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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of BaWang International (Group) Holding Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**" or "**we**") for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019.

The Board refers to the profit warning announcement dated 12 January 2021. The following sets forth a summary of the audited consolidated results of the Group for the year ended 31 December 2020:

Total revenue of the Group was approximately RMB276.0 million, representing an increase of approximately 6.9% from approximately RMB258.2 million for 2019.

Revenue from the online sales channel was approximately RMB153.5 million, which remained relatively stable as compared with approximately RMB152.8 million in 2019.

Operating loss of the Group was approximately RMB2.8 million, as compared with an operating loss of approximately RMB12.9 million for 2019.

The actual operating loss of approximately RMB2.8 million was lower than the expected operating loss in the region of RMB6.0 million as disclosed in the profit warning announcement dated 12 January 2021. The favourable variance in the operating loss for 2020 was mainly attributable to over-provision of depreciation on certain impaired property, plant and equipment, but was partially offset by recognition of impairment losses in respect of trade receivable after performing credit risk assessment.

Net loss was approximately RMB4.0 million, as compared with a net loss of approximately RMB6.1 million for 2019.

Loss attributable to owners of the Company was approximately RMB4.0 million, as compared with the loss attributable to owners of the Company of approximately RMB6.1 million for 2019.

Loss per share (Basic and diluted) was approximately RMB0.1277 cents.

Following review of the operating results of the Group, the Board does not recommend the payment of a final dividend.

* *for identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	3	**275,987**	258,158
Cost of sales		**(167,887)**	(143,137)
Gross profit		**108,100**	115,021
Other income	4	**3,719**	3,030
Selling and distribution costs		**(84,476)**	(104,724)
Administrative expenses		**(27,332)**	(30,570)
(Impairment losses)/reversal of impairment losses recognised in respect of trade receivables		**(2,784)**	4,807
Other expenses		**(31)**	(461)
Operating loss		**(2,804)**	(12,897)
Finance costs	5	**(1,234)**	(2,267)
Loss before taxation		**(4,038)**	(15,164)
Income tax credit	6	**—**	9,064
Loss for the year attributable to owners of the Company	7	**(4,038)**	(6,100)
Other comprehensive income/(expense)			
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		**104**	(976)
Loss and total comprehensive expense for the year attributable to owners of the Company		**(3,934)**	(7,076)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the year ended 31 December 2020

	Note	**2020**	2019
Loss per share	*9*		
Basic		**RMB(0.1277) cents**	RMB(0.1929) cents
Diluted		**RMB(0.1277) cents**	RMB(0.1929) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Non-current assets			
Property, plant and equipment	*10*	**78,699**	98,305
Right-of-use assets		**10,853**	30,425
		89,552	128,730
Current assets			
Inventories		**27,307**	29,382
Right to returned goods asset		**920**	2,319
Trade and other receivables	*11*	**24,203**	26,053
Amounts due from related parties		**242**	1,493
Bank balances and cash		**122,342**	102,195
		175,014	161,442
Current liabilities			
Trade and other payables	*12*	**81,137**	75,676
Amounts due to related parties		**74**	47
Contract liabilities		**15,360**	10,775
Refund liabilities		**1,450**	3,894
Lease liabilities		**11,156**	7,330
Bank borrowing		**—**	9,650
Provision		**338**	338
		109,515	107,710
Net current assets		**65,499**	53,732
Total assets less current liabilities		**155,051**	182,462
Non-current liability			
Lease liabilities		**325**	23,802
		154,726	158,660
Capital and reserves			
Share capital		**277,932**	277,932
Reserves		**(123,206)**	(119,272)
		154,726	158,660

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

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 address of the registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is at Bawang Industrial Park, 468 Guanghua 3rd Road, Baiyun District, Guangzhou, 510450, the People's Republic of China (the "**PRC**").

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 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$**").

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)")

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs, which include IFRSs, International Accounting Standards ("**IAS(s)**"), amendments and interpretations issued by the International Accounting Standards Board (the "**IASB**") and the IFRS Interpretations Committee of the IASB which are effective for the Group's financial year beginning 1 January 2020:

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

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRSs and the amendments to IFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 1 and IAS 8, *Definition of Material*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The application of these amendments in the current year had no impact on the consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and related Amendments[5]
Amendments to IFRS 3	Reference to Conceptual Framework[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use[3]
Amendments to IAS 37	Onerous Contacts — Cost of Fulfilling a Contract[3]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Amendment to IFRS 16	COVID-19-Related Rent Concessions[4]
Amendment to IFRSs	Annual Improvements to IFRSs 2018–2020 cycle[3]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after a date to be determined

3 Effective for annual periods beginning on or after 1 January 2022

4 Effective for annual periods beginning on or after 1 June 2020

5 Effective for annual periods beginning on or after 1 January 2023

The Directors anticipate that, except as described below, the application of other new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

Amendment to IFRS 16, *COVID-19-Related Rent Concessions*

The amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 as if the changes were not lease modifications. Forgiveness or waiver of lease payments is accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The amendment is effective for annual periods beginning on or after 1 June 2020. The Directors anticipate that the application of the amendment will have no material impact on the Group's 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 year is as follows.

	2020	2019
	RMB'000	*RMB'000*
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	**249,230**	234,142
Skin-care products	**1,889**	1,798
Other household and personal care products	**24,868**	22,218
	275,987	258,158

Disaggregation of revenue from contracts with customers by timing of recognition

	2020	2019
	RMB'000	*RMB'000*
Timing of revenue recognition		
At a point in time	**275,987**	258,158

Information reported to the executive directors of the Company, being the chief operating 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.

Segment revenue and results

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

	Hair-care products		**Skin-care products**		**Other household and personal care products**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Sales to external customers	**249,230**	234,142	**1,889**	1,798	**24,868**	22,218	**275,987**	258,158
Segment profit/(loss)	**4,190**	(5,179)	**(768)**	94	**(6,878)**	(7,885)	**(3,456)**	(12,970)
Bank interest income							**1,563**	514
Other income							**2,156**	2,516
Corporate and other unallocated expenses							**(4,258)**	(4,639)
Finance costs							**(43)**	(585)
Loss before taxation							**(4,038)**	(15,164)

The accounting policies of the operating segments are the same as the Group's accounting policies. 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, net foreign exchange losses, central administrative costs, directors' emoluments and interest on bank borrowing. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment.

Other segment information

	Hair-care products		Skin-care products		Other household and personal care products		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Amounts included in the measure of segment results								
Additions to property, plant and equipment	**2,687**	3,833	**20**	29	**268**	364	**2,975**	4,226
Depreciation of property, plant and equipment	**20,195**	18,766	**153**	144	**2,015**	1,781	**22,363**	20,691
Depreciation of right-of-use assets	**6,654**	6,991	**51**	54	**664**	663	**7,369**	7,708
Interest on lease liabilities	**1,076**	1,525	**8**	12	**107**	145	**1,191**	1,682
Loss on disposals of property, plant and equipment	**2**	165	**—**	1	**—**	16	**2**	182
Write-off of property, plant and equipment	**26**	2	**—**	—	**3**	—	**29**	2
Gain on lease modification	**(338)**	—	**(3)**	—	**(34)**	—	**(375)**	—
Impairment loss/(reversal of impairment loss) recognised in respect of trade receivables	**2,514**	(4,340)	**19**	(33)	**251**	(434)	**2,784**	(4,807)
Reversal of allowance for inventories	**(275)**	(2,672)	**(2)**	(20)	**(27)**	(254)	**(304)**	(2,946)
Obsolete inventories written-off	**1,265**	2,310	**10**	18	**126**	219	**1,401**	2,547
Amounts regularly provided to the CODM but not included in the measure of segment results								
Interest on bank borrowing	**—**	—	**—**	—	**—**	—	**43**	585
Bank interest income	**—**	—	**—**	—	**—**	—	**(1,563)**	(514)

Geographical information

The Group's operations are mainly located in the PRC (country of domicile) and Hong Kong.

The geographical location of customers is based on the location at which the goods delivered. The geographical location of the non-current assets is based on the physical location of the assets, in the case of property, plant and equipment and right-of-use assets.

	Revenue from external customers		Non-current assets	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC (country of domicile)	271,622	255,134	88,746	127,747
Hong Kong	2,016	2,336	806	983
Thailand	814	236	—	—
Malaysia	1,535	452	—	—
Total	275,987	258,158	89,552	128,730

Information about major customers

Details of the customer contributing over 10% of total revenue of the Group are as follows:

	2020	2019
	RMB'000	*RMB'000*
Customer A*	**30,281**	30,157

* Revenue from segment of hair-care products

4. OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Bank interest income	**1,563**	514
Gain on sales of scrap materials	**690**	845
Government grants *(note (a))*	**1,143**	1,403
Others	**323**	268
	3,719	3,030

Note:

(a) Various government grants were received by the Group in respect of application of Chinese herbs in daily products. During the year ended 31 December 2020, the Group recognised government grants of RMB80,000 related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. There are no unfulfilled conditions and other contingencies related to receipts of these grants.

5. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest on:		
Bank borrowing	**43**	585
Lease liabilities	**1,191**	1,682
	1,234	2,267

6. INCOME TAX CREDIT

	2020	2019
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")		
— Current year	**—**	6
— Over provision in prior years *(note d)*	**—**	(9,070)
	—	(9,064)

(a) 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.

From 1 January 2019 to 31 December 2021, under relevant PRC Enterprise Income Tax Law, for PRC enterprises that qualifies for small enterprises, annual taxable income below RMB3 million and thin-profit enterprises with an annual taxable income of RMB1 million or less are applicable to the effective tax rate of 5%.

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 EIT for the years ended 31 December 2020 and 2019.

(b) No provision for Hong Kong Profits Tax has been provided for the years ended 31 December 2020 and 2019 as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the years ended 31 December 2020 and 2019.

(c) 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 years ended 31 December 2020 and 2019.

(d) Based on the facts and circumstances and an independent tax consultant report obtained by the Directors in the year ended 31 December 2019, the Group concluded that there was an over provision of EIT in prior years and credited in profit or loss for the year ended 31 December 2019.

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	2020	2019
	RMB'000	*RMB'000*
Auditor's remuneration	**903**	1,100
Cost of inventories recognised as an expense *(note (a))*	**168,191**	146,083
Depreciation of property, plant and equipment	**22,363**	20,691
Depreciation of right-of-use assets	**7,369**	7,708
Loss on disposals of property, plant and equipment	**2**	182
Write-off of property, plant and equipment	**29**	2
Net foreign exchange losses	**98**	242
Research and development costs recognised as an expense	**13,586**	14,323
Staff costs *(note (b))*	**55,909**	54,721
Reversal of allowance for inventories (included in cost of inventories recognised as an expense)	**(304)**	(2,946)
Obsolete inventories written-off (included in cost of inventories recognised as an expense)	**1,401**	2,547

Notes:

(a) Cost of inventories recognised as an expense included depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs of approximately RMB21,278,000 (2019: RMB20,033,000), RMB7,369,000 (2019: RMB7,708,000) and RMB21,967,000 (2019: RMB17,002,000) respectively. The amounts were also included in the respective amounts disclosed above.

(b) Staff costs included redundancy costs of approximately RMB626,000 for the year ended 31 December 2020 (2019: approximately RMB1,154,000).

8. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2020 (2019: nil), nor has any dividend been proposed since the end of the reporting period (2019: nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2020	2019
	RMB'000	*RMB'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(4,038)**	(6,100)

	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,162,289**	3,162,289

Diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2020 and 2019 or at the end of both reporting periods.

10. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2019, buildings with carrying value of approximately RMB3,186,000 (2020: nil) have been pledged to secure banking facilities granted to the Group.

11. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Receivables within the scope of IFRS 15 at amortised cost comprise:		
Trade receivables	**29,160**	26,090
Less: allowance for impairment of trade receivables	**(7,050)**	(4,612)
	22,110	21,478
Prepayment for purchase of raw materials	**680**	2,103
Other prepayments	**655**	1,940
Non-income tax receivables	**278**	111
Other receivables	**480**	421
	24,203	26,053

The Group allows an average credit period of 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2020	2019
	RMB'000	*RMB'000*
Less than 3 months	**21,858**	18,990
More than 3 months but less than 6 months	**252**	2,165
More than 6 months but less than 12 months	**—**	323
	22,110	21,478

12. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**35,108**	32,561
Payable for acquisition of property, plant and equipment	**1,933**	1,933
Promotion fee payables	**8,681**	8,250
Accrued payroll	**2,833**	1,902
Non-income tax payables	**1,681**	3,233
Other payables and accruals	**30,901**	27,797
	81,137	75,676

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month or on demand	**26,839**	25,195
After 1 month but within 3 months	**8,269**	7,366
	35,108	32,561

The average credit period on purchases is 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

BUSINESS REVIEW

The Directors report that the total revenue of the Group for the year ended 31 December 2020 was approximately RMB276.0 million, representing an increase of approximately 6.9% from approximately RMB258.2 million for 2019. The operating loss of the Group for the year ended 31 December 2020 reduced to approximately RMB2.8 million as compared with an operating loss of approximately RMB12.9 million for 2019.

For the year ended 31 December 2020, the net loss of the Group was approximately RMB4.0 million, as compared with a net loss of approximately RMB6.1 million for 2019.

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

During the year 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.

Since late 2020, the coronavirus pandemic has had a great impact on the daily lives of people. Health awareness has significantly increased across China and the demand for personal and household hygiene products remained strong. Bawang purposefully rolled out value-for-money family size packaging series to satisfy the consumers' demand for hair-care products.

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 handwash, and anti-bacterial hand gel during the year 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 year under review, through cross-industry cooperation, we successfully rolled out gift-pack product series during the Chinese online shopping festivals such as 3.8 Women's Day, 6.18 Festival, 7.7 Festival, and Double 11 Festival, which drew the attention of consumers and were well-received by them. At the same time, we displayed our products inside 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 mega-display screens in selected Guangzhou metro stations.

During the year under review, the Group appointed the winner of the 7th Annual Young Popular Idol, Ms. Sun Rui (孫芮), as our short-term image and brand ambassador for our branded products for the purpose of creating a young and energetic brand image as so to attract the attention of young female consumers.

During the year 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 good use of 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 sales channel for college students. Leveraging 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 to publicise and educate young people in understanding 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 was dedicated for treatment of COVID-19, for the daily use by resident medical staff members and patients during the year under review. To publicise our corporate mission and to establish our brand image, we donated our branded products to elderly care centres in Guangzhou, the schools for peasants and workers, and various communities.

As at 31 December 2020, the Bawang brand distribution network comprised approximately 838 distributors and six KA retailers, covering 27 provinces and four municipalities in China. Furthermore, the Bawang-branded products were also sold in Hong Kong, Thailand and Malaysia.

During the year under review, the Group enhanced product formula and upgraded packaging to promote new Royal Wind branded shampoo products primarily for the online sales channel. As at 31 December 2020, the Royal Wind brand distribution network comprised approximately 178 distributors and six KA retailers, covering 27 provinces and four municipalities in China.

The Litao products mainly comprise shower gels and laundry detergents, which target consumers living in the second-tier or third-tier cities in China. The Group's goal is to maintain market coverage in the traditional channel. As at 31 December 2020, the Litao products distribution network comprised approximately 54 distributors, covering 27 provinces and four municipalities in China.

The Herborn Chinese herbal skin-care product series targets white-collar ladies in the age range from 25 to 45 who have relatively high net incomes and who are dedicated to pursuing a healthy and natural lifestyle. We sold the products through our online sales channel and staff or group purchase.

The Group has established 12 online retailing platforms for our Bawang, Royal Wind and Herborn branded products, of which two were established during the year under review.

For the year under review, we obtained and/or renewed and/or possessed the certificates and/or recognitions as follows:

— 10 Bawang-branded Chinese herbal shampoos and hair-care series products have been recognised as "The 2019 New High-Tech Products in Guangdong Province (廣東省高新技術產品)" by the Guangdong Provincial New Hi-tech Enterprise Association (廣東省高薪技術企業協會) in December 2019 for a period of three years until the end of 2022;

— the permit for production of cosmetic products, which was issued by Guangdong Provincial Food and Drug Administration, remains valid until March 2026;

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

— we were recognised as the "Excellent Partner" by the Panyu Branch of Industrial and Commercial Bank of China in January 2020;

— we have been accredited as a "Committee Unit" until December 2023 by Guangdong Food and Drug Technology Association for Evaluation & Certification;

— Bawang (Guangzhou) Co., Ltd was awarded "Caring & Charitable Enterprise" jointly by Trend Setting Welfare Organisation (風向標公益組織) and Guangzhou Qianjin Street Social Welfare Service Station (廣州市前進街社工服務站) in September 2020;

— Bawang (Guangzhou) Co., Ltd was awarded "2019 Key Tax Payer — Silver Prize" by the People's Government of Jianggao Town, Baiyun District, Guangzhou in December 2020; and

— our Bawang brand was awarded a certification as "China Trend, China Product" by the organising committee of Jinmai Awards (金麥獎) in December 2020.

FINANCIAL REVIEW

Revenue

During the year under review, the Group's revenue was approximately RMB276.0 million, representing an increase of approximately 6.9% from approximately RMB258.2 million for 2019. The revenue through the online sales channel remained relatively stable as compared with 2019 and the revenue through the conventional sales channel increased by approximately 16.3% as compared with 2019.

The Group's core brand, Bawang, generated approximately RMB261.0 million in revenue, which accounted for approximately 94.6% of the Group's total revenue by product category in 2020, and represented an increase of approximately 8.1% as compared with 2019.

The branded Chinese herbal anti-dandruff hair-care series, Royal Wind, generated approximately RMB4.9 million in revenue, which accounted for approximately 1.8% of the Group's total revenue by product category in 2020, and represented a decrease of approximately 30.0% as compared with 2019.

The natural-based branded shampoo, shower gel and laundry detergent products series, Litao, generated approximately RMB7.6 million in revenue, which accounted for approximately 2.8% of the Group's total revenue by product category in 2020, and represented an increase of approximately 1.3% as compared with 2019.

The branded Chinese herbal skin-care series, Herborn, generated approximately RMB2.0 million in revenue, which accounted for approximately 0.7% of the Group's total revenue by product category in 2020, and represented an increase of approximately 11.1% as compared with 2019.

We sold our products through extensive distribution and retail networks, and via conventional and online sales channels. During the year ended 31 December 2020, a summary of our sales revenue in percentage through different networks and/or channels is as follows:

Network/Channel	**Conventional**	**Online**	**Total**
	(%)	*(%)*	*(%)*
Distributor	36.0	24.7	60.7
Retailer	8.4	30.9	39.3
Total	44.4	55.6	100.0

In 2020, our products were also sold in Hong Kong, Thailand and Malaysia. The sales to these overseas markets accounted for approximately 1.6% of our total revenue in 2020.

Cost of Sales

Cost of sales in 2020 amounted to approximately RMB167.9 million, representing an increase of approximately 17.3% compared with approximately RMB143.1 million in 2019. The overall increase in cost of sales was mainly due to an increase in production volume as explained in below leading to an increase in raw materials consumed and costs of direct labour, which was driven by higher demand for our products. As a percentage of revenue, cost of sales increased from approximately 55.4% in 2019 to approximately 60.8% in 2020.

Gross Profit

During the year under review, the Group's gross profit decreased to approximately RMB108.1 million, representing a decrease of approximately 6.0% as compared with approximately RMB115.0 million for 2019. The gross profit margin decreased from approximately 44.6% for 2019 to approximately 39.2% for 2020. Such decrease was mainly attributable to (i) an increase in the cost of sales as aforementioned; and (ii) 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 for the year ended 31 December 2020, but this effect was partially offset by a reduction in selling and distribution costs.

Other Income

During the year under review, other income increased to RMB3.7 million, representing an increase of 23.3% as compared with 2019.

Selling and Distribution Costs

Selling and distribution costs decreased to approximately RMB84.5 million for 2020, representing a decrease of approximately 19.3% as compared to that for 2019. Such decrease was mainly due (i) to the change in the Group's marketing and sales policy as aforementioned which resulted a reduction in promotion, advertising and branding expenses; and (ii) a decrease in outsourced labour costs, but these decreases were partially offset by an increase in salaries and bonuses and goods delivery expenses. As a percentage of revenue, our selling and distribution costs decreased from approximately 40.5% in 2019 to 30.6% in 2020.

Administrative Expenses

Administrative expenses for 2020 amounted to approximately RMB27.3 million, representing a decrease of approximately 10.8% as compared with approximately RMB30.6 million in 2019. Such decrease was mainly due to the decrease in research and development expenses and entertainment expenses, as well as the decrease in the amount of social insurance contributions due to the government's relief on social insurance contributions during the coronavirus pandemic, but such decrease was partially offset by the increase in depreciation expenses and salaries and bonuses. As a percentage of revenue, our administration expenses were approximately 9.9% and 11.9% in 2020 and 2019, respectively.

Impairment Losses recognised in respect of trade receivables

For the year under review, the Group has recognised impairment losses of approximately RMB2.8 million in respect of trade receivables, following the management's assessment on credit risk of our financial assets by adopting the expected credit loss (the "**ECL**") according to IFRS 9.

Loss from Operations

The Group recorded an operating loss of approximately RMB2.8 million for 2020, as compared with an operating loss of approximately RMB12.9 million for 2019, which was mainly because of the increase in the Group's revenue and a notable decrease in the selling and distribution costs because of the change in the Group's marketing and sales policy as mentioned above.

Finance Costs

For the year ended 31 December 2020, interest on bank borrowings amounted to approximately RMB0.04 million (2019: RMB0.6 million). Additionally, interest on lease liabilities amounted to approximately RMB1.2 million (2019: RMB1.7 million).

Income Tax

During the year ended 31 December 2020, the Group had no income tax expense (2019: an over-provision for PRC Enterprise Income Tax in prior years of approximately RMB9.1 million was written back).

Loss for the Year

As a result of the combined effect of the above mentioned factors, the Group recorded a loss of approximately RMB4.0 million for 2020, as compared with a loss of approximately RMB6.1 million for 2019.

Loss for the Year 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 RMB4.0 million for 2020, as compared with a loss attributable to owners of the Company of approximately RMB6.1 million for 2019.

Profit Warning Announcement

The actual operating loss of approximately RMB2.8 million was lower than the expected operating loss in the region of RMB6.0 million as disclosed in the profit warning announcement dated 12 January 2021. The favourable variance in the operating loss for 2020 was mainly attributable to over-provision of depreciation on certain impaired property, plant and equipment, but was partially offset by recognition of impairment losses in respect of trade receivable after performing credit risk assessment.

OUTLOOK

In late January 2021, the International Monetary Fund ("**IMF**") revised China's gross domestic product ("**GDP**") growth prediction for 2021 from 8.2% in October 2020 to 8.1%. Separately, the actual China's year-on-year GDP growth decreased to 2.3% in 2020 from 6.1% in 2019, which is the lowest growth rate since 1976.

China has been very successful in containing the pandemic which has played a very important role to bring back business economic activities much quicker than other countries. There has been effective policy supports in terms of both fiscal policy and monetary policy, leading to an increase in China's exports. These policy supports have been big drivers of China's notable economic rebound in 2020.

According to statistics released by China's National Bureau of Statistics in January 2021, China's economic performance was better than originally expected. Analysts pointed out that China benefitted from a great demand for health protective gears and electronic appliances due to work-from-home arrangements globally, as well as online learning for students at home.

The IMF went on to say that in order to secure the recovery path, it is important for China to ensure that rebalancing towards private consumption continues and perhaps even accelerating this trend to a certain extent, with efforts to strengthen the social safety net.

In January 2021, the IMF projected that the global economy will grow by 5.5% in 2021. With the start of vaccinations in some countries, there are hopes of an eventual end to the pandemic. However, the IMF warned that there is still a tremendous amount of uncertainty and prospects vary greatly across countries because the health crisis is not over until it is over globally.

The IMF further indicated that new waves of coronavirus inflections and variants posed risks. Global activities would remain well below pre-COVID-19 projections which were made in early 2020. Countries should continue to support their economies until the damage from the deep recession of the past year is recovered.

It was reported that in the recent National People's Congress, the government has targeted GDP growth of at least 6.0% in 2021 as the country looks to shore up its economic fundamental from the fallout of the coronavirus pandemic, and that going forward, China needs to make proactive fiscal policy more efficient and sustainable, while keeping prudent, flexible and targeted monetary policy, that operates at a reasonable and appropriate level.

Owing to the uncertainties as mentioned in the above paragraphs and notwithstanding the revised upward GDP target, the Directors tend to be very cautious about the Chinese economy in 2021. Having said that, the effective containment of the pandemic in China has caused a rapid recovery of private consumption. Additionally, the general public has made more efforts to maintain their personal hygiene and health in the midst of the pandemic in 2020. Some of the consumers have shown their confidence and reliance on herbal household and personal care products. Hence, the Group has been able to obtain business opportunities, which may be carried over to 2021.

The corporate theme for 2021 is "Turning around the Fortune in Year of the Ox".

For Bawang-branded products, the Group intends:

(1) to roll out new Bawang-branded amino acid product series in Chinese-style at our direct-operating point-of-sales at Walmart and Yonghui in order to increase sales revenue in the retailer channel;

(2) to increase the number of close-encounter promotional activities in interactive and interesting styles so as to increase our brand influence and to enhance sales revenue;

(3) to continue the appointment of Internet celebrities as brand ambassadors on short-term basis to enhance exposure of our brands, and to drive up the sales revenue through the bonding between Internet celebrities and their supporters;

(4) to leverage on the impact arising from the "College Students Advertising Festival" (大學生廣告藝術節) in spring, 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;

(5) to carry out cross-industry co-operations for publicity and promotion of Bawang-branded products through live streaming programs;

(6) to discharge our responsibilities to the society, to continue to participate in the community welfare events so as to enhance our public image as a responsible corporation, which would in turn facilitate the promotion of Bawang-branded products; and

(7) to advertise the distinctive characteristics of Bawang-branded products through intensively implanted commercials, consumers' feedbacks, note of purchases, and hyperlink to online sales webpage.

For Royal Wind branded product series, the Group plans to build up a new brand position for the new hair-care and hair-styling product series for young consumers. The new products series are mainly sold through live streaming and online channels. Additionally, we plan to increase our sales by rolling out Royal Wind oceanic technology anti-dandruff product series.

For Litao branded product series, we plan to roll out a new series of laundry liquids by adopting a brand new formula, and upgrading the packaging of existing products. This branded product series is mainly for sales though our traditional channel and the exclusive zone channel.

For Herborn product series, we plan to streamline the product offerings. Apart from skin-care products, we intend to roll out hair-care products. All these products are mainly sold through off-line supermarkets and the online channel.

For conventional channels, the Group will continue to deepen cooperation and interaction with distributors by: (1) reactivating past distributors and developing new distributors at the same time, endeavouring to develop new conventional sales channels by encouraging staff members to expand group sales customers, developing more original equipment manufacturer ("**OEM**") customers and obtaining customers who purchase tailor-made products from us; (2) regularly updating our sales incentivising policies and reinforcing our supports to key customers for the purpose of stabilising the sales from the distributor channel; (3) upgrading the packaging of the products for the traditional channel, increasing the number of close-encounter promotional events for exclusive zone channel, and rolling out other new product series so as to enhance the sales revenue through this channel; (4) re-establishing the direct-operating point-of-sales counters at Carrefour and Sun Art and at the same time deploying additional sales promoters onsite for increasing the same-store-sales; (5) making use of festive days and shop anniversaries for carrying out promotional activities to increase sales; and (6) increasing the efforts to recruit new distributors and organising order conferences to enhance sales revenue.

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 product series such as anti-hair fall and hair-care product series for steady sales growth. The Group plans to horizontally develop the market for gaining market share through building up a 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 Dou Yin streaming, 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 revenue. We will also maintain and optimise the operations of our direct-operating channel as well as "Little Red Book" channel to increase our sales. We also plan to develop new sales channel through Pindoudou and VIP Shop.

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

For production management, we will endeavour to lower the labour and production costs through cost-control measures and at the same time, to ensure production safety and to uphold the quality of our products. We will make efficient use of production resources by reducing materials spoilage and scraps as well as consumptions of water and electricity. We will enhance the workers' sense of responsibility through training and development on the concepts of equipment maintenance and management to ensure well-functioning production facilities and maximum efficiency of the manufacturing process. We will adopt flexible supply chain management to plan and design the manufacturing process so as to maximise production efficiency and equipment and factory space utilisation. As the demand for our OEM business remains strong, we will continue to make good use of our production management skills and advanced production facilities to satisfy the demands from our OEM customers, which creates additional revenue for the Company.

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

As of the date of this announcement, the Group does not have any outstanding acquisition opportunity on hand, nor is actively exploring business opportunities that may involve potential acquisition. However, the Group is open to potential investment opportunities.

Looking forward, we plan to focus on two areas to drive the strategic directions to sustain and develop our business in the volatile economic environment. In the short run, the Group intends to continue building up a management team with strong experience in both domestic and global HPC sectors, to regain the sales growth momentum and profitability, and to improve investors' confidence in the Group. In the long run, the Group will continue to focus on strengthening the business model and positioning to acquire market shares from domestic and international competitors, maintaining a multi-brand and multi-product strategy in HPC sectors, and becoming a leader in the branded Chinese herbal HPC products.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

	31 December 2020 *RMB in million*	31 December 2019 *RMB in million*
Cash and cash equivalents	**122.3**	102.2
Total loans	**0**	9.7
Total assets	**264.6**	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 associates during the year under review.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND HEDGING

The operations of the Group are mainly carried out in China, with most transactions being settled in Renminbi. The reporting currency of the Group is Renminbi. During the year under review, the Group had exported its goods to Hong Kong and certain overseas countries. The transactions were settled in either Hong Kong Dollars or United States Dollars. The Group's cash and bank deposits are mostly denominated in Renminbi. The Company will pay dividends in Hong Kong Dollars if dividends are declared. In addition, the Group paid certain advertising fees in United States Dollars or Hong Kong Dollars. The Directors are of the view that the Group conducts its business transactions principally in Renminbi and thus the exchange risk at the Group's operational level is not significant. As at 31 December 2020, the Group had not issued any material financial instruments or entered into any material contracts for foreign currency hedging purposes. However, the Directors will continue to monitor the foreign exchange exposure and are prepared to take prudent measures such as hedging when required.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2020.

CAPITAL COMMITMENT

As at 31 December 2020, the capital commitment of the Group amounted to approximately RMB0.3 million.

CHARGE OF ASSETS

As at 31 December 2019, buildings with carrying values of approximately RMB3.2 million (2020: nil) were pledged to secure banking facilities granted to the Group. During the year under review, the Group obtained the banking facilities of approximately RMB500 million. As at 31 December 2020, banking facilities of approximately RMB500 million were unutilised and available for the Group's future financing.

TRADE AND OTHER PAYABLES

As at 31 December 2020, the trade and other payables of the Group was approximately RMB81.1 million (2019: RMB75.7 million). The increase was primarily due to the increase in trade payables, accrued payroll and other payables and accruals, but such increase was partially offset by the decrease in non-income tax payables. For the two years ended 31 December 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 purchased, sold or redeemed any of the Company's listed securities during the year under review.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 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 as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the year ended 31 December 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 year under review.

AUDIT AND RISK MANAGEMENT COMMITTEE

The audit and risk management committee has reviewed the annual results of the Group for the year ended 31 December 2020 with the management of the Company and the Company's independent auditors and recommended its adoption by the Board.

DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2020 after taking into account matters contained in the dividend policy of the Group, which was announced by the Company on 31 December 2018.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the "**Annual General Meeting**") of the Company will be held on Friday, 4 June 2021. The register of members of the Company will be closed from Saturday, 29 May 2021 to Friday, 4 June 2021 (both days inclusive) for the purpose of determining shareholders' entitlement to attend and vote at the forthcoming Annual General Meeting, during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the Annual General Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Friday, 28 May 2021.

A notice of the Annual General Meeting will be published and despatched to shareholders in accordance with the requirements under the Listing Rules.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is also 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.hkexnews.hk). The annual report for the year ended 31 December 2020 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and available on the above websites in due course.

APPRECIATION

The Board would like to take 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 March 2021

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.