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## **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 2021**

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 2021 together with comparative figures for the same period last year.

The Board refers to the profit warning announcement of the Company dated 4 August 2021. The following sets forth a summary of the unaudited consolidated results of the Group for the six months ended 30 June 2021:

Total revenue of the Group was approximately RMB115.6 million, representing a decrease of approximately 6.7% from approximately RMB123.9 million for the same period last year.

Revenue through the online sales channel was approximately RMB57.2 million, representing a decrease of approximately 12.4% from approximately RMB65.3 million for the same period last year.

Operating loss of the Group was approximately RMB14.1 million, as compared with the operating loss of approximately RMB4.6 million for the same period last year.

Net loss was approximately RMB14.3 million, as compared with the net loss of approximately RMB5.3 million for the same period last year.

Loss attributable to owners of the Company was approximately RMB14.3 million, as compared with the loss of approximately RMB5.3 million for the same period last year.

Loss per share (both basic and diluted) was approximately RMB0.45 cents per share.

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

\* *for identification purpose only*

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	115,631	123,923
Cost of sales		<u>(75,695)</u>	<u>(79,150)</u>
Gross profit		39,936	44,773
Other income		996	1,130
Selling and distribution costs		(42,023)	(37,220)
Administrative expenses		(14,061)	(13,144)
Reversal of impairment losses/(impairment losses) recognised in respect of trade receivables		1,054	(107)
Other expenses		<u>(3)</u>	<u>(5)</u>
<b>Operating loss</b>		<b>(14,101)</b>	<b>(4,573)</b>
Finance costs	4	<u>(237)</u>	<u>(722)</u>
<b>Loss before taxation</b>	5	<b>(14,338)</b>	<b>(5,295)</b>
Taxation	6	<u>—</u>	<u>—</u>
<b>Loss for the period attributable to owners of the Company</b>		<b><u>(14,338)</u></b>	<b><u>(5,295)</u></b>
<b>Loss per share</b>	8		
Basic (RMB cents)		<u>(0.45)</u>	<u>(0.17)</u>
Diluted (RMB cents)		<u>(0.45)</u>	<u>(0.17)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2021*

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss for the period attributable to owners of the Company</b>	<b>(14,338)</b>	<b>(5,295)</b>
<b>Other comprehensive expense</b>		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements from functional currency to presentation currency	<u>(775)</u>	<u>(799)</u>
<b>Total comprehensive expense for the period attributable to owners of the Company</b>	<b><u>(15,113)</u></b>	<b><u>(6,094)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2021*

	<i>Notes</i>	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		69,156	78,699
Right-of-use assets		<u>5,103</u>	<u>10,853</u>
		<u><b>74,259</b></u>	<u>89,552</u>
<b>Current assets</b>			
Inventories		30,345	27,307
Right to returned goods asset		1,080	920
Trade and other receivables	9	20,241	24,203
Amount due from a related party		242	242
Bank balances and cash		<u>101,396</u>	<u>122,342</u>
		<u><b>153,304</b></u>	<u>175,014</u>
<b>Current liabilities</b>			
Trade and other payables	10	69,550	81,137
Amounts due to related parties		72	74
Contract liabilities		11,005	15,360
Refund liabilities		1,522	1,450
Lease liabilities		5,145	11,156
Provision		<u>338</u>	<u>338</u>
		<u><b>87,632</b></u>	<u>109,515</u>
<b>Net current assets</b>		<u><b>65,672</b></u>	<u>65,499</u>
<b>Total assets less current liabilities</b>		<u><b>139,931</b></u>	<u>155,051</u>
<b>Non-current liability</b>			
Lease liabilities		<u>318</u>	<u>325</u>
<b>Net assets</b>		<u><b>139,613</b></u>	<u>154,726</u>
<b>Capital and reserves</b>			
Share capital		277,932	277,932
Reserves		<u>(138,319)</u>	<u>(123,206)</u>
<b>Total equity</b>		<u><b>139,613</b></u>	<u>154,726</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 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.

The condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”) and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020 except as described below.

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

Amendments to IFRS 9, IAS 39, IFRS 7,  
IFRS 4 and IFRS 16  
Amendment to IFRS 16

Interest Rate Benchmark Reform — Phase 2  
COVID-19-Related Rent Concessions

The application of the 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.

### 3. REVENUE AND SEGMENT INFORMATION

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Disaggregated by major products		
Manufacturing and sales of the household and personal care products		
Hair-care products	<b>101,690</b>	109,327
Skin-care products	<b>115</b>	1,741
Other household and personal care products	<b>13,826</b>	12,855
	<b><u>115,631</u></b>	<u>123,923</u>

#### Disaggregation of revenue from contracts with customers by timing of recognition

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Timing of revenue recognition</b>		
At a point in time	<b><u>115,631</u></b>	<u>123,923</u>

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

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

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

Operating 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 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.

*For the six months ended 30 June 2021*

	<b>Hair-care products RMB'000 (Unaudited)</b>	<b>Skin-care products RMB'000 (Unaudited)</b>	<b>Other household and personal care products RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
Revenue from external customers	<u>101,690</u>	<u>115</u>	<u>13,826</u>	<u>115,631</u>
Segment (loss)/profit	<u>(9,461)</u>	<u>27</u>	<u>(4,208)</u>	<u>(13,642)</u>
Bank interest income				637
Other income				359
Corporate and other unallocated expenses				<u>(1,692)</u>
Loss before taxation				<u><u>(14,338)</u></u>

For the six months ended 30 June 2020

	Hair-care products <i>RMB'000</i> (Unaudited)	Skin-care products <i>RMB'000</i> (Unaudited)	Other household and personal care products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenue from external customers	<u>109,327</u>	<u>1,741</u>	<u>12,855</u>	<u>123,923</u>
Segment loss	<u>(553)</u>	<u>(851)</u>	<u>(3,057)</u>	(4,461)
Bank interest income				606
Other income				524
Corporate and other unallocated expenses				(1,921)
Finance costs				<u>(43)</u>
Loss before taxation				<u><u>(5,295)</u></u>

Segment results represent the loss from each segment without allocation of bank interest income, gain on sales of scrap materials, government grants, net foreign exchange losses, central administrative costs, directors' emoluments and interest on bank borrowing. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

#### 4. FINANCE COSTS

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Interest on:		
— bank borrowing	—	43
— lease liabilities	<u>237</u>	<u>679</u>
	<u><u>237</u></u>	<u><u>722</u></u>

## 5. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	(637)	(606)
Depreciation of property, plant and equipment	9,881	9,420
Depreciation of right-of-use assets	5,750	3,610
Loss on disposal of property, plant and equipment	3	5
Redundancy costs	—	293
Net foreign exchange losses	13	—
Allowance for inventories (included in cost of inventories recognised as an expense)	16	39
Obsolete inventories written-off (included in cost of inventories recognised as an expense)	31	—
	<u>31</u>	<u>—</u>

## 6. TAXATION

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

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 RMB3.0 million and thin-profit enterprises with an annual taxable income of RMB1.0 million or less are applicable to the effective tax rate of 5%. Certain PRC subsidiaries of the Group were qualified for the six months ended 30 June 2021 and 2020.

The PRC EIT Law allows enterprises to apply for the certificates of “High and New Technology Enterprise” (“**HNTE**”) which entitles the qualified companies to a preferential income tax rate of 15%. Bawang (Guangzhou) Co., Ltd. (“**Bawang Guangzhou**”), a PRC subsidiary of the Group, was qualified as a HNTE since 2009. However, Bawang Guangzhou did not have any assessable profits subject to Enterprise Income Tax for the six months ended 30 June 2021 and 2020.

- (ii) No provision for Hong Kong Profits Tax has been provided for the six months ended 30 June 2021 and 2020 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 2021 and 2020.

## 7. DIVIDENDS

No dividend was paid or proposed for the six months ended 30 June 2021 (six months ended 30 June 2020: nil), nor has any dividend been proposed since the end of the reporting period (2020: nil).

## 8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the loss for the period of approximately RMB14,338,000 (six months ended 30 June 2020: approximately RMB5,295,000) and the weighted average number of approximately 3,162,441,000 (six months ended 30 June 2020: approximately 3,162,441,000) ordinary shares in issue during the period.

Diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2021 and 2020.

## 9. TRADE AND OTHER RECEIVABLES

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

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Less than 3 months	<b>14,449</b>	21,858
More than 3 months but less than 6 months	<u><b>2,621</b></u>	<u>252</u>
Total debtors, net of allowance for impairment of trade receivables	<b>17,070</b>	22,110
Prepayment for purchase of raw materials	<b>1,519</b>	680
Other prepayments	<b>818</b>	655
Non-income tax receivables	<b>371</b>	278
Other receivables	<u><b>463</b></u>	<u>480</u>
	<u><b>20,241</b></u>	<u>24,203</u>

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

## 10. TRADE AND OTHER PAYABLES

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

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Within 1 month or on demand	<b>16,370</b>	26,839
After 1 month but within 3 months	<b>11,497</b>	8,269
Total creditors	<b>27,867</b>	35,108
Payable for acquisition of property, plant and equipment	<b>1,936</b>	1,933
Promotion fee payables	<b>6,818</b>	8,681
Accrued payroll	<b>2,164</b>	2,833
Non-income tax payables	<b>1,386</b>	1,681
Other payables and accruals	<b>29,379</b>	30,901
	<b>69,550</b>	81,137

## 11. SHARE CAPITAL AND RESERVES

	<b>Number of shares '000</b>	<b>Amount RMB'000</b>
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2020 (audited), 31 December 2020 (audited), 1 January 2021 (audited) and 30 June 2021 (unaudited)	<b>10,000,000</b>	<b>880,500</b>
Issued and fully paid:		
At 1 January 2020 (audited), 31 December 2020 (audited), 1 January 2021 (audited) and 30 June 2021 (unaudited)	<b>3,162,441</b>	<b>277,932</b>

## 12. COMMITMENTS

	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the condensed consolidated financial statements	<b>343</b>	343

## **BUSINESS REVIEW**

The Directors report that the total revenue of the Group for the six months ended 30 June 2021 was approximately RMB115.6 million, representing a decrease of approximately 6.7% from approximately RMB123.9 million for the same period last year. The operating loss of the Group for the six months ended 30 June 2021 was approximately RMB14.1 million, as compared with the operating loss of approximately RMB4.6 million for the same period last year.

For the six months ended 30 June 2021, the net loss of the Group was approximately RMB14.3 million, as compared with the net loss of approximately RMB5.3 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, to satisfy the consumers’ need for high-end shampoo and hair-care products, we have successfully rolled out new Bawang-branded Chinese-style amino acid product series at our direct-operating point-of-sales at Walmart and Yonghui. Repeated close-encounter promotional activities that are interactive and interesting have been carried out so as to increase our brand influence and to enhance sales revenue.

During the period under review, advertisements of our branded products were showcased in supermarkets, underground metros and taxis in cities such as Shanghai, Shenzhen and Guiyang. Additionally, we continued to leverage on the influence arising from the “College Students Advertising Festival” (大學生廣告藝術節) in spring and to cooperate with some colleges to publicise our branded products. Through on-campus publicity education, we let more and more young people understand the concept of hair-care using herbal shampoo and hair-care products.

During the period under review, we set up professional team to carry out brand publicity and instant sales of our branded products online during live-streaming programs. Through cross-industry co-operations, we publicised our branded products through Little Red Book, Weibo, B Station, and other popular social media platforms to promote our anti-hair fall products.

During the period under review, we continued to participate in community welfare events so as to enhance our public image as a responsible corporation. In particular, the Group made donations of Bawang-branded HPC and antiseptic sanitary products to the residents of infected areas in Guangzhou, which helped to publicise our corporate mission and enhance our corporate image.

As at 30 June 2021, the Bawang brand distribution network comprised 882 distributors and eight KA retailers, covering 26 provinces and four municipalities in China. Furthermore, the products of the Group were also sold in Hong Kong, Singapore, Thailand and Malaysia.

During the period under review, the Group marketed the branded shampoo products, “Royal Wind”, with the theme “Let’s chase for the wind rather than wait for the wind”. As at 30 June 2021, the Royal Wind brand distribution network comprised 139 distributors, covering 26 provinces and four municipalities in China. Furthermore, the products of the Group 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 2021, the Litao products distribution network comprised 104 distributors and five KA retailers, 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 purpose.

As at 30 June 2021, the Group has established online flagship stores for our Bawang, Royal Wind and Herborn branded products on 14 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 March 2026;
- 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;
- three Bawang branded series shampoos were again recognised as “The 2018 New High-Tech Products in Guangdong” by the Guangdong Provincial Science and Technology Bureau in December 2018 for a period of three years until the end of 2021;
- our production process for haircare and skincare products has been certified by SGS with a validity period until July 2022 as to meet the requirements of US FDA CFSAN by reference to Cosmetic Good Manufacturing Practices (GMP) Guidelines 2008;
- our production process for haircare and skincare products has been certified by SGS with a validity period until July 2022 as to meet the requirements of ISO22716:2007 by reference to Cosmetic Good Manufacturing Practices (GMP) Guidelines;
- we were awarded “Committee Unit” by Guangdong Food & Drug Technology Association for Evaluation & Certification, which is valid until December 2023; and
- we were accredited as Grade A credit rating taxpayer for 2020 by Guangzhou Municipal Tax Service of the State Taxation Administration on 8 June 2021.

## **FINANCIAL REVIEW**

### **Revenue**

During the six months ended 30 June 2021, the Group’s revenue from operations amounted to approximately RMB115.6 million, representing a decrease of approximately 6.7% from approximately RMB123.9 million for the same period last year. Revenue through the online sales channel was approximately RMB57.2 million, representing a decrease of approximately 12.4% from approximately RMB65.3 million for the same period last year.

During the six months ended 30 June 2021, the Group's core brand, Bawang, generated a revenue of approximately RMB110.3 million, which accounted for approximately 95.4% of the Group's total revenue, and represented a decrease of approximately 4.3% as compared with the same period last year.

During the six months ended 30 June 2021, the Group's branded Chinese herbal anti-dandruff haircare series, Royal Wind, generated a revenue of approximately RMB1.9 million, which accounted for approximately 1.6% of the Group's total revenue, and represented a decrease of approximately 17.4% as compared with the same period last year.

During the six months ended 30 June 2021, the Group's natural-based branded shampoo, shower gel and laundry detergent products series, Litao, generated a revenue of approximately RMB3.4 million, which accounted for approximately 2.9% of the Group's total revenue, and represented a decrease of approximately 15.0% as compared with the same period last year.

During the six months ended 30 June 2021, the Group's branded Chinese herbal skincare series, Herborn, generated a revenue of approximately RMB0.1 million, which accounted for approximately 0.1% of the Group's total revenue, represented a decrease of approximately 94.4% 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 2021, a summary of our sales revenue in percentage through different networks and/or channels are as follows:

<b>Network/Channel</b>	<b>Conventional</b> (%)	<b>Online</b> (%)	<b>Total</b> (%)
Distributor	43.8	25.6	69.4
Retailer	<u>6.7</u>	<u>23.9</u>	<u>30.6</u>
Total	<u><u>50.5</u></u>	<u><u>49.5</u></u>	<u><u>100.0</u></u>

During the six months ended 30 June 2021, our products were also sold in Hong Kong, Singapore, Thailand and Malaysia. The sales to these overseas markets accounted for approximately 0.9% of our total revenue during the six months ended 30 June 2021.

## **Cost of Sales**

During the six months ended 30 June 2021, cost of sales amounted to approximately RMB75.7 million, representing a decrease of approximately RMB3.5 million (or approximately 4.4%) from approximately RMB79.2 million during the same period last year. The overall decrease in cost of sales was primarily due to a decrease in the volume and cost of production which was driven by lower demand for our products. As a percentage of revenue, cost of sales for the six months ended 30 June 2021 increased from approximately 63.9% in 2020 to approximately 65.5%, which was mainly due to (1) an increase in unit indirect cost incurred in manufacturing overheads resulting from an increase in depreciation expenses of right of use assets; and (2) more complimentary giveaways were offered to distributors so as to enhance our sales, which led to an increase in cost of gift products and contributed to the overall increase in cost of sales.

## **Gross Profit**

During the six months ended 30 June 2021, the Group's gross profit amounted to approximately RMB39.9 million, representing a decrease of approximately 10.9% from approximately RMB44.8 million for the same period last year. The gross profit margin for the six months ended 30 June 2021 also decreased from approximately 36.1% in the first half of 2020 to approximately 34.5%. The decrease in the gross profit margin was mainly attributable to the combined effect of a decrease in sales revenue, and the increase in unit cost incurred in manufacturing overheads and cost of gift products.

## **Selling and Distribution Costs**

During the six months ended 30 June 2021, selling and distribution costs amounted to approximately RMB42.0 million, representing an increase of approximately 12.9% from approximately RMB37.2 million for the same period last year. As a percentage of revenue, our selling and distribution costs for the six months ended 30 June 2021 increased from approximately 30.0% in 2020 to approximately 36.3% in 2021. The increase was primary due to an increase in marketing and promotion expenses and advertising and brand expenses, but was partially offset by a decrease in goods delivery expenses.

## **Administrative Expenses**

During the six months ended 30 June 2021, administrative expenses amounted to approximately RMB14.1 million, representing an increase of approximately 7.6% from approximately RMB13.1 million for the same period last year. The decrease was primarily due to an increase in salaries and bonus, social insurance contribution and research and development expenses, but was partially offset by the decrease in vehicle expenses and severance payment.

## **Reversal of Impairment Losses**

For the period under review, the Group has made a reversal of impairment losses of approximately RMB1.1 million in respect of trade receivables following the management's assessment on credit risk of our financial assets by adopting the expected credit loss according to IFRS 9.

## **Loss from Operations**

The Group recorded an operating loss of approximately RMB14.1 million for the six months ended 30 June 2021, as compared with the operating loss of approximately RMB4.6 million for the same period last year. The increased in operating loss was mainly attributable to a decrease in revenue and the continual increase in the Group's marketing and promotion expenses in response to fierce market competition to maintain its market share.

## **Finance Costs**

For the six months ended 30 June 2021, the Group had no interest costs on bank borrowing (six months ended 30 June 2020: RMB0.04 million), and the interest on lease liabilities in the amount of approximately RMB0.2 million as a result of the adoption of IFRS16 with effect from 1 January 2019 (six months ended 30 June 2020: RMB0.7 million).

## **Other Income**

The Group recorded other income of approximately RMB1.0 million for the six months ended 30 June 2021, representing a decrease of approximately 9.1% from approximately RMB1.1 million for the same period last year. Such decrease was primarily attributable to a decrease in income derived from financial products.

## **Income Tax Expense**

During the six month periods ended 30 June 2021, the Group had no income tax expense (six months ended 30 June 2020: nil).

## **Net Loss for the Period from Operations**

As a result of the combined effect of the abovementioned factors, the Group recorded a net loss from operations of approximately RMB14.3 million for the six months ended 30 June 2021, as compared with the net loss from operations of approximately RMB5.3 million for the six months ended 30 June 2020.

## **Loss for the Period Attributable to Owners of the Company**

As a result of the combined effect of the above factors, the Group recorded a loss attributable to owners of the Company of approximately RMB14.3 million for the six months ended 30 June 2021, as compared with a loss attributable to owners of the Company of approximately RMB5.3 million for the six months ended 30 June 2020.

## **OUTLOOK**

In late June 2021, the World Bank maintained its growth forecast for China's economy at 8.5 per cent for 2021, but the World Bank expected the economic growth rate would decrease to 5.4 per cent in 2022 as a result of diminishing fiscal and monetary support and more prudent measures in sectors such as property development.

However, the PRC government has officially set an economic growth target of “above 6.0 per cent” for 2021 as the country continued its strong rebound from the impact of the coronavirus pandemic in 2020, which was below the expectation of a 8.6% economic growth by economists in a study.

According to statistics released by China's National Bureau of Statistics (“NBS”) in mid-July 2021, China's economy grew by 7.9 per cent in the second quarter of 2021, compared with a 12.7 per cent growth in the first half of 2020.

The NBS went on to say that China's economy sustained a steady recovery with the production and demand picking up, employment and prices remaining stable, new growth engines thriving, quality and efficiency enhancing, market expectations improving and major macro indicators staying within reasonable range, and that the national economy witnessed a steady and sound growth momentum.

Overall, China's economy appears to be on track for recovery, with the “above 6.0 per cent” annual growth goal within reach. However, domestic demand weakening risk and structural risks are worrying. Long-term credit growth has remained weak as the PRC government promulgates policies to control leverage and deflate the property bubble.

With the ongoing risk potentially posed by the coronavirus pandemic, the Directors tend to be very cautious about the business development of the Group for the rest of 2021.

The Group will continue with its corporate scheme “Turning around the Fortune in Year of the Ox”.

For Bawang-branded products, the Group intends to adopt the following strategies for publicity and promotion of this branded products and enhancement of revenue: (1) leverage on the consumers' passion and confidence in China for domestic products in promoting our branded products series; (2) appoint Internet celebrities as brand

ambassadors on a short-term basis to enhance exposure of our brands, and drive up the sales revenue through bonding between Internet celebrities and their supporters; (3) re-design of the packaging of Bawang anti-hair fall series with a view to cater for the preferences of young consumers; (4) showcase our brand advertisements on underground metros, buildings and public ground transports in major cities such as Shanghai, Hangzhou, Guangzhou, Shenzhen, Chengdu and Nangjing; and (5) continuously adopt initiatives to publicise and promote Bawang-branded products through implanted commercials in live streaming programs, cross-industry cooperations, and participating in more charitable communities services.

For Royal Wind branded product series, the Group plans to roll out four new anti-dandruff branded product series to suit the taste of young customers. The new products series will be mainly sold through the conventional channels.

For Litao branded product series, we continue to sell these products through our conventional channels.

For Herborn branded product series, we plan to roll out several herbal-based shampoo products to expand our product offering. The products will be mainly sold through the conventional channels.

For conventional channels, the Group will continue to deepen cooperation and interaction with distributors by: (1) making use of the Mid-Autumn Festival and the National Day Holiday in the second half of 2021 and mall anniversaries for carrying out promotional activities to increase sales and continuing with the closed-encounter promotional activities at key points-of-sale so as to increase sales revenue and enhance our brand influence; (2) stimulating the sales revenues in certain regions through enhancement of Royal Wind anti-dandruff shampoo products and enrichment of post-consumption experience through quality products and design of trendy packaging to attract the young consumer group; (3) strengthening the supporting services offered to key accounts so as to stabilise the sales revenue generating from this channel; (4) actively invigorating the direct-operating point-of-sales counters at Sun Art sales network in eastern China region; (5) exploring the undeveloped markets with sales potential and developing new sources of distribution network to increase sales; and (6) leveraging on the Group's professional design and capabilities in research and development and production for developing additional original equipment manufacturer (“OEM”) customers and obtaining sales orders from OEM customers and group purchase customers so as to enhance sales revenues.

As for the online sales channel, the Group hopes to achieve stable sales growth in the future. To increase sales revenues from our own online flagship stores, the Group will optimise the operations and stabilise market share for hot sales items such as anti-hair fall and haircare product series, and develop high-end, youthful and professional series of anti-hair fall and hair care products for steady sales growth. The Group plans to roll

out customised products for instant sales during live video-streaming so as to enhance market share and boost sales. The Group will tailor-make some bundle products for supply to key online retailers to increase sales. We will continue with our efforts on developing new sales channels such as Douyin and Pingdoudou. We will endeavour to create new dedicated products and to carry out promotional activities for the newly-created channels so as to drive up the sales and popularity of brandname online.

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

For production management, we always put the top priority on product quality, which is our first priority. We will continue to strengthen our research and development capability, to optimise our production process, and to enhance the training and development of production management staff and workers, and to minimise the spoilage and wastage, so as to achieve competitive cost advantage in the market.

We will adopt a flexible supply chain management approach to plan and design the production process so as to maximise the production effectiveness and to optimise the utilisations of production facilities and factory space.

We have developed our OEM business over the past few years, which has substantially grown in the first half of this year. We will continue to make use of our professional design and professional research and development capabilities, mature production management techniques and advanced production infrastructures for expanding our OEM business to generate additional revenue by strengthening our customer base in different types of personal care products. We target to establish stable business relationships with a couple of key clients.

We believe that through the above-mentioned resources management and workflow integration to maximise production effectiveness, we can 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 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. A summary of liquidity and financial resources is set out below:

	<b>30 June 2021</b>	31 December 2020
	<i>RMB in million</i>	<i>RMB in million</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash and cash equivalents	<b>101.4</b>	122.3
Total loans	<b>0</b>	0
Total assets	<b>227.6</b>	264.6
The gearing ratio <sup>1</sup>	<b>0%</b>	0%

*Note:*

1. Calculate as total loans divided by total assets

## MATERIAL ACQUISITION AND DISPOSAL

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

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGING

The operations of the Group are mainly carried out in China, with most transactions settled in Renminbi. The reporting currency of the Group is Renminbi. During the period under review, the Group has exported its goods to Hong Kong and certain overseas countries. The transactions were settled in either Hong Kong Dollars or United States Dollars. The Group's cash and bank deposits are mostly denominated in Renminbi. The Company will pay dividends in Hong Kong Dollars if dividends are declared.

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

For the period ended 30 June 2021, the Group had not issued any material financial instruments or entered into any material contracts for foreign currency hedging purposes. However, the Board will continue to monitor the foreign exchange exposure and is prepared to take prudent measures such as hedging when required.

## **CONTINGENT LIABILITIES**

As at 30 June 2021, the Group did not have any significant contingent liabilities.

## **CAPITAL COMMITMENTS**

As at 30 June 2021, the capital commitment for acquisition of property, plant and equipment of the Group was approximately RMB0.3 million.

The Group has committed a lease agreement in 2021, with a term of five years commencing from 1 July 2021. The future lease payments for this non-cancellable lease agreement is approximately RMB65.5 million (31 December 2020: nil).

## **CHARGE OF ASSETS**

As at 30 June 2021, the Group did not have any pledge of assets.

## **TRADE AND OTHER PAYABLES**

As at 30 June 2021, the trade and other payables of the Group were approximately RMB69.6 million (As at 31 December 2020 approximately RMB81.1 million), which represented a decrease of 14.1%. As at 30 June 2021, 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 2021 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 2021.

## **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 2021 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 2021.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the websites of the Company ([www.bawang.com.cn](http://www.bawang.com.cn)), IRAsia ([www.irasia.com/listco/hk/bawang/](http://www.irasia.com/listco/hk/bawang/)) and The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)). The interim report for the six months ended 30 June 2021 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, 31 August 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.*