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 2023

The board (the "**Board**") of directors (the "**Directors**") of BaWang International (Group) Holding Limited (the "**Company**") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**" or "**we**") for the six months ended 30 June 2023 together with comparative figures for the same period last year.

The Board refers to the positive profit alert announcements of the Company dated 21 June 2023 and 18 August 2023. The following sets forth a summary of the unaudited consolidated results of the Group for the six months ended 30 June 2023:

Total revenue of the Group was approximately RMB99.6 million, representing a decrease of approximately 13.9% from approximately RMB115.6 million for the same period last year.

Revenue through the online sales channel was approximately RMB45.7 million, representing a decrease of approximately 12.6% from approximately RMB52.3 million for the same period last year.

Operating profit of the Group was approximately RMB5.2 million, as compared with the operating loss of approximately RMB15.0 million for the same period last year.

Net profit was approximately RMB4.5 million, as compared with the net loss of approximately RMB16.2 million for the same period last year.

Profit attributable to owners of the Company was approximately RMB4.5 million, as compared with the loss of approximately RMB16.2 million for the same period last year.

Earnings per share (both basic and diluted) was approximately RMB0.14 cents.

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 2023

		Six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**99,567**	115,590
Cost of sales		**(58,329)**	(75,468)
Gross profit		**41,238**	40,122
Other income		**1,461**	1,400
Selling and distribution costs		**(27,562)**	(44,727)
Administrative expenses		**(9,722)**	(13,863)
(Impairment losses)/reversal of impairment losses in respect of trade receivables		**(48)**	2,081
Other expenses		**(134)**	(3)
Operating profit/(loss)		**5,233**	(14,990)
Finance cost	*5*	**(715)**	(1,198)
Profit/(loss) before taxation	*6*	**4,518**	(16,188)
Taxation	*7*	**—**	—
Profit/(loss) for the period attributable to owners of the Company		**4,518**	(16,188)
Earnings/(loss) per share	*9*		
Basic (RMB cents)		**0.14**	(0.51)
Diluted (RMB cents)		**0.14**	(0.51)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to owners of the Company	**4,518**	(16,188)
Other comprehensive income/(expense) for the period		
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	**573**	(518)
Total comprehensive income/(expense) for the period attributable to owners of the Company	**5,091**	(16,706)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**34,560**	40,515
Right-of-use asset		**26,937**	31,301
Time deposit		**50,000**	50,000
		111,497	121,816
Current assets			
Inventories		**22,182**	27,056
Right to returned goods asset		**353**	737
Trade and other receivables	*10*	**20,887**	20,214
Bank balances and cash		**57,590**	74,404
		101,012	122,411
Current liabilities			
Trade and other payables	*11*	**44,460**	79,640
Contract liabilities		**7,178**	4,261
Refund liabilities		**525**	1,030
Lease liabilities		**8,359**	8,173
		60,522	93,104
Net current assets		**40,490**	29,307
Total assets less current liabilities		**151,987**	151,123
Non-current liability			
Lease liabilities		**20,876**	25,103
Net assets		**131,111**	126,020
Capital and reserves			
Share capital	*12*	**277,932**	277,932
Reserves		**(146,821)**	(151,912)
Total equity		**131,111**	126,020

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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, 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$**"). All values are rounded to the nearest thousand ("**RMB'000**") unless otherwise stated.

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "**IASB**") and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. This condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the IASB.

3. 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 2022 except as described below.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are effective for the Group's financial year beginning on 1 January 2023:

IFRS 17 and related amendments	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the IASB which is relevant to the Group.

Except as described below, the application of the new and amendments to IFRSs in the current interim period has had no material impact 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.

Impact on application of Amendments to IAS 1 and IFRS Practice Statement 2 — Disclosure of Accounting Policies

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

These amendments had no impact on the interim condensed consolidated financial information of the Group as they relate to disclosures of accounting policies in complete financial statements rather than interim financial information. The amendments are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements for the year ending 31 December 2023.

Impact on application of Amendments to IAS 8 — Definition of Accounting Estimates

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the interim condensed consolidated financial statements of the Group.

Impact on application of Amendments to IAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations.

There was no impact on the condensed consolidated statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was no impact on the opening retained earnings as at 1 January 2022. The key impact for the Groups related to the disclosure of deferred tax assets and liabilities recognised, and the relevant disclosure will be provided in the Group's annual financial statements.

Impact on application of Amendments to IAS 12 — International Tax Reform — Pillar Two Model Rules

In May 2023, the IASB has issued amendments to IAS 12 Income Taxes — International Tax Reform — *Pillar Two Model Rules*. The amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's ("**OECD**") international tax reform. The amendments introduce (i) a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and (ii) targeted disclosure requirements for affected entities.

The Group applied the mandatory temporary exception from recognition and disclosure of information about deferred taxes related to Pillar Two income taxes, and the requirement to disclose the application of the exception immediately and retrospectively upon issue of the amendments. The remaining disclosure requirements are required for annual reporting periods beginning on or after 1 January 2023 but are not required for the current interim period.

4. 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	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
Manufacturing and sales of the household and personal care products		
Hair-care products	**91,526**	96,997
Skin-care products	**21**	51
Other household and personal care products	**8,020**	18,542
	99,567	115,590

Disaggregation of revenue from contracts with customers by timing of recognition

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
At a point in time	**99,567**	115,590

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 CODM has 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 segments 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 is 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.

Segment revenue and results

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

For the six months ended 30 June 2023

	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)**
Sales to external customers	**91,526**	**21**	**8,020**	**99,567**
Segment profit/(loss)	**5,831**	**(9)**	**(1,449)**	**4,373**
Bank interest income				**627**
Other income				**834**
Corporate and other unallocated expenses				**(1,316)**
Profit before taxation				**4,518**

For the six months ended 30 June 2022

	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)
Sales to external customers	96,997	51	18,542	115,590
Segment loss	(11,484)	(18)	(4,424)	(15,926)
Bank interest income				221
Other income				1,179
Corporate and other unallocated expenses				(1,662)
Loss before taxation				(16,188)

Segment results represent the profit earned by/(loss) from each segment without allocation of bank interest income, gain on sales of scrap materials, government grants, central administrative costs and directors' emoluments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. FINANCE COST

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on lease liabilities	**715**	1,198

6. PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**(627)**	(221)
Government grants	**(435)**	(132)
Reversal of allowance losses on inventories (included in cost of inventories recognised as an expense)	**(425)**	(92)
Depreciation of property, plant and equipment	**6,045**	9,178
Depreciation of right-of-use assets	**4,364**	5,776
Obsolete inventories written-off (included in cost of inventories recognised as an expense)	**382**	163
Loss on disposal of property, plant and equipment	**134**	—

7. 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 State Taxation Administration 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. On 2 April 2021, a circular was issued by Ministry of Finance and State Taxation Administration, the corporate income tax was halved on the basis of above preferential policies and the policies were extended from 1 January 2021 to 31 December 2022. On 26 March 2023, a circular was issued by Ministry of Finance and State Taxation Administration, the small-scaled minimal profit enterprise with an annual taxable income below RMB1,000,000 is entitled to a preferential tax treatment of 25% included in taxable income and application of income tax rate as 20% from 1 January 2023 to 31 December 2024. On 2 August 2023, a circular was issued by Ministry of Finance and State

Taxation Administration and the above preferential policies were further extended to 31 December 2027. Certain PRC subsidiaries of the Group were qualified for the six months ended 30 June 2022 and 2023.

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 month ended 30 June 2022 and no tax is payable on the profit for the six months ended 30 June 2023 since the assessable profit is wholly absorbed by tax losses brought forward.

(ii) No provision for Hong Kong Profits Tax has been provided for the six months ended 30 June 2023 and 2022 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 six months ended 30 June 2023 and 2022.

8. DIVIDENDS

No dividend was paid or proposed for the six months ended 30 June 2023 (six months ended 30 June 2022: nil), nor has any dividend been proposed since the six months ended 30 June 2023.

9. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the earnings for the period of approximately RMB4,518,000 (six months ended 30 June 2022: loss for the period of approximately RMB16,188,000) and the weighted average number of approximately 3,162,441,000 (six months ended 30 June 2022: approximately 3,162,441,000) ordinary shares in issue during the period.

Diluted earnings/(loss) per share was the same as the basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2023 and 2022 or at the end of both reporting periods.

10. 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 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Less than 3 months	**14,076**	14,281
Total debtors, net of allowance for impairment of trade receivables	**14,076**	14,281
Prepayment for purchase of raw materials	**3,297**	1,864
Other prepayments	**1,273**	1,402
Bank interest receivables	**—**	1,500
Non-income tax receivables	**119**	131
Other receivables	**2,122**	1,036
	20,887	20,214

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

11. 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 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month or on demand	**7,405**	21,451
After 1 month but within 3 months	**6,082**	14,259
Total creditors	**13,487**	35,710
Promotion fee payables	**7,448**	10,091
Accrued payroll	**1,218**	1,897
Non-income tax payables	**163**	3,979
Other payables and accruals	**22,144**	27,963
	44,460	79,640

12. SHARE CAPITAL

	Number of shares *'000*	Amount *RMB'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2022 (audited), 31 December 2022 (audited), 1 January 2023 (audited) and 30 June 2023 (unaudited)	10,000,000	880,500
Issued and fully paid:		
At 1 January 2022 (audited), 31 December 2022 (audited), 1 January 2023 (audited) and 30 June 2023 (unaudited)	3,162,441	277,932

BUSINESS REVIEW

The Directors report that the total revenue of the Group for the six months ended 30 June 2023 was approximately RMB99.6 million, representing a decrease of approximately 13.9% from approximately RMB115.6 million for the same period last year. The operating profit of the Group for the six months ended 30 June 2023 was approximately RMB5.2 million, as compared with the operating loss of approximately RMB15.0 million for the same period last year.

For the six months ended 30 June 2023, the net profit of the Group was approximately RMB4.5 million, as compared with the net loss of approximately RMB16.2 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.

During the period under review, we advertised our Bawang branded products inside the metro stations of Shenzhen and other 1st-tier cities. We made good use of our official Weibo (微博) account to initiate popular and/or charitable blog topics to implant customers' interest in our Bawang branded products and to enhance the publicity and exposure of our Bawang branded products.

During the period under review, we continued to promote and cultivate customers' interest in our branded products on content platforms that are well-liked by customers such as Douyin (抖音), Kuaishou (快手), Weibo, Xiaohongshu (小紅書) and Bilibili (嗶哩嗶哩) using communication means that are well-liked by customers such as graphics + text and short video clips. We attracted consumers to buy our products through in-store counter-shows in various hypermarkets, so as to strengthen our distributors' confidence in our brand promotion efforts and accelerate the development of a new distribution network.

During the period under review, we made a cross-sector cooperation with Fairy Sword and Chivalrous Legend (仙劍奇俠傳). We produced a cobranded limited-edition haircare shampoo gift-pack with the Fairy Sword and Chivalrous Legend packaging design coupled with Bawang classic regrown shampoo. Right before the 618 Shopping Festival this year, we initiated a blog in Weibo to enhance online discussions over our cross-sector cooperation on the co-branded Fairy Sword and Chivalrous Legend. At the same time, we cooperated with more than 50 well-known bloggers to relay on their blogs the publicity materials of Bawang from our official Weibo and embedded a hyperlink that would automatically be directed to our flagship shop at T-Mall so as to increase online sales revenue.

During the period under review, we continued to participate in community welfare events so as to enhance our public image as a responsible corporation. During the Women's Day on the 8th of March and in conjunction with the Guangzhou Hailong Sub-district Social Service Station, we made courtesy visits and donated shampoos, shower gels and other household care products to the needy women in the community. In collaboration with the Guangzhou Community Social Service Station of Qianjin Sub-district, Tianhe District, we carried out the charitable sales in the neighbourhood and donated shampoos, shower gels and other household care products to the impoverished families. We believe that these types of social activities help to publicise our corporate mission and enhance our corporate image.

As at 30 June 2023, the Bawang brand distribution network comprised 1,089 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, Malaysia, USA and Mongolia.

During the period under review, the Group marketed our branded shampoo products, "Royal Wind", with the theme "Let's chase for the wind rather than wait for the wind". As at 30 June 2023, the Royal Wind brand distribution network comprised 1,058 distributors and one KA retailer, covering 26 provinces and four municipalities in China. Furthermore, "Royal Wind" products were also sold in Hong Kong, Singapore, Thailand and Malaysia.

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 to cover the whole of China. As at 30 June 2023, the Litao products distribution network comprised 1,058 distributors and one KA retailer, 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 through the use of herbal-based products for skincare purposes.

As at 30 June 2023, the Group has established online flagship stores for our Bawang, Royal Wind and Herborn branded products on 17 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:

— the permit for production of cosmetic products, which was issued by Guangdong Provincial Food and Drug Administration, is valid until May 2027;

— our Chinese herbal hair care series shampoo, Chinese antidandruff series shampoo and Chinese herbal skin care series body wash series products have been recognized as "The 2022 Elite High-Tech Products in Guangdong Province (2022年度廣東省名優高新技術產品)" by the Guangdong Hi-tech Enterprise Association (廣東省高新技術企業協會) in January 2023 and valid for a period of three years until January 2026;

— our production process for haircare and skincare products has been certified by SGS with a validity period until July 2025 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 2025 as to meet the requirements of ISO22716:2007 by reference to Cosmetic Good Manufacturing Practices (GMP) Guidelines;

— we were awarded "Committee Unit" by Guangdong Food & Drug Technology Association for Evaluation & Certification (廣東省食品藥品審評認證技術協會), which is valid until December 2023; and

— we were accredited as Grade A credit rating taxpayer for financial year 2022 by Guangzhou Municipal Tax Service of the State Taxation Administration on 8 August 2023.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2023, the Group's revenue from operations amounted to approximately RMB99.6 million, representing a decrease of approximately 13.9% from approximately RMB115.6 million for the same period last year. Revenue through the online sales channel was approximately RMB45.7 million, representing a decrease of approximately 12.6% from approximately RMB52.3 million for the same period last year.

During the six months ended 30 June 2023, the Group's core brand, Bawang, generated a revenue of approximately RMB96.1 million, which accounted for approximately 96.5% of the Group's total revenue, and represented a decrease of approximately 13.6% as compared with the same period last year.

During the six months ended 30 June 2023, the Group's branded Chinese herbal anti-dandruff haircare series, Royal Wind, generated a revenue of approximately RMB1.1 million, which accounted for approximately 1.1% of the Group's total revenue, and represented a decrease of approximately 43.6% as compared with the same period last year.

During the six months ended 30 June 2023, the Group's natural-based branded shampoo, shower gel and laundry detergent products series, Litao, generated a revenue of approximately RMB2.3 million, which accounted for approximately 2.3% of the Group's total revenue, and represented a slight increase of approximately 1.8% as compared with the same period last year.

During the six months ended 30 June 2023, the Group's branded Chinese herbal skincare series, Herborn, generated a revenue of approximately RMB22,000, which accounted for approximately 0.02% of the Group's total revenue, represented a decrease of approximately 56.0% 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 2023, a summary of our sales revenue in percentage through different networks and/or channels are as follows:

Network/Channel	**Conventional**	**Online**	**Total**
	(%)	*(%)*	*(%)*
Distributor	51.0%	28.4%	79.4%
Retailer	3.0%	17.6%	20.6%
Total	54.0%	46.0%	100.0%

During the six months ended 30 June 2023, our products were also sold in Hong Kong, Singapore, Thailand, Malaysia, the USA and Mongolia. The sales to Hong Kong and these overseas markets accounted for approximately 1.1% of our total revenue during the six months ended 30 June 2023.

Cost of Sales

During the six months ended 30 June 2023, cost of sales amounted to approximately RMB58.3 million, representing a decrease of approximately RMB17.2 million (or approximately 22.8%) from approximately RMB75.5 million during the same period last year. As a percentage of revenue, cost of sales for the six months ended 30 June 2023 decreased from approximately 65.3% in 2022 to approximately 58.6%, which was mainly due to overall decrease in all costs of raw material, packaging material, direct labour and manufacturing.

Gross Profit

During the six months ended 30 June 2023, the Group's gross profit amounted to approximately RMB41.2 million, representing an increase of approximately 2.8% from approximately RMB40.1 million for the same period last year. The gross profit margin for the six months ended 30 June 2023 also increased from approximately 34.7% in the first half of 2022 to approximately 41.4%. Such increase was mainly attributable to a decrease in the average unit cost of production.

Selling and Distribution Costs

During the six months ended 30 June 2023, selling and distribution costs amounted to approximately RMB27.6 million, representing a decrease of approximately 38.3% from approximately RMB44.7 million for the same period last year. As a percentage of revenue, our selling and distribution costs for the six months ended 30 June 2022 decreased from approximately 38.7% in 2022 to approximately 27.7% in 2023. The decrease was primary due to a decrease in promotion fee, goods delivery expenses and advertising and brand promotion expenses.

Administrative Expenses

During the six months ended 30 June 2023, administrative expenses amounted to approximately RMB9.7 million, representing a decrease of approximately 30.2% from approximately RMB13.9 million for the same period last year. The decrease was primarily due to a decrease in research and development expenses, and also salaries and bonus.

Impairment Losses of Trade Receivables

For the period under review, the Group recognized impairment losses of approximately RMB48,000 in respect of trade receivables following the management's assessment on credit risk of our financial assets by adopting the expected credit loss model according to IFRS 9.

Profit from Operations

The Group recorded an operating profit of approximately RMB5.2 million for the six months ended 30 June 2023, as compared with the operating loss of approximately RMB15.0 million for the same period last year. The operating profit was mainly attributable to an increase in gross profit and the notable decreases in the selling and distribution costs and administrative expenses.

Finance Cost

For the six months ended 30 June 2023, the finance cost represented 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 2022: RMB1.2 million).

Other Income

The Group recorded other income of approximately RMB1.5 million for the six months ended 30 June 2023, representing a slight increase of approximately 7.1% from approximately RMB1.4 million for the same period last year. Such increase was primarily attributable to an increase in bank interest income and government grants, but was partially offset by the decrease in gain on sales of scrap materials.

Income Tax Expense

During the six months ended 30 June 2023, the Group had no income tax expense (six months ended 30 June 2022: nil).

Net Profit for the Period

As a result of the combined effect of the abovementioned factors, the Group recorded a net profit of approximately RMB4.5 million for the six months ended 30 June 2023, as compared with the net loss of approximately RMB16.2 million for the six months ended 30 June 2022.

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 RMB4.5 million for the six months ended 30 June 2023, as compared with a loss attributable to owners of the Company of approximately RMB16.2 million for the six months ended 30 June 2022.

OUTLOOK

In late July 2023, the International Monetary Fund ("**IMF**") cut its growth forecast for China's economy to 5.2 per cent for 2023, which has remained constant since January this year. The IMF expected the China economic growth rate would decrease to 4.5% cent in 2024.

In the first half of 2023, China's economy has benefitted from the pick-up of the mobility and activity after the lifting of pandemic restrictions, though it still faced significant economic challenges, including the contraction in the real estate sector.

According to statistics released by China's National Bureau of Statistics (國家統計局) ("**NBS**") in mid-July 2023, the gross domestic product ("**GDP**") recorded a 5.5 per cent year-on-year growth in the first half of 2023, which was driven by stronger consumption and steadily improving services starting from the beginning of this year following the easing of strict lockdown policies.

In the fifth session of the 14th National People's Congress of China, a GDP growth target of around 5.0 per cent in 2023 was made, which tends to be more conservative than the economic forecast of six international investment banks ranging from 5.1% to 5.7% of growth for this year.

An analyst indicated that the market confidence is expected to be further enhanced because of the effective policies to promote economic recovery, continuous improvements to a market-oriented, rule-of-law based, and internationalized business environment, and targeted relief measures to tackle businesses' difficulties.

With adverse effect on China's economy growth that may be caused by the recent deepening of the wave of loan defaults in the property developers sector, the Directors tend to be very cautious about the optimistic economic forecast for 2023 as well as formulating the ongoing business strategies of the Group.

The Group will continue its corporate scheme "Continue our Growth at a Steady Pace".

For Bawang-branded products, the Group intends to adopt the following strategies for publicity and promotion of its branded products and enhancement of revenue:

(1) we will continue to provide consumers with quality China-chic products, leveraging on the Chinese consumers' desire for and confidence in domestically manufactured products in promoting our branded products series;

(2) we will roll out our new anti hair-fall shampoo products (熬夜脱) and scented shampoo bottles series (蓬蓬香囊瓶), seeking to rebrand the perceived image of older customer base of Bawang shampoo products and to attract high-end

customers. We will roll out Bawang herbal shampoo and hair-care product series with young and trendy packaging and with herbal extract formula which are specifically tailor-made to suit the characteristics of the hair of Chinese customers so as to attract more young customers and to increase sales through the conventional channel.

(3) we will roll out dedicated promotional themes and different unique IP images for various festivals together with new packaging of Bawang anti-hair fall shampoo series to attract the attention of young consumers and to arouse their purchase interests;

(4) we will continue to promote Bawang branded products through implanted commercials in cross-sector cooperations, and participating in more charitable communities services with implanted commercials; and

(5) we will continue to make use of our own official Weibo channel for Bawang shampoo and the platforms of other new social media such as Tik Tok, Kuaishou and Bilibili for sharing and disseminating promotional messages and product evaluations. We hope to achieve wide-spread publicity for the Bawang brand quickly and arouse our target customers' purchasing interests and to accelerate the sales growth of our branded products.

For Royal Wind branded product series, the Group will sell these branded products, which are mainly hair-care product series, through both conventional and online sales channels so as to attract more young consumers and to enhance sales revenue of this brand.

For Litao branded product series, the Group will continue with its household care brand positioning, and will continue to sell laundry detergent and other HPC products through our conventional channel.

For Herborn branded product series, apart from selling our original designed and manufactured skin-care products, the Group plans to expand this skin-care product line into shampoo products so as to supplement the previously underdeveloped market for enhancement of sales revenue from this brand.

For conventional channels, the Group will continue to deepen cooperation and interaction with distributors by:

(1) making use of the distributor meetings in the second half this year for developing new distributors and for establishing point-of-sales in the uncovered markets with sales potential for increasing sales revenue;

(2) making use of various major festive days such as the Mid-Autumn Festival and the National Day Holiday for carrying out promotional activities in shopping malls to increase sales;

(3) increasing the frequency of weekend promotion and publicity counter-shows inside those major points-of-sales and making use of the creative performances to arouse shoppers' attention and to achieve positive impacts on our brand influence; and

(4) continuing to maintain the image of window displays at those major points-of-sales for enhancing the sales revenue and strengthening the quality sales support services offered to key accounts so as to stabilise the sales revenue generated from this channel.

As for the online sales channel, the Group hopes to achieve stable growth through implementation of the following plans:

(1) The Group will manage to direct the consumers to our flagship stores on T-Mall through other media platforms, such as Xiaohongshu (小紅書), KOL talk-shows (達人直播), and Alimama (阿里媽媽) Commercials. Through optimization of operational efficiency, we manage to maintain the market share of hot sales items. While we satisfy the needs of new generation of consumers, we will upgrade the hair-care product category such as hair spray, regrown shampoo, hair-care essence, hair mask, etc. with a view to bringing energizing experience to the users so as to arouse their interests to purchase these products, and to enhance the sales revenue through Taobao channel.

(2) Through the mass re-directions of consumers from Toutiao (今日頭條), Ju Baopen (聚寶盆) to our T-Mall Supermarket, while we maintain current availability of our hot sales item — anti hair-fall regrown shampoos, we provide upgraded versions of hair-care essence and hair mask to the consumers for experiencing the quality of our products, which arouse the consumers' interest to purchase so as to increase the sales revenue on Taobao channel.

(3) We will transform the sales platform on JD.com from consigned sales into direct-operated stores. Through vertical-upgrading the availability of shampoo product categories and horizontal-expanding the availability of individual hair-care products such as hair conditioner, hair mask, and shower gel so as to enhance market share and to satisfy the differentiated needs of consumers with a view to enhancing the sales revenue through this channel.

(4) As the main target for sales growth on Pinduoduo channel, we manage to attract the consumers to our store on Pinduoduo via Duoduo Live-streaming (多多視頻), short videos, and Duoduo Jinbao (多多進寶). Whilst stabilizing the market share of hot items, such as camellia hair-care essence and fleece flower shampoo, we plan to roll out fragrant shampoo and hyaluronic acid shampoo to satisfy the needs of different consumers for different products so as to enhance the sales revenue through this channel.

(5) The Group will increase its spending in the live video-streaming so as to increase sales revenue through instant online sales carried out by the channel broadcasters. Through the circulations of Account Directory (財號主頁) and Qianchuan Commercials (千川廣告), we can accurately direct the potential consumers to our instant online sales stores so as to increase the sales from this channel.

(6) As for our online distributors, we will maintain the key online distributors by assisting them to do inventory planning and management for smooth operations of supply chain. Taking the opportunity of the Double 11 promotion period, we will provide the online distributors with dedicated supports and resources. We will actively explore the opportunity to develop new online distributors for increasing sales revenue.

For production management, we always put "production safety" as our top priority. Whilst ensuring the quality of products and controlling the costs of production as our operational guidance of our value chain, we have further ensured reasonable utilizations of the existing production resources, strengthening our research and development capability, optimization of our production process, stringent quality control, enhancement of storage utilization rates, reduction of production costs through minimization of spoilage and wastage and conservation of water, electricity and gas, and enforcement of intensive controls over the production flows and processes to ensure the quality of our products for sales in the market while at the same time maintain the reputation of quality of our products and achieve competitive cost advantage in the market.

We will adopt a flexible supply chain management approach to plan and design the production workshop, to reasonably maximize the production effectiveness, and to schedule for proper maintenance of production facilities for prolonging their useable lives, which will optimize our production efficiency and minimize production costs.

We will continue to adopt a complete performance-based assessment system. We will apply the concept of people-oriented concept for organizational management. We will install highly-automated production equipment which serves to ignite the dynamism and enthusiasm from individual staff members for the purpose of enhancing efficiency, reducing the production costs and increasing workers' income.

For our original equipment manufacturers ("**OEM**") business, we will make use of our competitive advantages in our original professional design, research and development capabilities, mature production management techniques and advanced production infrastructures for expanding our OEM business with a view to strengthening our co-operations with quality customers so as to increase our market share and influence in this business sector.

We believe that through the above-mentioned resources management and workflow integration to maximise production effectiveness under reasonable control over the "Costs Reduction Effectiveness Enhancement", we can achieve high quality sustainable development and we can also create more returns for our shareholders.

As part of the business expansion plan, the Group will continue to explore the possibility with potential distributors for cooperation, and will actively promote and develop the social e-commerce platform business so as to increase sales. The Group is open to explore further business opportunities with potential overseas distributors for launching our branded products to other countries.

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 and in the midst of geopolitical conflicts 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; and 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 worldwide.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group adopts conservative financial management policies and maintains a good and solid financial position. As at 30 June 2023, the time deposits, bank balances and cash of the Group were approximately RMB107.6 million (as at 31 December 2022: approximately RMB124.4 million). Of which, the total time deposits with various maturity dates of the Group were approximately RMB50.0 million (As at 31 December 2022: RMB50.0 million). A summary of liquidity and financial resources as at the dates indicated is set out below:

	30 June 2023	31 December 2022
	RMB in million	*RMB in million*
	(Unaudited)	(Audited)
Time deposits, bank balances and cash	**107.6**	124.4
Total loans	**0**	0
Total assets	**212.5**	244.2
The gearing ratio[1]	**0%**	0%

Note:

1. Calculated 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 2023, 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 of the Group and is prepared to take prudent measures such as hedging when required.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

As at 30 June 2023, the Group had no capital commitment for acquisition of property, plant and equipment.

CHARGE OF ASSETS

As at 30 June 2023, the Group did not have any pledge of assets.

TRADE AND OTHER PAYABLES

As at 30 June 2023, the trade and other payables of the Group were approximately RMB44.5 million (As at 31 December 2022 approximately RMB79.6 million), which represented a decrease of 44.1%. As at 30 June 2023, 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 2023 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 2023.

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 2023 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 2023.

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 2023 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, 30 August 2023

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, Mr. CHEUNG Kin Wing, Dr. WANG Qi, and Dr. LIU Jing.