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 2020

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 2020 together with comparative figures for the same period last year.

The Board refers to the profit warning announcement of the Company dated 7 August 2020. The following sets forth a summary of the unaudited consolidated results of the Group for the six months ended 30 June 2020:

Total revenue of the Group was approximately RMB123.9 million, representing an increase of approximately 9.5% from approximately RMB113.2 million for the same period last year.

Revenue through the online sales channel was approximately RMB65.3 million, representing an increase of approximately 4.5% from approximately RMB62.5 million for the same period last year.

Operating loss of the Group was approximately RMB4.6 million, as compared with the operating loss of approximately RMB17.8 million for the same period last year.

Net loss was approximately RMB5.3 million, as compared with the net loss of approximately RMB18.6 million for the same period last year.

Loss attributable to owners of the Company was approximately RMB5.3 million, as compared with the loss of approximately RMB18.6 million for the same period last year.

Loss per share (both basic and diluted) was approximately RMB0.17 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 2020

		Six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**123,923**	113,233
Cost of sales		**(79,150)**	(65,842)
Gross profit		**44,773**	47,391
Other income		**1,130**	620
Selling and distribution costs		**(37,220)**	(53,304)
Administrative expenses		**(13,144)**	(15,542)
(Impairment losses)/reversal of impairment loss recognised in respect of trade receivables		**(107)**	3,056
Other expenses		**(5)**	(13)
Operating loss		**(4,573)**	(17,792)
Finance costs	*4*	**(722)**	(783)
Loss before taxation	*5*	**(5,295)**	(18,575)
Taxation	*6*	**—**	(2)
Loss for the period attributable to owners of the Company		**(5,295)**	(18,577)
Loss per share	*8*		
Basic (RMB cents)		**(0.17)**	(0.59)
Diluted (RMB cents)		**(0.17)**	(0.59)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company	**(5,295)**	(18,577)
Other comprehensive (expense)/income		
Item that will not be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements from functional currency to presentation currency	**(799)**	513
Total comprehensive expense for the period attributable to owners of the Company	**(6,094)**	(18,064)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**89,431**	98,305
Right-of-use assets		**23,170**	30,425
		112,601	128,730
Current assets			
Inventories		**25,327**	29,382
Right to returned goods asset		**1,811**	2,319
Trade and other receivables	*9*	**18,819**	26,053
Amounts due from related parties		**243**	1,493
Deposit with bank		**10,000**	—
Bank balances and cash		**96,906**	102,195
		153,106	161,442
Current liabilities			
Trade and other payables	*10*	**77,207**	75,676
Amounts due to related parties		**65**	47
Contract liabilities		**8,718**	10,775
Refund liabilities		**2,724**	3,894
Lease liabilities		**6,566**	7,330
Bank borrowing		**—**	9,650
Provision		**338**	338
		95,618	107,710
Net current assets		**57,488**	53,732
Total assets less current liabilities		**170,089**	182,462
Non-current liability			
Lease liabilities		**17,523**	23,802
Net assets		**152,566**	158,660
Capital and reserves			
Share capital	*11*	**277,932**	277,932
Reserves		**(125,366)**	(119,272)
Total equity		**152,566**	158,660

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL AND 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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Fortune Station Limited ("**Fortune Station**"), which is incorporated in the British Virgin Islands (the "**BVI**") and is owned as to: (1) 49.57% by Heroic Hour Limited, a company that is beneficially owned as to 22.00% by Mr. CHEN Zheng He, the chief executive officer and an executive director of the Company, and 78.00% by Mr. CHEN Zheng He's six brothers and sisters; and (2) 50.43% by Mr. CHEN Qiyuan, the chairman of the board of directors of the Company (the "**Directors**").

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are manufacturing and sales of the household and personal care products.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is the functional currency of the principal subsidiaries of the Group where the primary economic environment is in the PRC. Other than the subsidiaries established in the PRC which functional currencies are RMB, the functional currency of the Company and other subsidiaries is Hong Kong dollars ("**HK$**").

The condensed consolidated financial statements of the Group for the six months ended 30 June 2020 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 of Hong Kong Limited (the "**Listing Rules**") and with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

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 2019 except as described below.

In the current interim period, the Group has applied, for its first time, the following new and amendments to International Financial Reporting Standards ("IFRSs"), which include IFRSs, International Accounting Standards, amendments and interpretations issued by the IASB and the IFRS Interpretations Committee of the IASB.

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IFRS 16	Covid-19 Related Rent Concessions

The application of the new and amendments to IFRSs in the current interim period has had no material effect on the Group's financial performance and position for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of goods, net of discounts and sales related taxes. An analysis of the Group's revenue for the period is as follows.

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Disaggregated by major products		
Manufacturing and sales of the household and personal care products		
Hair-care products	**109,327**	101,959
Skin-care products	**1,741**	1,221
Other household and personal care products	**12,855**	10,053
	123,923	113,233

Disaggregation of revenue from contracts with customers by timing of recognition

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
At a point in time	**123,923**	113,233

Information reported to the executive directors of the Company, being the chief operation decision maker (the "**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. The Directors have chosen to organise the Group around differences in products. The segments are managed separately as each operating segment offers different products which require different production information to formulate different strategies.

Specifically, the Group's reportable segments are as follows:

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

Operating segment including manufacture and sale of other household and personal care products have been aggregated into a single reporting segment after taking into account that none of which are of a sufficient size to be reported separately.

The CODM is provided with segment information concerning segment revenue and result. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

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

For the six months ended 30 June 2020

	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	**109,327**	**1,741**	**12,855**	**123,923**
Segment loss	**(553)**	**(851)**	**(3,057)**	**(4,461)**
Bank interest income				**606**
Other income				**524**
Corporate and other unallocated expenses				**(1,921)**
Finance costs				**(43)**
Loss before taxation				**(5,295)**

For the six months ended 30 June 2019

	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	101,959	1,221	10,053	113,233
Segment loss	(11,035)	(192)	(5,030)	(16,257)
Bank interest income				239
Other income				378
Corporate and other unallocated expenses				(2,606)
Finance costs				(329)
Loss before taxation				(18,575)

Segment results represent the loss from each segment without allocation of bank interest income, gain on sales of scrap materials, government grants, net foreign exchange losses, central administrative costs, directors' emoluments and interest on bank borrowings. 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	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on:		
— bank borrowings	**43**	329
— lease liabilities	**679**	454
	722	783

5. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**(606)**	(239)
Depreciation of property, plant and equipment	**9,420**	12,076
Depreciation of right-of-use assets	**3,610**	4,431
Loss/(gain) on disposal of property, plant and equipment	**5**	(3)
Redundancy costs	**293**	390
Net foreign exchange losses	**—**	1,768
Allowance for inventories/(reversal of allowance for inventories) (included in cost of inventories recognised as an expense)	**39**	(747)
Reversal of obsolete inventories written-off (included in cost of inventories recognised as an expense)	**—**	(614)

6. TAXATION

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

Pursuant to circular issued by Ministry of Finance and National Tax Bureau on 17 January 2019, the small-scaled minimal profit enterprise with an annual taxable income below RMB1,000,000 (RMB1,000,000 included) is entitled to a preferential tax treatment of 75% exemption of taxable income and application of income tax rate as 20% from 1 January 2019 to 31 December 2021. Certain PRC subsidiaries of the Group were qualified during both reporting periods.

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 since 2009. However, Bawang Guangzhou did not have any assessable profits subject to Enterprise Income Tax for the six months ended 30 June 2020 and 2019.

(ii) No provision for Hong Kong Profits Tax has been provided for the six months ended 30 June 2020 and 2019 as the Group did not have any assessable profits subject to Hong Kong Profits Tax for these periods.

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

7. DIVIDENDS

No dividend was paid or proposed for the current and interim periods, nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2019: nil).

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the loss for the period of approximately RMB5,295,000 (six months ended 30 June 2019: RMB18,577,000) and the weighted average number of approximately 3,162,441,000 (six months ended 30 June 2019: approximately 3,162,134,000) ordinary shares in issue during the period.

Diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2020 and 2019.

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are debtors (net of allowance for impairment of trade receivables) with the following ageing analysis presented based on the invoice date, which approximates the respective revenue recognition dates:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Less than 3 months	**16,164**	18,990
More than 3 months but less than 6 months	**397**	2,165
More than 6 months but less than 12 months	**65**	323
Total debtors, net of allowance for impairment of trade receivables	**16,626**	21,478
Prepayment for purchase of raw materials	**863**	2,103
Other prepayments	**373**	1,940
Non-income tax receivables	**222**	111
Other receivables	**735**	421
	18,819	26,053

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

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are creditors with the following ageing analysis presented based on the invoice date at the end of the reporting period:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month or on demand	**25,305**	25,195
After 1 month but within 3 months	**9,929**	7,366
Total creditors	**35,234**	32,561
Payable for acquisition of property, plant and equipment	**1,933**	1,933
Promotion fee payables	**3,998**	8,250
Accrued payroll	**2,850**	1,902
Non-income tax payables	**2,768**	3,233
Other payables and accruals	**30,424**	27,797
	77,207	75,676

11. SHARE CAPITAL

	Number of shares '000	Amount RMB'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2019 (audited), 31 December 2019 (audited), 1 January 2020 (audited) and 30 June 2020 (unaudited)	10,000,000	880,500
Issued and fully paid:		
At 1 January 2019 (audited)	3,161,811	277,878
Exercise of share options *(note)*	630	54
At 31 December 2019 (audited), 1 January 2020 (audited) and 30 June 2020 (unaudited)	3,162,441	277,932

Note: On 29 March 2019, 630,000 share options were exercised at HK$0.1 each and resulted in the issue of 630,000 ordinary shares of the Company and increase in share capital of HK$63,000 (equivalent to approximately RMB54,000). These shares ranked *pari passu* with the then existing shares in all respects.

12. COMMITMENTS

	30 June 2020 ***RMB'000*** **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the condensed consolidated financial statements	**343**	343

BUSINESS REVIEW

The Directors report that the total revenue of the Group for the six months ended 30 June 2020 was approximately RMB123.9 million, representing an increase of approximately 9.5% from approximately RMB113.2 million for the same period last year. The operating loss of the Group for the six months ended 30 June 2020 was approximately RMB4.6 million, as compared with the operating loss of approximately RMB17.8 million for the same period last year.

For the six months ended 30 June 2020, the net loss of the Group was approximately RMB5.3 million, as compared with the net loss of approximately RMB18.6 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 Group continued to operate under the value-chain oriented business model, which enabled the Group to control the cost of sales and operating costs at a sustainable level.

The coronavirus pandemic has made a great impact on daily life of people since late January this year. The health awareness has significantly increased across China and the demand for personal and household hygiene products was strong.

To satisfy the consumers' needs for additional household and personal care ("**HPC**") products to protect against the viral-infection in the midst of the coronavirus pandemic, the Group rolled out a new Bawang-branded antiseptic sanitary product series comprising disinfectant floor cleaner liquid, sanitising laundry detergents, liquid hand-wash, and anti-bacterial hand gel during the period under review. To enhance the revenue, we tailor-made some exclusive Bawang-branded products for supply to a group of selected quality distributors for sale.

During the period under review, through cross-industry cooperation, we successfully rolled out gift-pack product series during the festive times and for the online sales festival, which drew the attention of consumers and were well-received by them. At the same time, we displayed our products inside the selected metro stations in Guangzhou and Shenzhen. We gave away some Bawang-branded testers through on-site interactive games. The Group also conducted publicity campaigns by advertising on the mega-display screens in selected Guangzhou metro stations.

During the period under review, advertisements of Bawang-branded products were showcased in lifts of certain residential districts in Guangzhou, Shanghai, Hangzhou, Zhengzhou and other first-tier cities. The Group also made use of the popular social media platforms to increase the publicity and exposures of our branded products to the consumers.

Additionally, we continued to make use of our newly-developed sales channel for college students. Leveraging on the "College Students Advertising Festival" (大學生廣告藝術節) and cooperating with some colleges, we introduced Bawang-branded products to the campuses which publicised and educated young people to understand the concept of hair-care by using herbal shampoo products.

As part of the Group's initiatives to participate in corporate social responsibility and public welfare activities, the Group made donations of our HPC products to Wuhan Hongshan Fangcang Hospital, which is dedicated for treatment of COVID-19, for the daily use by resident medical staff members and patients during the period under review.

As at 30 June 2020, the Bawang brand distribution network comprised 849 distributors and six KA retailers, covering 26 provinces and four municipalities in China. Furthermore, the products of the Group were also sold in Hong Kong, Singapore, Thailand and Malaysia.

During the period under review, the Group marketed the branded shampoo products, "Royal Wind", with the theme "Let's chase for the wind rather than wait for the wind". As at 30 June 2020, the Royal Wind brand distribution network comprised 110 distributors and six KA retailers, covering 26 provinces and four municipalities in China.

Our Litao products mainly comprised shower gels and laundry detergents, targeting 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 2020, the Litao products distribution network comprised 93 distributors, covering 26 provinces and four municipalities in China.

Our Herborn Chinese herbal skincare product series targets white-collar ladies in the age range from 25 to 45 who have relatively high net incomes and are dedicated to pursue a healthy and natural lifestyle. As at 30 June 2020, the sales and distribution network for the Herborn Chinese herbal skincare products comprised 93 distributors covering 26 provinces and four municipalities in China.

As at 30 June 2020, the Group has established online flagship stores for our Bawang, Royal Wind and Herborn branded products on 13 online retailing platforms in China. We will deepen our efforts in the development of this channel.

During the period under review, we have obtained, renewed, and/or are in possession of the following certificates and/or accreditations:

— our Chinese herbal hair care shampoo products and skincare series shower gel products have been recognised as "New High-tech Products of Guangdong Province" (廣東省高新技術產品) by the Guangdong Provincial New High-tech Enterprise Association for a period of three years until the end of 2020;

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

— three Bawang branded series shampoos were again recognised as "The 2018 New High-Tech Products in Guangdong" by the Guangdong Provincial Science and Technology Bureau in December 2018 for a period of three years until the end of 2021;

— our High-tech enterprise certificate has been renewed for a period of three years until the end of 2021;

— our production process for haircare and skincare products has been certified by SGS with a validity period until July 2022 as to meet the requirements of US FDA CFSAN by reference to Cosmetic Good Manufacturing Practices (GMP) Guidelines 2008;

— our production process for haircare and skincare products has been certified by SGS with a validity period until July 2022 as to meet the requirements of ISO22716:2007 by reference to Cosmetic Good Manufacturing Practices (GMP) Guidelines;

— we were awarded the title of "Excellent Partner" by the Panyu branch of Industrial and Commercial Bank of China in January 2020; and

— we were awarded "Committee Unit" by Guangdong Food & Drug Technology Association for Evaluation & Certification, which is valid until December 2023.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2020, the Group's revenue from operations amounted to approximately RMB123.9 million, representing an increase of approximately 9.5% from approximately RMB113.2 million for the same period last year. Revenue through the online sales channel was approximately RMB65.3 million, representing an increase of approximately 4.5% from approximately RMB62.5 million for the same period last year.

During the six months ended 30 June 2020, the Group's core brand, Bawang, generated a revenue of approximately RMB115.2 million, which accounted for approximately 93.0% of the Group's total revenue, and represented an increase of approximately 9.2% as compared with the same period last year.

During the six months ended 30 June 2020, the Group's branded Chinese herbal anti-dandruff haircare series, Royal Wind, generated a revenue of approximately RMB2.3 million, which accounted for approximately 1.9% of the Group's total revenue, and represented a decrease of approximately 26.0% as compared with the same period last year.

During the six months ended 30 June 2020, the Group's natural-based branded shampoo, shower gel and laundry detergent products series, Litao, generated a revenue of approximately RMB4.0 million, which accounted for approximately 3.2% of the Group's total revenue, and represented an increase of approximately 23.8% as compared with the same period last year.

During the six months ended 30 June 2020, the Group's branded Chinese herbal skincare series, Herborn, generated a revenue of approximately RMB1.8 million, which accounted for approximately 1.5% of the Group's total revenue, represented an increase of approximately 47.8% as compared with the same period last year.

We sold our products through extensive distribution and retail networks, via conventional and/or online sales channels. During the six months ended 30 June 2020, a summary of our sales revenue in percentage through different networks and/or channels are as follows:

Network/Channel	**Conventional** *(%)*	**Online** *(%)*	**Total** *(%)*
Distributor	39.2	24.6	63.8
Retailer	8.2	28.0	36.2
Total	47.4	52.6	100

During the six months ended 30 June 2020, our products were also sold in Hong Kong, Singapore, Thailand and Malaysia. The sales to these overseas markets accounted for approximately 1.7% of our total revenue during the six months ended 30 June 2020.

Cost of Sales

During the six months ended 30 June 2020, cost of sales amounted to approximately RMB79.2 million, representing an increase of approximately RMB13.4 million (or approximately 20.4%) from approximately RMB65.8 million during the same period last year. The overall increase in cost of sales was primarily due to an increase in the volume and cost of production, which was driven by higher demand for our products. As a percentage of revenue, cost of sales for the six months ended 30 June 2020 increased from approximately 58.1% in 2019 to approximately 63.9%, which was mainly due to an increase in the costs incurred in raw materials, packaging materials and direct labour, but was partially offset by the decrease in manufacturing expenses.

Gross Profit

During the six months ended 30 June 2020, the Group's gross profit amounted to approximately RMB44.8 million, representing a decrease of approximately 5.5% from approximately RMB47.4 million for the same period last year. The gross profit margin for the six months ended 30 June 2020 also decreased from approximately 41.9% in the first half of 2019 to approximately 36.1%. The decrease in the gross profit margin was mainly attributable to a change in the Group's marketing and sales policy, whereby lower unit prices of products offered to our distributors in place of a lower rate of reimbursable marketing expenses, which had the effect of increasing the sales volume of the Group's products. Such policy negatively affected the Group's gross profit margin during the six months ended 30 June 2020, but its effect was partially offset by a reduction in selling and distribution costs.

Selling and Distribution Costs

During the six months ended 30 June 2020, selling and distribution costs amounted to approximately RMB37.2 million, representing a decrease of approximately 30.2% from approximately RMB53.3 million for the same period last year. As a percentage of revenue, our selling and distribution costs for the six months ended 30 June 2020 decreased from approximately 47.1% in 2019 to approximately 30.0% in 2020. The decrease was primary due to the change in the Group's marketing and sales policy as mentioned above, and also due to a decrease in advertising and branding expenses and promotion expenses, but was partially offset by an increase in goods delivery expenses due to an increase in the volume of products sold.

Administrative Expenses

During the six months ended 30 June 2020, administrative expenses amounted to approximately RMB13.1 million, representing a decrease of approximately 15.5% from approximately RMB15.5 million for the same period last year. The decrease was primarily due to a decrease in exchange loss and consultancy fees, but was partially offset by the increase in depreciation.

Loss from Operations

The Group recorded an operating loss of approximately RMB4.6 million for the six months ended 30 June 2020, as compared with the operating loss of approximately RMB17.8 million for the same period last year. The decreased in operating loss was primarily attributable to the following factors: (1) an increase in the revenue, which was partially offset by an increase in production costs that resulted in a decrease in the gross profit margin as mentioned above; and (2) decrease in selling and distribution costs and administrative expenses.

Finance Costs

For the six months ended 30 June 2020, finance costs of approximately RMB0.7 million represent the interest on bank borrowing in the amount of approximately RMB0.04 million (six months ended 30 June 2019: RMB0.3 million), and the interest on lease liabilities in the amount of approximately RMB0.7 million as a result of the adoption of IFRS16 with effect from 1 January 2019 (six months ended 30 June 2019: RMB0.5 million).

Other Income

The Group recorded other income of approximately RMB1.1 million for the six months ended 30 June 2020, representing an increase of approximately 82.3% from approximately RMB0.6 million for the same period last year. Such increase was primarily attributable to an increase in income derived from bank deposits and on financial products.

Income Tax Expense

During the six month periods ended 30 June 2020, the Group had no income tax expense (six months ended 30 June 2019: RMB2,000).

Net Loss for the Period from Operations

As a result of the combined effect of the abovementioned factors, the Group recorded a net loss from operations of approximately RMB5.3 million for the six months ended 30 June 2020, as compared with the net loss from operations of approximately RMB18.6 million for the six months ended 30 June 2019.

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 RMB5.3 million for the six months ended 30 June 2020, as compared with a loss attributable to owners of the Company of approximately RMB18.6 million for the six months ended 30 June 2019.

OUTLOOK

In a World Economic Outlook Update issued in late June 2020 by the International Monetary Fund ("**IMF**"), it was reported that China is expected to post positive growth in 2020 while the global economy will contract by 4.9% in a coronavirus-driven plunge in output, which was supported partly by government stimulus. China is projected to rebound rapidly from its contraction in the first quarter of 2020, and that China's economy would grow 1.0% for the whole year 2020 and 8.2% in 2021, which was reported to be the highest projected growth globally.

Economists expect supportive policy from China's government to facilitate a strong economic rebound. Signs of gradual recovery have been shown as more restaurants, shopping malls and even cinemas reopened by the end of first half of 2020.

Having said that, the IMF indicates that the coronavirus pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and that the recovery is projected to be more gradual than previously forecast.

According to a research report issued in mid-July 2020 by the Hong Kong Trade Development Council, China's GDP declined by 6.8% in the first quarter of 2020, but it grew by 3.2% in the second quarter of 2020, which is in line with the IMF's expectation on the economic rebound.

Coupled with the possibility of resurgence of further waves of coronavirus outbreak, the Directors tend not to be too optimistic about the prospect of Chinese economy in 2020.

The corporate theme for the rest of 2020 is "Without fear of difficulty, re-launch again".

For Bawang-branded products, the Group intends to make use of: (1) appointment of Internet celebrities as brand ambassadors on short-term basis to enhance exposure of our brands, and drive up the sales revenue through bonding between Internet celebrities and their supporters; (2) the impact arising from the "College Students Advertising Festival" (大學生廣告藝術節) in autumn to continue to explore and expand the market shares in the young generation customer segment, to deepen the recognition and association of the post-95 and the post-00 generations with anti-hair fall concept while promoting to this generation the core philosophy of Bawang brand in anti-hair fall and hair-care and to cultivate receptive attitude towards the rejuvenated Bawang brand so as to achieve the purposes of advertising and promoting the brand; (3) the publicity and promotion of Bawang-branded products through implanted commercials in live streaming programs; and (4) expansion of scope of promotion beyond shampoo and conditioner products to cover Bawang-branded scalp-care products series such as scalp cleanser and hair-follicle care essence to enhance the Group's sales revenue.

For Royal Wind branded product series, the Group plans to build up a new brand position for the new hair-styling product series. We intends to use eye-catching pictorial product packages to suit the taste of young customers. The new products series are mainly sold through the online channel.

For Litao branded product series, we plan to roll out a new series of laundry liquid by adopting a brand new formula, which are mainly for sales though our traditional channel and the exclusive zone channel.

For Herborn product series, we plan to streamline this product series by minimising the number of stock-keeping units, which specifically target mature, young women in need of intensive skincare. The products are mainly sold through the online channel.

For conventional channels, the Group will continue to deepen cooperation and interaction with distributors by: (1) regularly updating our incentivising sales policies and reinforcing our supports to key customers for the purpose of stabilising the sales from the distributor channel; (2) providing substantial supports to exclusive zone channel through heavy promotion of anti-hair fall, amino acid and antiseptic new product series so as to enhance the sales revenue through this channel; and (3) endeavoring to develop new traditional sales channels by encouraging staff members to seek to expand group sales customers, developing more original equipment manufacturer ("**OEM**") customers and obtaining customers who purchase tailor-made products from us.

As for the online sales channel, the Group hopes to achieve stable sales growth in the future. For increasing sales revenues from our own online flagship stores, the Group will optimise the operations and create hot sales items such as anti-hair fall and hair-care product series for steady sales growth. The Group plans to horizontally develop the market for gaining for market shares through building up the second series of hot sales items such as hair masks, scalp essence and shower gel so as to create greater sales volume. We will attempt to promote our products through new promotional channels such as video clips and messages streaming so as to solicit purchases from consumers to increase our sales volume. The Group will provide tailor-made products to the key online distributors for enhancing sales revenues. We will also maintain and optimise the operations our direct-operating channel as well as "Little Red Book" channel to increase our sales.

Apart from this, the Group plans to develop live streaming resources through some social media platforms such as WeChat mini-program and Private Zone to enhance sales revenue. In addition to maintaining the existing customer resources, the Group will leverage on the active user-group networks and user-to-user connections in other platforms to increase our sales revenue.

For production management, we strive to keep our customer satisfied with the quality of our products. While we uphold the quality of our products, we will at the same time continue to optimise our production process, increase resource usage efficiency and reduce spoilage, lower the production costs, increase the turnover of production materials and lower the inventory level. Over the past two years, we have seen that there is a rising trend in the demand for OEM services, which may be due to the increasing popularity and rapid development of online sales platforms in the market. We will continue to make good use of our management skills, advanced production equipment and spare production facilities and capacities for expanding our OEM business. Additionally, having considered the production requirements, we will seek to enhance the utilisation efficiency of the production and storage floor areas and optimise the raw material turnover rate so as to reduce space occupied by materials and storage costs. We believe that through the integration of production resources to achieve greater value enhancement, we can create more revenue for our shareholders.

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, and will actively exploit and develop the social e-commerce platform business. The Group is open to explore further business opportunities with potential overseas distributors.

As at the date of this announcement, the Group did not have any outstanding acquisition opportunity nor was actively exploring business opportunities that may involve potential acquisition.

Looking forward, the strategic directions to sustain and develop our business in the present volatile economic environments will focus on two areas: in the short term, the Group intends to increase its revenue by exploring new sales channels in HPC products in order to regain momentum for sales growth and profitability, and to improve investors' confidence in the Group; in the long term, 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 strategy in the HPC sector, and becoming a leader in 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 2020 *RMB in million* **(Unaudited)**	31 December 2019 *RMB in million* (Audited)
Cash and cash equivalents	**96.9**	102.2
Total loans	**—**	9.7
Total assets	**265.7**	290.2
The gearing ratio[1]	**0%**	3.3%

Note:

1. Calculate as total loans divided by total assets

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 HEDGING

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.

The Board is of the view that the Group conducts its business transactions principally in Renminbi and thus the exchange rate risk associated with the Group's daily operations is not significant.

For the period ended 30 June 2020, the Group had not issued 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 2020, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

As at 30 June 2020, the capital commitment for acquisition of property, plant and equipment of the Group was approximately RMB0.3 million.

CHARGE OF ASSETS

As at 30 June 2020, the Group did not have any pledge of assets.

TRADE AND OTHER PAYABLES

As at 30 June 2020, the trade and other payables of the Group were approximately RMB77.2 million (As at 31 December 2019 approximately RMB75.7 million), which represented an increase of 2.0%. As at 30 June 2020, trade and other payables did not include any balances due to related parties.

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

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.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2020 and up to the date of this announcement.

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 (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the six months ended 30 June 2020.

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

The Audit and Risk Management Committee has adopted terms of reference which are in line with the CG Code. The Audit and Risk Management Committee has reviewed the interim results of the Group for the six months ended 30 June 2020 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 2020.

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 2020 containing all the information required under Appendix 16 to the Listing Rules will be despatched 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, 27 August 2020

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. CHEUNG Kin Wing, and Dr. WANG Qi.