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 2016

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 2016 together with comparative figures for the same period last year.

The Board refers to the positive profit alert announcement of the Group dated 10 August 2016. The following sets forth a summary of the unaudited consolidated results of the Group for the six months ended 30 June 2016:

Total revenue of the continuing operations of the Group was approximately RMB135.4 million, representing an increase of approximately 34.1% from approximately RMB101.0 million for the same period last year.

Operating profit from the continuing operations of the Group was approximately RMB22.6 million, as compared with the operating loss of approximately RMB87.0 million for the same period last year.

Net profit from the continuing operations was approximately RMB21.2 million as compared with a net loss of approximately RMB88.1 million for the same period last year.

Profit attributable to owners of the Company was approximately RMB21.2 million as compared with the attributable loss of approximately RMB88.1 million for the same period last year.

Earnings per share from continuing operations (both basic and diluted) was approximately RMB0.71 cents per share.

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

* *for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Notes	**Six months ended 30 June** **2016** ***RMB'000*** **(Unaudited)**	2015 *RMB'000* (Unaudited)
Continuing operations			
Revenue	*3*	**135,396**	100,976
Cost of sales		**(62,771)**	(68,076)
Gross profit		**72,625**	32,900
Other income		**3,686**	3,085
Changes in fair value less costs to sell in respect of biological assets		**(264)**	(113)
Selling and distribution costs		**(36,704)**	(43,822)
Administrative expenses		**(16,730)**	(23,814)
Other expenses		**(3)**	(897)
Impairment loss on property plant and equipment		**–**	(54,364)
Finance costs	*4*	**(1,446)**	(1,113)
Profit/(loss) before taxation	*5*	**21,164**	(88,138)
Income tax expense	*6*	**–**	–
Profit/(loss) for the period		**21,164**	(88,138)
Earnings/(loss) per share	*8*		
From continuing and discontinued operations			
Basic and diluted (RMB cents)		**0.71**	(3.03)
From continuing operations			
Basic and diluted (RMB cents)		**0.71**	(3.03)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Profit/(loss) for the period		**21,164**	(88,138)
Other comprehensive income for the period			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences arising on translation of foreign operations		**7,110**	6,885
Total comprehensive income/(expense) for the period attributable to owners of the Company		**28,274**	(81,253)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**151,092**	154,999
Biological assets		**154**	162
		151,246	155,161
Current assets			
Inventories		**38,849**	40,909
Biological assets		**502**	426
Trade and other receivables	9	**46,381**	64,869
Amounts due from related parties		**2,884**	–
Cash and bank balances		**32,392**	9,604
Deposit with bank		**20,000**	20,000
		141,008	135,808
Current liabilities			
Trade and other payables	10	**137,888**	171,888
Amounts due to related parties		**2,292**	7,301
Income tax payables		**9,645**	9,645
Provisions		**3,488**	3,826
		153,313	192,660
Net current liabilities		**(12,305)**	(56,852)
Total assets less current liabilities		**138,941**	98,309

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Non-current liabilities			
Loans from controlling shareholders		**–**	54,946
Deferred tax liabilities		**2,031**	2,031
		2,031	56,977
Net assets		**136,910**	41,332
Capital and reserves			
Share capital	*11*	**277,878**	256,705
Reserves		**(140,968)**	(215,373)
Total equity		**136,910**	41,332

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

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

The condensed consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**").

The Group had accumulated losses of approximately RMB1,590,314,000 and net current liabilities of approximately RMB12,305,000 as at 30 June 2016. In view of such circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

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 RMB32,392,000 as at 30 June 2016;

(ii) The Group had net profit of approximately RMB21,164,000 and had net operating cash inflow of approximately RMB13,239,000 for the six months ended 30 June 2016;

(iii) The Group's Controlling Shareholders and Guangzhou Bawang Cosmetics Co., Ltd. ("**Guangzhou Bawang**"), an entity established in the People's Republic of China ("**PRC**") wholly-owned by the Controlling Shareholders, shall continue to provide loan facility to the Group until 31 December 2017 under the existing available facility amounted to approximately RMB140,000,000 as at 30 June 2016; and

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

In light of the above, the directors of the Company are of the opinion that it is still appropriate to prepare the condensed consolidated financial statements for the six months ended 30 June 2016 on a going concern basis.

Should the Group be not able to continue to operate as a going concern, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The 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 2015, except as described below.

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretation ("**new IFRSs**") issued by the IASB which are effective for the Group's financial year beginning 1 January 2016.

Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS38	Clarification of Acceptable Methods of Depreciation and Amortisations
Amendments to IAS 16 and IAS41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations

Except as described below, the application of the above amendments to IFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these condensed consolidated financial statements.

Annual Improvements to IFRSs 2012–2014 Cycle

The Annual Improvements to IFRSs 2012–2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to IFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to IFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to IAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligations located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

IAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to IAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The application of the amendments included in the Annual Improvements to IFRSs 2012–2014 Cycle has had no material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a IFRS if the information resulting from that disclosure is not material. This is the case even if the IFRS contains a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of it financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The application of Amendments to IAS 1 has had no material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements.

Amendments to IAS 16 and IAS 38 Classification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under IAS 16. The amendments to IAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

(i) when the intangible asset is expressed as a measure of revenue;

(ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

As the Group uses straight-line method for depreciation of property, plant and equipment, the application of Amendments to IAS 16 and IAS 38 has had no material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

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

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.

For the purposes of resource allocation and assessment of segment performance, information reported to the executive directors of the Company, being the chief operating decision maker 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 segment identified by the chief operating decision maker has 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

Also, the executive directors of the Company are provided with segment information concerning segment revenue and result. Segment assets and liabilities are not reported to executive directors of the Company 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 2016

	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	**107,837**	**9,753**	**17,806**	**135,396**
Segment profit/(loss)	**25,505**	**1,698**	**(5,389)**	**21,814**
Change in fair value less costs to sell in respect of biological assets				**(264)**
Bank interest income				**213**
Other income				**3,473**
Corporate and other unallocated expenses				**(2,626)**
Finance costs				**(1,446)**
Profit before taxation from continuing operations				**21,164**

For the six months ended 30 June 2015

	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)

Segment results represent the profit/(loss) made by each segment without allocation of changes in fair value less costs to sell of biological assets, bank interest income, compensation income, 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	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Imputed interest on non-interest bearing loans from controlling shareholders	**1,446**	1,113

5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation from continuing operations has been arrived at after (crediting) or charging the following items:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**(213)**	(270)
Depreciation of property, plant and equipment	**5,205**	9,007
Impairment loss recognised in respect of property, plant and equipment (included in other expenses)	**–**	54,364
Impairment loss recognised in respect of trade receivables	**2,075**	1,768
Net loss on disposal of property, plant and equipment	**3**	8
Redundancy costs	**–**	2,702
Reversal of impairment loss of trade receivables	**–**	(2,197)
Reversal of write-down of inventories (included in cost of sales)	**–**	(679)
Write-down of inventories (included in cost of sales)	**468**	867

6. INCOME TAX EXPENSE

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

The PRC EIT Law allows enterprises to apply for the certificates of "**High and New Technology Enterprise**" ("**HNTE**") which entitles the qualified companies to a preferential income tax rate of 15%. Bawang (Guangzhou) Co., Ltd. ("**Bawang Guangzhou**"), a PRC subsidiary of the Group, was qualified as a HNTE in 2009 and the qualification was renewed and valid until 2018. However, Bawang Guangzhou did not have any assessable profits subject to Enterprise Income Tax for the six months ended 30 June 2015 and had tax losses brought forward to offset the assessable profits generated for the six months ended 30 June 2016.

(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 2016 and 2015.

(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 2016 and 2015 since the PRC subsidiaries had accumulated losses as at 30 June 2016 and 2015.

7. 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 2016 (six months ended 30 June 2015: nil).

8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the Company is based on the earnings (six month ended 30 June 2015: loss) for the period of approximately RMB21,164,000 (six months ended 30 June 2015: approximately RMB88,138,000) and the weighted average number of approximately 2,981,866,000 (six months ended 30 June 2015: approximately 2,911,105,000) ordinary shares in issue during the period.

For the six months ended 30 June 2016 and 2015, the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share.

The computation of diluted earnings/(loss) per share for the six months ended 30 June 2016 and 2015 did not assume the exercise of the Company's share options as the effect is anti-dilutive.

9. 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 receivables, net of impairment, presented based on the invoice date at the end of the reporting period:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0–90 days	**18,617**	54,515
91–180 days	**14,179**	3,110
181–365 days	**10,366**	2,817
Over 365 days	**9,384**	8,751
	52,546	69,913
Less: allowance for doubtful debt	**(11,596)**	(9,521)
	40,950	59,672

10. TRADE AND OTHER PAYABLES

The following is analysis of trade payables by age, presented based on invoice date:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0–30 days	**3,514**	32,856
31–90 days	**716**	978
	4,230	33,834

11. SHARE CAPITAL

	Number of shares *'000*	Amount *RMB'000*
Ordinary shares of HK$0.10 each		
Authorised ordinary shares:		
At 1 January 2015 (audited), 31 December 2015 (audited) and 30 June 2016 (unaudited)	10,000,000	880,500
Issued and fully paid ordinary shares:		
At 1 January 2015 (audited),	2,910,971	256,639
Issue of shares under share option scheme	840	66
At 31 December 2015 and 1 January 2016 (audited)	2,911,811	256,705
Issue of 250,000,000 new shares of HK$0.10 each at the subscription price of HK$0.31 per share by way of placing in May 2016	250,000	21,173
At 30 June 2016 (unaudited)	3,161,811	277,878

On 11 May 2016 (after trading hours), the Company entered into a subscription agreement in relation to the issue of 250,000,000 new ordinary shares with a par value of HK$0.10 each in the capital of the Company at the subscription price of HK$0.31 per share for subscription by certain independent third parties (the "**Subscription**"). The Subscription was completed on 31 May 2016, and the net proceeds of the subscription was approximately HK$77.5 million (approximately RMB64.6 million).

12. COMMITMENTS

	30 June 2016 ***RMB'000*** **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Capital commitments for acquisition of property, plant and equipment contracted for but not provided for in the condensed consolidated financial statements	**7,410**	7,553

BUSINESS REVIEW

The Directors report that the total revenue of the continuing operations of the Group for the six months ended 30 June 2016 was approximately RMB135.4 million, representing an increase of approximately 34.1% from approximately RMB101.0 million for the same period last year. The operating profit from the continuing operations of the Group for the six months ended 30 June 2016 was approximately RMB22.6 million, as compared with the operating loss of approximately RMB87.0 million for the same period last year.

For the six months ended 30 June 2016, the net profit from the continuing operations of the Group was approximately RMB21.2 million, as compared with the net loss of approximately RMB88.1 million for the same period last year.

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 successful implementation of cost control measures and the ongoing value-chain-oriented business model have 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 RMB14.2 million for the six months ended 30 June 2016, as compared with those in the same period last year.

In January 2016, a national distributors meeting was held in Guangzhou to introduce the new Bawang shampoo products, to explain the Group's investments in brand building and expansion of channels, and to demonstrate the upcoming marketing campaigns and publicity programs. To enhance the sales of Bawang branded products, extensive promotions were carried out on International Women's Day in March and the International Workers' Day in May. To further motivate the Group's distributors and sales teams, an incentive travel scheme was set up whereby the participating distributors and internal sales staff will be eligible to leisure travel overseas for free if they complete the predetermined sales target for the period. Over 60 distributors and 30 internal sales staff were eligible to join the incentive travel in August 2016. As at 30 June 2016, the Bawang brand distribution network comprised approximately 564 distributors and 38 KA retailers, covering 27 provinces and four municipalities in China. Furthermore, the products of the Group were also sold in Hong Kong, Singapore, Thailand, Malaysia and Australia.

During the period under review, the Group rolled out new Royal Wind branded shampoo products for sales through the online channel with the marketing theme "Follow your true self as a natural trend setter" for the online sales channel. As at 30 June 2016, the Royal Wind brand distribution network comprised approximately 564 distributors and 29 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 at 30 June 2016, the Litao products distribution network comprised approximately 564 distributors and two KA retailers, covering 27 provinces and four municipalities in China.

In May 2016, a distributors meeting was held in Guangzhou to launch the enhanced Herborn Chinese herbal skincare product series. This product series targets white-collar ladies in the age range from 25 to 45 who have relatively high net incomes and are dedicated to pursue a healthy and natural lifestyle. In terms of sales channels, the Group is now selling the products mainly through cosmetics specialty shops throughout China. As at 30 June 2016, the sales and distribution network for the Herborn Chinese herbal skincare products comprised approximately 93 distributors and one KA retailer covering 27 provinces and four municipalities in China. The Group also had about 4,780 counters in cosmetics specialty shops in China.

During the period under review, the Group has established online flagship stores for our Bawang, Royal Wind and Herborn branded products on 15 online retailing platforms in China.

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

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

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

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

Litigation

The Board considers that the contents of an article published by Next Magazine on 14 July 2010 are defamatory to the Group and/or amount to malicious falsehood. Therefore, we commenced legal proceedings (the "**Legal Proceedings**") in the High Court of Hong Kong (the "**High Court**") in October 2010 against Next Magazine Publishing Ltd ("**Next Magazine**") seeking, *inter alia*, damages and an injunction to restrain Next Magazine from publishing such contents or similar contents.

On 23 May 2016, the Company received the judgment (the "**Judgment**") handed down by the High Court in respect of the Legal Proceedings in favour of the Company and Bawang (Guangzhou) Company Limited ("**Bawang Guangzhou**"). According to the Judgment, *inter alia*, all the pleaded defences raised by Next Magazine in relation to the libel claim of the Company and Bawang Guangzhou were rejected by the High Court of Hong Kong, and Next Magazine was ordered by the High Court of Hong Kong to pay the Company and Bawang Guangzhou general damages for libel in an aggregate amount of HK$3,004,652.50 and 80% of the legal costs of the Company and Bawang Guangzhou in respect of the Legal Proceedings. The Directors do not intend to appeal against the Judgment because they intend to focus the Group's financial resources and attention to the Group's business operations.

During the period under review, the Company had received the full amount of general damages for libel and recognised as other income.

FINANCIAL REVIEW

Continuing Operations

Revenue

During the six months ended 30 June 2016, the Group's revenue of the continuing operations amounted to approximately RMB135.4 million, representing an increase of approximately 34.1% from approximately RMB101.0 million during the same period last year. The increase was primarily attributable to the sales of new and/or enhanced Bawang branded product series which were rolled out in the second half of last year and the first half of 2016. Additionally, the Group saw an increase in the sales of Bawang branded products in June 2016 following the release of the Judgment in favour of the Group.

During the six months ended 30 June 2016, the Group's core brand, Bawang, generated approximately RMB105.7 million in revenue, which accounted for approximately 78.1% of the Group's total revenue of continuing operations, and represented an increase of approximately 37.9%, as compared with the same period last year.

During the six months ended 30 June 2016, the Group's branded Chinese herbal anti-dandruff haircare series, Royal Wind, recorded approximately RMB8.7 million in revenue, which accounted for approximately 6.4% of the Group's total revenue of continuing operations, and represented a decrease of approximately 20.8%, as compared with the same period last year.

During the six months ended 30 June 2016, the Group's natural-based branded shampoo, shower gel and laundry detergent products series, Litao, generated approximately RMB11.2 million in revenue, which accounted for approximately 8.3% of the Group's total revenue of continuing operations, and represented an increase of approximately 20.8%, as compared with the same period last year.

During the six months ended 30 June 2016, the Group's branded Chinese herbal skincare series, Herborn, recorded approximately RMB9.8 million in revenue, which accounted for approximately 7.2% of the Group's total revenue of continuing operations, and represented an increase of approximately 177.6%, as compared with the same period last year.

We sold our products through extensive distribution and retail networks. During the six months ended 30 June 2016, sales to our distributors and retailers represented approximately 76.5% and approximately 23.5% of the Group's total revenue of continuing operations respectively.

During the six months ended 30 June 2016, our products were also sold in Hong Kong, Singapore, Thailand, Malaysia and Australia. The sales to these overseas markets outside the China accounted for approximately 2.6% of our total revenue of continuing operations during the six months ended 30 June 2016.

Cost of Sales

During the six months ended 30 June 2016, cost of sales amounted to approximately RMB62.8 million, representing a decrease of approximately 7.8% from approximately RMB68.1 million during the same period last year. Such decrease was primarily due to a decrease in manufacturing expenses and wages, which was partially offset by the increase in packing materials consumed.

Gross Profit

During the six months ended 30 June 2016, the Group's gross profit increased to approximately RMB72.6 million, representing an increase of approximately 120.7% from RMB32.9 million for the same period last year. The gross profit margin for the six months ended 30 June also increased from approximately 32.6% in 2015 to approximately 53.6% in 2016. The increase in the gross profit margin was mainly attributable to the increase of revenue and the roll-out of high-margin products during the period under review.

Selling and Distribution Costs

During the six months ended 30 June 2016, selling and distribution costs decreased to approximately RMB36.7 million, representing a decrease of approximately 16.2% from approximately RMB43.8 million for the same period last year. 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 optimising the resources of promotion staff, which was partially offset by an increase in travelling expenses.

Administrative Expenses

During the six months ended 30 June 2016, administrative expenses amounted to approximately RMB16.7 million, representing an decrease of approximately 29.7% from approximately RMB23.8 million for the same period last year. The decrease was primarily due to the decrease in litigation expenses and the R&D expenses, which was partially offset by an increase in salary expenses.

Impairment Loss

For the six months ended 30 June 2016, following a valuation of property, plant and equipment for the use of continuing operations by reference to their value in use, no impairment loss on these assets was required (six months ended 30 June 2015: approximately RMB54.4 million).

Profit from Operations

The Group recorded an operating profit from its continuing operations of approximately RMB22.6 million for the six months ended 30 June 2016, as compared with the operating loss of approximately RMB87.0 million for the same period last year. This improvement was primarily due to the increase in gross profit and the decrease in the overall operating expenses.

Finance Income and Costs

For the six months ended 30 June 2016, finance income of the Group amounted to approximately RMB0.2 million as compared with the finance income of approximately RMB0.3 million for the same period last year. The decrease was primarily due to the decrease in interest received from fixed deposits with bank.

For the six months ended 30 June 2016, the Group's imputed interest on non-interest bearing loans from controlling shareholders amounted to approximately RMB1.4 million (six months ended 30 June 2015: approximately RMB1.1 million).

Income Tax Expense

During the two six month periods ended 30 June 2016 and 30 June 2015, respectively, the Group did not have any income tax expense and/or reversal.

Profit for the Period from Continuing Operations

As a result of the combined effect of the abovementioned factors, the Group recorded a profit of approximately RMB21.2 million for the six months ended 30 June 2016, as compared with the loss of approximately RMB88.1 million for the six months ended 30 June 2015.

Discontinued Operation

The Board discontinued the production and sales of herbal tea products from 1 July 2013. During the period under review, the business operation of herbal tea products was dormant without any revenue or expense attributable to the Group.

Profit for the Period Attributable to Owners of the Company

As a result of the combined effect of the above factors, the Group recorded a profit attributable to owners of the Company of approximately RMB21.2 million for the six months ended 30 June 2016, as compared with the attributable loss of approximately RMB88.1 million for the six months ended 30 June 2015.

Events after the Reporting Period

On 9 August 2016, Bawang Guangzhou and Guangzhou Bawang Cosmetics Co., Ltd. entered into two new lease agreements to continue the lease of office premises and production plant in Guangzhou for a further term of three years (the "**Lease Agreements**"). The Lease Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and the annual review requirements but are exempted from the independent shareholders' approval requirement under chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated 9 August 2016.

OUTLOOK

Due to the continuing policy support from the Chinese government, the Chinese economy was able to keep up its momentum in the first half of 2016. The domestic retail sales figures suggest that private consumption was broadly stable during the first half of 2016. The International Monetary Fund (IMF) recently said that China's near-term economic outlook is positive, with an expected growth rate as high as 6.6 percent this year, that the high national savings rate, the crux of China's internal and external imbalance, is expected to fall gradually due to an aging population and a stronger social safety net, and that household consumption is expected to continue to pick up on the back of falling household savings and rising disposable income. The Directors believe that the Chinese government would implement economic policies to achieve its economic growth target of 6.5 percent this year, and that the government would introduce more stimulus measures if there are signs of a weak economy.

With the conclusion of the Legal Proceedings, the Directors intend to focus the Group's financial resources and their attention to continue developing the Group's business. To revitalise Bawang's brand so as to enhance sales performance, our sales team has initiated brand revitalisation efforts to reinforce the confidence of the distributors. The sales team will particularly re-connect with some ex-distributors in person. Through this direct communication, we hope to re-establish the trust in our brand between the Group and the ex-distributors thereby re-engaging these distributors in distributing the Group's products.

The main theme for the rest of 2016 is "To gather the strength for innovation".

In order to capture the opportunity arising from the adoption of the two-children policy in the beginning of 2016, the Group intends to launch a personal and skin care product series in September 2016 under a new brand known as "Little King" that targets the children market segment specifically.

For Bawang branded product series, the Group will carry out sales programs in the supermarkets for offering promotional assorted Bawang branded products to encourage the return customers. The Group will continue to develop high-end herbal essence hair care bundle products to satisfy the needs of the affluent consumer segment. The Group intends to offer OEM services for the micro-commerce companies. The Group will also enlarge its online sales platform by cooperating with new e-commerce companies so as to increase the revenue stream from this channel.

For Royal Wind branded product series, the Group will promote the brand recognition and image through Internet and social media channels, which cater to the trendy lifestyle of young consumers. The Group will roll out high-end fragrance shower gels for the online sales channel.

For Herborn branded products series, the Group will roll out six new series of herbal skincare products. The Group will launch a new series in Chinese herbal face mask. The Group will seek to cooperate with additional online sales platforms to increase the sales revenue.

For production management, to optimise the cost of production and to improve working efficiency and productivity, the Group will realign its production workshops and production lines. To ensure high quality standard output, the Group will work with independent accreditation agencies to enhance its production management systems.

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

As at the date of this announcement, the Group does not have any outstanding acquisition opportunity nor is actively exploring 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 household and personal care ("**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 its business model and market positioning to increase its market share among domestic and international competitors, maintaining a multi-brand and multi-product strategies in the HPC sector, and becoming a leader in the branded Chinese herbal HPC products.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

	30 June 2016 *RMB in million*	31 December 2015 *RMB in million*
Cash and cash equivalent	**32.3**	11.6
Total loans	**–**	50.5
Total assets	**292.2**	293.5
Gearing ratio[Note]	**–**	17.2%

Note: Calculated as total loans divided by total assets.

On 11 May 2016, the Company entered into a subscription agreement in relation to the issue of 250,000,000 new ordinary shares with a par value of HK$0.10 each in the capital of the Company at the subscription price of HK$0.31 per share to certain independent third parties (the "**Subscription**"). The Subscription was completed on 31 May 2016, and the net proceeds of the Subscription was approximately HK$77.5 million. Approximately HK$74.5 million of the net proceeds had been applied for the repayment of the existing shareholders' loans and the balance had been used as the working capital of the Group.

For details, please refer to the announcements of the Company dated 11 May 2016 and 31 May 2016.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not engage in 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 China, with most transactions settled in Renminbi. The reporting currency of the Group is Renminbi. During the period under review, the Group has exported its goods to Hong Kong and certain overseas countries. The transactions were settled in either Hong Kong Dollars or United States Dollars. The Group's cash and bank deposits are mostly denominated in Renminbi. The Company will pay dividends in Hong Kong Dollars if dividends are declared. In addition, the Group paid certain advertising fees in United States Dollars or Hong Kong Dollars.

The 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 at 30 June 2016, the Group had not issued any material financial instruments or entered into any material financial instruments or entered into any material contracts for foreign currency hedging purposes. However, the Board will continue to monitor the foreign exchange exposure and is prepared to take prudent measures such as hedging when required.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENT

As at 30 June 2016, the capital commitment for acquisition of property, plant and equipment of the Group was approximately RMB7.4 million.

PLEDGE OF ASSETS

As at 30 June 2016, the Group had no pledge of assets.

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

Save for the Subscription, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period under review.

THE CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

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

The Board is of the view that the Company has complied with the applicable code provisions of the Corporate Governance Code as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the six months ended 30 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT AND RISK MANAGEMENT COMMITTEE

On 1 January 2016, the Audit Committee was renamed as the audit and risk management committee (the "**Audit and Risk Management Committee**"). The Audit and Risk Management Committee has adopted terms of reference which are in line with the Corporate Governance Code. The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2016 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 2016.

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 of Hong Kong Limited (www.hkex.com.hk). The interim report for the six months ended 30 June 2016 containing all the information required under Appendix 16 to the Listing Rules will be dispatched to the shareholders and be available on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 30 August 2016

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