviewed the interim results of the Company contained in this announcement with the management of the Company and the Company's independent auditors and recommended its adoption by the Board. In addition, the Group's independent auditors, KPMG, has carried out a review of the Group's unaudited interim results for six month ended 30 June 2009 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Company (www.bawang.com.cn), irasia (www.irasia.com/listco/hk/bawang/) and the Stock Exchange's website (www.hkex.com.hk). The interim report for the six months ended 30 June 2009 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 15 September 2009

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