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 FOR THE SIX MONTHS ENDED 30 JUNE 2015

The Board refers to the profit warning announcement of the Group dated 17 July 2015 and the update on profit warning announcement of the Group dated 24 August 2015. The following sets forth a summary of the unaudited consolidated results of the Group for the six months ended 30 June 2015.

Total revenue of the continuing operations of the Group was approximately RMB101.0 million, representing a decrease of approximately 28.7% from approximately RMB141.7 million for the same period of 2014.

Operating loss from the continuing operations of the Group was approximately RMB87.0 million, representing an increase of approximately 63.5% from approximately RMB53.2 million for the same period of 2014.

Net loss from the continuing operations was approximately RMB88.1 million as compared with a net loss of approximately RMB53.9 million for the same period of 2014.

Loss attributable to owners of the Company was approximately RMB88.1 million as compared with the attributable loss of approximately RMB51.6 million for the same period of 2014.

Loss per share from continuing operations (basic and diluted) was approximately RMB3.03 cents per share.

Following review of the operating results of the Group, the Board does not recommend the payment of an interim dividend.

The board (the "**Board**") of directors (the "**Directors**") of BaWang International (Group) Holding Limited (the "**Company**") would like to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**" or "**we**") for the six months ended 30 June 2015 together with comparative figures for the same period of 2014.

* *for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Continuing operations			
Revenue	3	**100,976**	141,689
Cost of sales		**(68,076)**	(89,520)
Gross profit		**32,900**	52,169
Other income		**3,085**	1,394
Changes in fair value less costs to sell in respect of biological assets		**(113)**	(318)
Selling and distribution costs		**(43,822)**	(78,126)
Administrative expenses		**(23,814)**	(19,282)
Other expenses		**(897)**	(2,040)
Impairment loss on property, plant and equipment		**(54,364)**	(6,970)
Finance costs	4	**(1,113)**	(739)
Loss before taxation	5	**(88,138)**	(53,912)
Income tax expense	6	**—**	—
Loss for the period from continuing operations		**(88,138)**	(53,912)
Discontinued operation			
Profit for the period from discontinued operation	7	**—**	2,286
Loss for the period attributable to owners of the Company		**(88,138)**	(51,626)
Other comprehensive income (expense)			
Reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences arising on translation of foreign operations		**6,885**	(208)
Other comprehensive income (expense) for the period		**6,885**	(208)
Total comprehensive expense for the period attributable to owners of the Company		**(81,253)**	(51,834)
Loss per share	9		
From continuing and discontinued operations			
Basic and diluted (RMB cents)		**(3.03)**	(1.77)
From continuing operations			
Basic and diluted (RMB cents)		**(3.03)**	(1.85)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**162,689**	225,340
Biological assets		**184**	175
		162,873	225,515
Current assets			
Inventories		**51,856**	52,039
Biological assets		**404**	426
Trade and other receivables	*10*	**46,829**	68,168
Deposit with bank		**20,000**	20,000
Bank balances and cash		**11,556**	16,934
		130,645	157,567
Current liabilities			
Trade and other payables	*11*	**154,760**	166,034
Amounts due to related parties		**4,146**	6,208
Income tax payables		**9,645**	9,645
Provisions		**338**	2,044
Loans from controlling shareholders		**5,317**	—
		174,206	183,931
Net current liabilities		**(43,561)**	(26,364)
Total assets less current liabilities		**119,312**	199,151
Non-current liabilities			
Loans from controlling shareholders		**45,147**	44,069
Deferred tax liabilities		**2,031**	2,031
		47,178	46,100
Net assets		**72,134**	153,051
Capital and reserves			
Share capital		**256,706**	256,639
Reserves		**(184,572)**	(103,588)
Total equity		**72,134**	153,051

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2015

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 11 December 2007 as an exempted company with limited liability. The Group is principally engaged in the manufacturing and sales of household and personal care products. The Group was also engaged in the sales of herbal tea products before the discontinuation of the segment with effect from 1 July 2013. Further details are set out in note 7.

The condensed consolidated financial statements of the Group for the six months ended 30 June 2015 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Group incurred a net loss of approximately RMB88,138,000 and reported a net cash outflow from operating activities of approximately RMB9,980,000 for the six months ended 30 June 2015, and had accumulated losses of approximately RMB1,589,035,000 and net current liabilities of approximately RMB43,561,000 as at 30 June 2015. In view of such circumstances, the Directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

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

(i) The Group had bank balances and cash of approximately RMB31,556,000 as at 30 June 2015

(ii) Mr. CHEN Qiyuan and Ms. WAN Yuhua (collectively referred to as the "**Controlling Shareholders**") and Guangzhou Bawang Cosmetics Co., Ltd. ("**Guangzhou Bawang**"), an entity wholly owned by the Controlling Shareholders, shall continue to provide loan facility to the Group until 31 December 2015 under the existing available facility amounted to approximately RMB85,971,000 as at 30 June 2015.

(iii) The Group shall implement revenue-enhancing and cost-saving measures to maintain adequate cash flows for the Group's operations, including but not limited to expanding sales channels and adopting more cost-effective promotion channels.

In light of the above, the Directors of the Company are of the opinion that it is still appropriate to prepare the condensed consolidated financial statements for the six months ended 30 June 2015 on a going concern basis.

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for biological assets which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except as described below.

In the current year, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("**IFRSs**") issued by the IASB which are effective for the Group's financial year beginning 1 January 2015.

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

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

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

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

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

An operating segment regarding herbal tea products was discontinued in the year ended 31 December 2013. The segment information reported below does not include any amounts for this discontinued operation, which is described in more detail in note 7.

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

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended 30 June 2015

Continuing operations

	Hair-care products *RMB'000* (Unaudited)	**Skin-care products** *RMB'000* (Unaudited)	**Other household and personal care products** *RMB'000* (Unaudited)	**Total** *RMB'000* (Unaudited)
Revenue from external customers	**90,667**	**4,085**	**6,224**	**100,976**
Segment losses	**(66,492)**	**(1,606)**	**(8,532)**	**(76,630)**
Change in fair value less costs to sell in respect of biological assets				**(113)**
Bank interest income				**270**
Other income				**618**
Corporate and other unallocated expenses				**(11,170)**
Finance costs				**(1,113)**
Loss before taxation from continuing operations				**(88,138)**

For the six months ended 30 June 2014

Continuing operations

	Hair-care products *RMB'000* (Unaudited)	Skin-care products *RMB'000* (Unaudited)	Other household and personal care products *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Revenue from external customers	129,483	6,596	5,610	141,689
Segment losses	(44,868)	(453)	(3,743)	(49,064)
Change in fair value less costs to sell in respect of biological assets				(318)
Bank interest income				106
Other income				1,288
Corporate and other unallocated expenses				(5,185)
Finance costs				(739)
Loss before taxation from continuing operations				(53,912)

Segment results represent the loss made by each segment without allocation of changes in fair value less costs to sell of biological assets, bank interest income, gain on sales of scrap materials, net exchange gains/losses, central administration cost, directors' emoluments and finance costs. This is the measure reported to the Executive Directors of the Company for the purposes of resource allocation and performance assessment.

4. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Imputed interest on non-interest bearing loans from controlling shareholders	**1,113**	739

5. LOSS BEFORE TAXATION

Loss before taxation from continuing operations has been arrived at after (crediting) charging the following items:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**(270)**	(106)
Depreciation of property, plant and equipment	**9,007**	13,930
Impairment loss recognised in respect of biological assets (included in other expenses)	**—**	726
Impairment loss recognised in respect of property, plant and equipment (included in other expenses)	**54,364**	6,970
Impairment loss recognised in respect of trade receivables	**1,768**	1,565
Net loss on disposal of property, plant and equipment	**8**	14
Net exchange loss (gain)	**889**	(53)
Redundancy costs	**2,702**	844
Reversal of impairment loss of trade receivables	**(2,197)**	—
Reversal of write-down of inventories (included in cost of sales)	**(679)**	(937)
Write-down of inventories (included in cost of sales)	**867**	1,227
Write-off of inventories (included in cost of sales)	**—**	921

6. INCOME TAX EXPENSE

(i) Under the Law of the People's Republic of China ("**PRC**") on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries is 25% from 1 January 2008 onwards.

The PRC EIT Law allows enterprises to apply for the certificates of "High and New Technology Enterprise" ("**HNTE**") which entitles the qualified companies to a preferential income tax rate of 15%. Bawang (Guangzhou) Co., Ltd. ("**Bawang Guangzhou**"), a PRC subsidiary of the Group, was qualified as a HNTE in 2009 and the qualification was renewed and valid until 2014. Such certificates are in the process of renewal up to the date of this announcement. However, Bawang Guangzhou did not have any assessable profits subject to Enterprise Income Tax for the six months ended 30 June 2015 and 2014.

(ii) No provision for Hong Kong Profits Tax has been provided as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2015 and 2014.

(iii) Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI for the current and previous interim periods.

(iv) 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 beneficiary 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 did not make provision of withholding income tax for the six months ended 30 June 2015 and 2014 since the PRC subsidiaries incurred losses in both interim periods.

7. DISCONTINUED OPERATION

During the six months ended 30 June 2013, the Directors of the Company resolved to discontinue the production and sales of its herbal tea products due to the unsatisfactory financial performance of the business of the herbal tea products. Accordingly, herbal tea products segment is presented as discontinued operation.

The results of the discontinued herbal tea products operation for the six months ended 30 June 2015 and 2014 are as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	—	—
Other income	—	2,750
Administrative expenses	—	(74)
Other expenses	—	(390)
Profit before taxation	—	2,286
Income tax expense	—	—
Profit for the period	—	2,286

The profit for the period from discontinued herbal tea products operation includes the following:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	—	16
Impairment loss recognised in respect of trade receivables	—	35
Net loss on disposals of property, plant and equipment	—	81
Provision for litigation (included in other expenses above)	—	309
Write-back of trade and other payables (included in other income above)	—	(2,750)

Net cash outflows on discontinued herbal tea products operation are as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Operating activities	**—**	(53)
Investing activities	**—**	51
	—	(2)

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Profit per share from discontinued operations	**(Unaudited)**	(Unaudited)
Basic and diluted *(RMB cents)*	**—**	0.08

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

9. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to owners of the Company is based on the loss for the period from continuing and discontinued operations of approximately RMB88,138,000 (six months ended 30 June 2014: approximately RMB51,626,000) and the weighted average number of approximately 2,911,105,000 (six months ended 30 June 2014: approximately 2,910,971,000) ordinary shares in issue during the period.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the loss for the period from continuing operations of approximately RMB88,138,000 (six months ended 30 June 2014: approximately RMB53,912,000) and the weighted average number of approximately 2,911,105,000 (six months ended 30 June 2014: approximately 2,910,971,000) ordinary shares in issue during the period.

From discontinued operation

Basic and diluted earnings per share for the discontinued operation attributable to owners of the Company is RMB0.08 cents per share for the six months ended 30 June 2014 (six months ended 30 June 2015: nil), based on the profit for the period from the discontinued operation of approximately RMB2,286,000 for the six months ended 30 June 2014 (six months ended 30 June 2015: nil) and the denominators detailed above for both basic and diluted earnings per share.

For the six months ended 30 June 2015 and 2014, the diluted loss per share is the same as the basic loss per share.

The computation of diluted loss per share for the six months ended 30 June 2015 and 2014 did not assume the exercise of the Company's share options as the effect is anti-dilutive.

10. TRADE AND OTHER RECEIVABLES

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

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

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Current	**27,334**	41,612
Less than 3 months past due	**10,841**	17,865
More than 3 months but less than 6 months past due	**3,339**	3,204
More than 6 months but less than 12 months past due	**2,180**	2,260
More than 12 months past due	**3,132**	3,293
	46,826	68,234
Less: allowance for doubtful debts	**(4,283)**	(4,712)
	42,543	63,522

11. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the due date:

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Due within 1 month or on demand	**33,499**	39,702
Due after 1 month but within 3 months	**2,501**	3,586
	36,000	43,288

12. COMMITMENTS

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Capital commitments for acquisition of property, plant and equipment contracted for but not provided for in the condensed consolidated financial statements	**7,672**	8,221

BUSINESS REVIEW

The Directors report that the total revenue of the continuing operations of the Group for the six months ended 30 June 2015 was approximately RMB101.0 million, representing a decrease of approximately 28.7% from approximately RMB141.7 million for the same period of 2014. The operating loss from the continuing operations of the Group for the six months ended 30 June 2015 was approximately RMB87.0 million, representing an increase by approximately 63.5%, as compared with the operating loss of approximately RMB53.2 for the same period of 2014. The increase was primarily due to the impairment loss of property, plant and equipment of approximately RMB54.4 million (six months ended 30 June 2014: approximately RMB7.0 million) following a valuation of the property, plant and equipment, which was partially offset by the saving in selling and distribution costs.

For the six months ended 30 June 2015, the net loss from the continuing operations of the Group was approximately RMB88.1 million, as compared with the net loss of approximately RMB53.9 million for the same period of 2014.

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

During the period under review, the ongoing value-chain-oriented business model has enabled the Group to improve the operating results of the continuing operations by reducing the selling, distribution and administration costs in the amount of approximately RMB29.8 million for the six months ended 30 June 2015, as compared with those in the same period of 2014.

The Group has been using the popular events and festive seasons for carrying out marketing campaigns and promotions for publicizing its branded products. During the period under review, the on-going promotion slogan for Bawang branded shampoo was "Scary of hair-fall, use Bawang shampoo (怕脱髮，用霸王)". As of 30 June 2015, the Bawang brand distribution network comprised approximately 476 distributors and 35 KA retailers, covering 27 provinces and four municipalities in China. Furthermore, the products of the Group were also sold in Hong Kong, Singapore, Thailand, Malaysia, Cambodia and Australia.

During the period under review, the Group further expanded the channel for supplying Royal Wind shampoo and shower gel to hotel chains in China. The Group was promoting the brand image of Royal Wind shampoo with the marketing theme "Anti-dandruff in Speedy and Natural Manner (快速去屑更天然)". As of 30 June 2015, the Royal Wind brand distribution network comprised approximately 435 distributors and 31 KA retailers, covering 27 provinces and four municipalities in China.

The Litao products mainly comprise shower gels and laundry detergents, targeting at consumers living in the second-tier or third-tier cities in China. The Group's goal is to widen the market coverage in China. As of 30 June 2015, the Litao products distribution network comprised approximately 332 distributors, covering 27 provinces and four municipalities in China.

The Group's Herborn Chinese herbal skincare products target relatively high net income white-collar ladies in the age range from 25 to 45 who are dedicated to pursue a healthy and natural lifestyle. In terms of sales channels, the Group is now selling the products mainly through cosmetics specialty shops throughout China. As of 30 June 2015, the sales and distribution network for the Herborn Chinese herbal skincare products comprised approximately 91 distributors covering 27 provinces and four municipalities in China. The Group also had about 900 counters in cosmetics specialty shops in Mainland China.

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

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

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

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

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

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

Litigation

The Board considers that the contents of the relevant article published by Next Magazine on 14 July 2010 are defamatory to the Group and/or amount to malicious falsehood. Therefore, we commenced legal proceedings (the "**Legal Proceedings**") in the High Court of Hong Kong in October 2010 against Next Magazine seeking, *inter alia*, damages and an injunction to restrain Next Magazine from publishing such contents or similar contents. The trial of the Legal Proceedings lasted for a total of 40 days and has ended on 29 August 2015. As at the date of this announcement, no judgement has been handed down by the High Court of Hong Kong yet.

FINANCIAL REVIEW

Continuing Operations

Revenue

During the six months ended 30 June 2015, the Group's revenue of the continuing operations amounted to approximately RMB101.0 million, representing a decrease of approximately 28.7% from approximately RMB141.7 million during the same period of 2014. The decrease was primarily attributable to the slowdown of the economy in China and the change in the business model of the traditional trade channel since the second quarter of 2014.

During the six months ended 30 June 2015, the Group's core brand, Bawang, generated a revenue of approximately RMB76.7 million, which accounted for approximately 75.9% of the Group's total revenue, and represented an decrease of approximately 28.1%, as compared with the same period of 2014.

During the six months ended 30 June 2015, the Group's branded Chinese herbal anti-dandruff haircare series, Royal Wind, recorded a revenue of approximately RMB11.0 million, which accounted for approximately 10.9% of the Group's total revenue, and represented a decrease of approximately 40.9%, as compared with the same period of 2014.

During the six months ended 30 June 2015, the Group's natural-based branded shampoo, shower gel and laundry detergent products series, Litao, generated a revenue of approximately RMB9.3 million, which accounted for approximately 9.2% of the Group's total revenue, and represented a decrease of approximately 5.1%, as compared with the same period of 2014.

During the six months ended 30 June 2015, the Group's branded Chinese herbal skincare series, Herborn, recorded a revenue of approximately RMB3.5 million, which accounted for approximately 3.5% of the Group's total revenue, and represented a decrease of approximately 35.2%, as compared with the same period of 2014.

During the six months ended 30 June 2015, Smerry generated a revenue of approximately RMB0.5 million, which accounted for approximately 0.5% of the Group's total revenue, and represented a decrease of approximately 58.3%, as compared with the same period of 2014.

We sell our products through extensive distribution and retail networks. During the six months ended 30 June 2015, sales to our distributors and retailers represented approximately 74.2% and approximately 25.8% of the Group's total revenue respectively.

During the six months ended 30 June 2015, our products were also sold in Hong Kong, Singapore, Thailand, Malaysia, Cambodia and Australia. The sales to these overseas markets outside the PRC accounted for approximately 6.8% of our total revenue during the six months ended 30 June 2015.

Cost of Sales

During the six months ended 30 June 2015, cost of sales amounted to approximately RMB68.1 million, representing a decrease of approximately 23.9% from approximately RMB89.5 million during the same period of 2014. Such decrease was primarily due to a decrease in packing materials consumed, wages and manufacturing expenses, which was partially offset by the increase in raw materials consumed.

Gross Profit

During the six months ended 30 June 2015, the Group's gross profit decreased to approximately RMB32.9 million, representing a decrease of approximately 37.0% from RMB52.2 million in the same period of 2014. The gross profit margin for the six months ended 30 June also decreased from approximately 36.8% in 2014 to approximately 32.6% in 2015. The decrease in the gross profit margin was mainly attributable to the decrease of revenue and the change in the business model of the traditional trade channel as mentioned above, which was partially offset by the decrease in cost of sales.

Selling and Distribution Costs

During the six months ended 30 June 2015, selling and distribution costs decreased to approximately RMB43.8 million, representing a decrease of approximately 43.9% from approximately RMB78.1 million as compared with the same period of 2014. Such decrease was primarily due to the effective cost controls leading to decrease in depreciation, advertising fees, and the saving achieved in promotion fee and salary through optimizing the resources of promotion staff.

Administrative Expenses

During the six months ended 30 June 2015, administrative expenses amounted to approximately RMB23.8 million, representing an increase of approximately 23.3% from approximately RMB19.3 million in the same period of 2014. The increase was primarily due to the substantial increase in one-off litigation expenses in the final stage of the Legal Proceedings, which was partially offset by the decrease in salaries and R&D expenses.

Loss from Operations

The Group recorded an operating loss from its continuing operations of approximately RMB87.0 million for the six months ended 30 June 2015, as compared with the operating loss of approximately RMB53.2 million for the same period of 2014. Such increase was mainly because of the impairment loss on property, plant and equipment of approximately RMB54.4 million following a valuation of the property, plant and equipment (six months ended 30 June 2014: approximately RMB7.0 million).

Finance Income and Costs

For the six months ended 30 June 2015, finance income of the Group amounted to approximately RMB0.3 million as compared with the finance income of approximately RMB0.1 million for the same period of 2014. The increase was primarily due to the interest income derived from fixed deposit with bank.

For the six months ended 30 June 2015, the Group's imputed interest on non-interest bearing loans from controlling shareholders amounted to approximately RMB1.1 million (six months ended 30 June 2014: approximately RMB0.7 million).

Income Tax Expense

During the six months ended 30 June 2015 and 2014, the Group did not have any income tax expense and/or reversal.

Loss for the Period from Continuing Operations

As a result of the combined effect of the abovementioned factors, the Group recorded a loss of approximately RMB88.1 million for the six months ended 30 June 2015, as compared with the loss of approximately RMB53.9 million for the six months ended 30 June 2014.

Discontinued Operation

For the six months ended 30 June 2015, no profit or loss was attributable to the Group's Herbal tea products (six months ended 30 June 2014: operating profit of approximately RMB2.3 million). As a result of the unsatisfactory financial performance of the business of the herbal tea products, the Board decided to discontinue the production and sales of its herbal tea products with effect from 1 July 2013. Since then, the Group has been able to focus on the business development of the hair-care and skin-care products.

Loss for the Period Attributable to Owners of the Company

As a result of the combined effect of the above factors, the Group recorded a loss attributable to owners of the Company of approximately RMB88.1 million for the six months ended 30 June 2015, as compared with the attributable loss of approximately RMB51.6 million for the six months ended 30 June 2014.

OUTLOOK

Despite the Chinese economy has entered into a new stage of slower but more resilient growth, the official data shows China's GDP increased by 7 percent in the second quarter of 2015. Some economists found this economic growth in line with their expectations. They are of the view that the Chinese economy may gain more momentum in the third quarter when the policies to stabilize the economy continue to take effect. Having said that, the Directors believe that the downside risks for the Chinese economy are still there. The Group will therefore adopt a prudent and conservative approach in its business development model, which could help the recovery of the business of the Group in the medium term.

To cope with the change in buying behavior from shopping at physical stores to online shopping, the Group has recently teamed up with a micro-commerce company for selling of our HPC products through an online platform. The Group has also established a network technology company in Guangzhou with a partner to develop its business in micro-commerce sector.

For the two branded shampoo and hair-care products, namely, Bawang and Royal Wind, the Group would take measures to trim down the low-yield distributors in order to improve the profitability of the distribution channels.

For Bawang branded products, we would launch a new product line for the micro-commerce channel. We would upgrade a couple of products by enhancing their functionalities. We are promoting the brand with the theme "I am dictating my hair style (我的髮型，我作主)". To increase the sales revenue, we would roll out a lucky draw campaign which offers complimentary tickets to the winners for domestic travelling to popular sight-seeing spots.

For Royal Wind branded products, we would strengthen the development of new channel for supplying the shampoo and shower gel to business hotel chains in China. We are promoting the brand with the challenging theme "Eradicating dandruff in a powerful way and then dandruff free for 72 hours (實力去屑，挑戰72小時無屑體驗)".

For the two branded skin-care products, the Group will develop new product series for sales in the online sales channel and enhance the existing product series to increase sales revenues.

For production management, the Group will strive to improve the productivity, to reduce the production spoilage, and to efficiently utilize the electric power and water. Additionally, measures will be taken to ensure the occupational safety of the workers, and the operational safety of the plants and machineries.

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 nor actively explore business opportunities that may involve potential acquisition.

Looking forward, the strategic directions to sustain and develop our business in the volatile economic environments will focus on two areas. In the short run, the Group intends to enhance its revenue by exploring new sales channels in HPC products for regaining 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 increase the market share from domestic and international competitors, maintaining a multi-brand and multi-product strategies 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. A summary of liquidity and financial resources is set out below:

	30 June 2015 *RMB in million*	31 December 2014 *RMB in million*
Cash and cash equivalent	**11.6**	16.9
Total loans	**50.5**	44.1
Total assets	**293.5**	383.1
Gearing ratio[Note]	**17.2%**	11.5%

Note: Calculated as total loans divided by total assets.

MATERIAL ACQUISITION AND DISPOSAL

As of 30 June 2015, the Group has no specific acquisition target.

The Group did not have any material acquisition or disposal of any of its subsidiaries or associated companies during the period under review.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

The operations of the Group are mainly carried out in the PRC, with most transactions settled in Renminbi. The reporting currency of the Group is Renminbi. 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 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 Board is of the view that the Group conducts its business transactions principally in Renminbi and thus the exchange rate risk at the Group's operational level is not significant.

As of 30 June 2015, the Group had not issued any material financial instruments or entered into any material contracts for foreign currency hedging purposes. However, the Directors will continue to monitor the foreign exchange exposure and is prepared to take prudent measures such as hedging when required.

CONTINGENT LIABILITIES

As of 30 June 2015, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENT

As of 30 June 2015, the capital commitment for acquisition of property, plant and equipment of the Group was approximately RMB7.7 million.

PLEDGE OF ASSETS

As of 30 June 2015, the Group had no pledge of assets.

HUMAN RESOURCES

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

For the six months ended 30 June 2015, the Group organised various in-house training classes to strengthen the soft skills of our staff members such as time management, stress management and leadership development. Apart from these in-house courses, the Group also required our department managers to attend external courses on reward and compensation, and motivation. We required our senior sales and marketing staff to attend brand positioning strategy courses, and we required our finance and accounting staff members to attend seminars about the latest accounting standards, taxation practices and budgetary control.

As of 30 June 2015, the Group employed 1,553 employees (30 June 2014: 2,016), consisting of full-time employees and contract personnel in the PRC and Hong Kong. The total personnel expenses of the continuing operations, comprising wages, salaries and benefits, and equity-settled share-based payments, amounted to approximately RMB31.2 million for the six months ended 30 June 2015 (six months ended 30 June 2014: approximately RMB39.5 million).

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Board is of the view that the Company has complied with the applicable code provisions of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules. The Audit Committee is responsible for, amongst other things, reviewing the financial reporting process and internal control system of the Group. The Audit Committee is also required to oversee the relationship with the independent auditors and to review the accounting policies and practices adopted by the Group. The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2015 with the management of the Company and recommended its adoption by the Board.

DIVIDENDS

Following review of the operating results of the Group, the Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.bawang.com.cn), IRasia (www.irasia.com/listco/hk/bawang/) and the Stock Exchange (www.hkex.com.hk). The interim report for the six months ended 30 June 2015 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and available on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 31 August 2015

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. 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.