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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 2022

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 2022 together with comparative figures for the same period last year.

The Board refers to the profit warning announcements of the Company dated 21 June 2022 and 27 July 2022. The following sets forth a summary of the unaudited consolidated results of the Group for the six months ended 30 June 2022:

Total revenue of the Group was approximately RMB115.6 million, which remained relatively stable as compared with the same period last year.

Revenue through the online sales channel was approximately RMB52.3 million, representing a decrease of approximately 8.6% from approximately RMB57.2 million for the same period last year.

Operating loss of the Group was approximately RMB15.0 million, as compared with the operating loss of approximately RMB14.1 million for the same period last year.

Net loss was approximately RMB16.2 million, as compared with the net loss of approximately RMB14.3 million for the same period last year.

Loss attributable to owners of the Company was approximately RMB16.2 million, as compared with the loss of approximately RMB14.3 million for the same period last year.

Loss per share (both basic and diluted) was approximately RMB0.51 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 2022

		Six months ended 30 June	
		2022	2021
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	115,590	115,631
Cost of sales		<u>(75,468)</u>	<u>(75,695)</u>
Gross profit		40,122	39,936
Other income		1,400	996
Selling and distribution costs		(44,727)	(42,023)
Administrative expenses		(13,863)	(14,061)
Reversal of impairment losses in respect of trade receivables		2,081	1,054
Other expenses		<u>(3)</u>	<u>(3)</u>
Operating loss		(14,990)	(14,101)
Finance cost	4	<u>(1,198)</u>	<u>(237)</u>
Loss before taxation	5	(16,188)	(14,338)
Taxation	6	<u>—</u>	<u>—</u>
Loss for the period attributable to owners of the Company		<u><u>(16,188)</u></u>	<u><u>(14,338)</u></u>
Loss per share	8		
Basic (RMB cents)		<u><u>(0.51)</u></u>	<u><u>(0.45)</u></u>
Diluted (RMB cents)		<u><u>(0.51)</u></u>	<u><u>(0.45)</u></u>

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

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company	(16,188)	(14,338)
Other comprehensive expense		
<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>(518)</u>	<u>(775)</u>
Total comprehensive expense for the period attributable to owners of the Company	<u>(16,706)</u>	<u>(15,113)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment		53,132	61,938
Right-of-use asset		46,434	52,211
Time deposit		<u>50,000</u>	<u>50,000</u>
		<u>149,566</u>	<u>164,149</u>
Current assets			
Inventories		32,573	40,815
Right to returned goods asset		538	795
Trade and other receivables	9	24,352	26,308
Amount due from a related party		2	242
Time deposits		—	4,000
Bank balances and cash		<u>43,712</u>	<u>59,269</u>
		<u>101,177</u>	<u>131,429</u>
Current liabilities			
Trade and other payables	10	64,777	83,527
Amounts due to related parties		—	22
Contract liabilities		7,295	11,233
Refund liabilities		740	1,150
Lease liabilities		10,376	10,137
Provision		<u>338</u>	<u>338</u>
		<u>83,526</u>	<u>106,407</u>
Net current assets		<u>17,651</u>	<u>25,022</u>
Total assets less current liabilities		<u>167,217</u>	<u>189,171</u>
Non-current liability			
Lease liabilities		<u>38,068</u>	<u>43,316</u>
Net assets		<u>129,149</u>	<u>145,855</u>
Capital and reserves			
Share capital	11	277,932	277,932
Reserves		<u>(148,783)</u>	<u>(132,077)</u>
Total equity		<u>129,149</u>	<u>145,855</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2022 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 2021 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 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3	Reference to Conceptual Framework
Amendments to IAS 16	Property, plant and equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual improvement to IFRSs 2018–2020 cycle

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.

	Six months ended 30 June	
	2022	2021
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
Manufacturing and sales of the household and personal care products		
Hair-care products	96,997	101,690
Skin-care products	51	115
Other household and personal care products	18,542	13,826
	<u>115,590</u>	<u>115,631</u>

Disaggregation of revenue from contracts with customers by timing of recognition

	Six months ended 30 June	
	2022	2021
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
At a point in time	<u>115,590</u>	<u>115,631</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 CODM has chosen to organise the Group around differences in products. The segments are managed separately as each operating segment offers different products which require different production information to formulate different strategies.

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

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

Operating segments including manufacture and sale of other household and personal care products have been aggregated into a single reporting segment after taking into account that none of which 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 2022

	Hair-care products RMB’000 (Unaudited)	Skin-care products RMB’000 (Unaudited)	Other household and personal care products RMB’000 (Unaudited)	Total RMB’000 (Unaudited)
Sales to external customers	<u>96,997</u>	<u>51</u>	<u>18,542</u>	<u>115,590</u>
Segment loss	<u>(11,484)</u>	<u>(18)</u>	<u>(4,424)</u>	<u>(15,926)</u>
Bank interest income				221
Other income				1,180
Corporate and other unallocated expenses				<u>(1,663)</u>
Loss before taxation				<u><u>(16,188)</u></u>

For the six months ended 30 June 2021

	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)
Sales to 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>	(13,642)
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>

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 and directors' emoluments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. FINANCE COST

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on lease liabilities	<u><u>1,198</u></u>	<u><u>237</u></u>

5. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	(221)	(637)
Government grants	(132)	—
(Reversal of allowance)/allowance for inventories (included in cost of inventories recognised as an expense)	(92)	16
Depreciation of property, plant and equipment	9,178	9,881
Depreciation of right-of-use assets	5,776	5,750
Obsolete inventories written-off (included in cost of inventories recognised as an expense)	163	31
Loss on disposal of property, plant and equipment	—	3
Net foreign exchange losses	—	13
	<u> </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.

Pursuant to circular issued by Ministry of Finance and State Taxation Administration on 17 January 2019, the small-scaled minimal profit enterprise with an annual taxable income below RMB1,000,000 (RMB1,000,000 included) is entitled to a preferential tax treatment of 75% exemption of taxable income and application of income tax rate as 20% from 1 January 2019 to 31 December 2021. On 2 April 2021, a circular was issued by Ministry of Finance and State Taxation Administration, the corporate income tax was halved on the basis of above preferential policies and the policies were extended from 1 January 2021 to 31 December 2022. Certain PRC subsidiaries of the Group were qualified for the six months ended 30 June 2022 and 2021.

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 2022 and 2021.

- (ii) No provision for Hong Kong Profits Tax has been provided for the six months ended 30 June 2022 and 2021 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 2022 and 2021.

7. DIVIDENDS

No dividend was paid or proposed for the six months ended 30 June 2022 (six months ended 30 June 2021: nil), nor has any dividend been proposed since the six months ended 30 June 2022.

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 RMB16,188,000 (six months ended 30 June 2021: RMB14,338,000) and the weighted average number of approximately 3,162,441,000 (six months ended 30 June 2021: 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 2022 and 2021 or at the end of both reporting periods.

9. TRADE AND OTHER RECEIVABLES

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Less than 3 months	20,074	19,320
More than 3 months but less than 6 months	<u>134</u>	<u>649</u>
Total debtors, net of allowance for impairment of trade receivables	20,208	19,969
Prepayment for purchase of raw materials	2,988	3,717
Other prepayments	563	1,739
Non-income tax receivables	106	258
Other receivables	<u>487</u>	<u>625</u>
	<u>24,352</u>	<u>26,308</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:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 month or on demand	10,019	16,173
After 1 month but within 3 months	10,533	26,522
Total creditors	20,552	42,695
Payable for acquisition of property, plant and equipment	644	1,288
Promotion fee payables	8,227	9,271
Accrued payroll	1,902	2,452
Non-income tax payables	5,803	2,311
Other payables and accruals	27,649	25,510
	64,777	83,527

11. SHARE CAPITAL

	Number of shares '000	Amount RMB'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2021 (audited), 31 December 2021 (audited), 1 January 2022 (audited) and 30 June 2022 (unaudited)	10,000,000	880,500
Issued and fully paid:		
At 1 January 2021 (audited), 31 December 2021 (audited), 1 January 2022 (audited) and 30 June 2022 (unaudited)	3,162,441	277,932

BUSINESS REVIEW

The Directors report that the total revenue of the Group for the six months ended 30 June 2022 was approximately RMB115.6 million, which remained relatively stable as compared with the same period last year. The operating loss of the Group for the six months ended 30 June 2022 was approximately RMB15.0 million, as compared with the operating loss of approximately RMB14.1 million for the same period last year.

For the six months ended 30 June 2022, the net loss of the Group was approximately RMB16.2 million, as compared with the net loss of approximately RMB14.3 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.

Having found the effective disseminations of our brand concepts through cross-industry co-operations in the past, the Group implemented a series of creative marketing strategies and programs to cooperate with a number of well-known brands in various different industry sectors with a view to accelerating the publicity and to enhance promotion of our brand image and branded products to potential customers.

During the period under review, we had a cross-sector cooperation with Netease CC Live Streaming (網易CC直播), whereby we made use of the large subscriber base of Netease’s online games and the popularity of game bloggers for producing cobranded giftboxes with popular game bloggers’ mugshots printed on them. Leveraging on the live-streaming programs of Netease, we initiated online discussions about the Bawang brand name with the audiences and carried out promotions of our brand image, which attracted significant attention from and interactions with the audiences, and aroused their interest in our brand and stimulated sales.

During the period under review, we made a cross-industry co-operation with a China national college entrance examination APP known as “Gao Kao on the Palm” (掌上高考), whereby we initiated a popular discussion topic titled “Head Will Never Go Bald, Fearless in the College Entrance Examination”. Publicity and promotional informative materials about hair-care have been implanted into this APP, which enhances the recognition and influence of our brand in the young generation.

During the period under review, we also cooperated with a branded online game known as “Absolute Performance” (絕對演繹). Leveraging on its substantial 80% lady’s gamer population within this game, who are our potential customers, we have implanted the herbal-based haircare concept of Bawang and information about

Bawang's products and brand into this game to promote Bawang's high-end anti-hair fall branded products to the potential young lady customer base so as to enhance the recognition and influence of our brand in this market segment.

During the period under review, we continued to deploy a dedicated team to promote our brand and to carry out instant sales of our branded products via online platforms during live-streaming programs. Leveraging on cooperation with these popular social media platforms, we publicised and promoted our anti-hair fall branded products through Xiaohongshu, Weibo, B Station and Tik Tok.

During the period under review, we successfully launched our classic herbal products series into the Russia and Mongolia markets. Additionally, we successfully launched our hot selling anti-hair fall and hair care products into the US market. Whilst expanding our overseas sales channel, we have enhanced, at the same time the influence of our products in overseas markets.

During the period under review, we have successfully rolled out our branded product, Bawang Blossom Flower Shower Gel, to the market, which helped the Group develop into the new flower shower gel market segment. We have also successfully rolled out the Bawang branded toothpaste series, and this expansion in our product range has helped the Group develop into the new herbal-based oral hygiene market segment.

During the period under review, we continued to roll out new products under Bawang Herbal Fairy Animations Series, which have created a unique IP image of Bawang. In particular, we promoted our Bawang products through a consolidation of ACGN with Bawang wash and care, which created a youthful image of our products and expanded our customer base in the youth market segment.

During the period under review, we successfully upgraded our anti-hair fall products and rolled out anti-dandruff and oil-controlling shampoo products for ladies for sale on the T-Mall online sales platform.

During the period under review, we continued to participate in community welfare events so as to enhance our public image as a responsible corporation. The Group made donations of Bawang-branded HPC and antiseptic sanitary products to the impoverished families in the hilly areas of north Guangdong. During the Women's Day on the 8th of March and in conjunction with the Guangzhou Hailong Street Social Service Station, we made courtesy visits and gave out complimentary gift packs to the local residents. We believe that these types of social activities help to publicise our corporate mission and enhance our corporate image.

As at 30 June 2022, the Bawang brand distribution network comprised 980 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, Malaysia, USA, Russia and Mongolia.

During the period under review, the Group marketed our branded shampoo products, “Royal Wind”, with the theme “Let’s chase for the wind rather than wait for the wind”. As at 30 June 2022, the Royal Wind brand distribution network comprised 980 distributors, covering 26 provinces and four municipalities in China. Furthermore, “Royal Wind” products were also sold in Hong Kong, Singapore, Thailand and Malaysia.

Our Litao products mainly comprised shower gels and laundry detergents, targeting consumers living in the second-tier or third-tier cities in China. The Group’s goal is to widen the market coverage to cover the whole of China. As at 30 June 2022, the Litao products distribution network comprised 931 distributors and one KA retailer, covering 26 provinces and four municipalities in China.

Our Herborn Chinese herbal skincare product series targets white-collar ladies in the age range from 25 to 45 who have relatively high net incomes and are dedicated to pursue a healthy and natural lifestyle through the use of herbal-based products for skincare purposes.

As at 30 June 2022, the Group has established online flagship stores for our Bawang, Royal Wind and Herborn branded products on 17 online retailing platforms in China. We will deepen our efforts in the development of this channel.

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

- the permit for production of cosmetic products, which was issued by Guangdong Provincial Food and Drug Administration, is valid until 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;
- our production process for haircare and skincare products has been certified by SGS with a validity period until July 2025 as to meet the requirements of US FDA CFSAN by reference to Cosmetic Good Manufacturing Practices (GMP) Guidelines 2008;

- our production process for haircare and skincare products has been certified by SGS with a validity period until July 2025 as to meet the requirements of ISO22716:2007 by reference to Cosmetic Good Manufacturing Practices (GMP) Guidelines;
- we were awarded “Committee Unit” by Guangdong Food & Drug Technology Association for Evaluation & Certification, which is valid until December 2023; and
- we were accredited as Grade A credit rating taxpayer for financial year 2021 by Guangzhou Municipal Tax Service of the State Taxation Administration on 4 August 2022.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2022, the Group’s revenue from operations amounted to approximately RMB115.6 million, which remained relatively stable as compared with the same period last year. Revenue through the online sales channel was approximately RMB52.3 million, representing a decrease of approximately 8.6% from approximately RMB57.2 million for the same period last year.

During the six months ended 30 June 2022, the Group’s core brand, Bawang, generated a revenue of approximately RMB111.2 million, which accounted for approximately 96.2% of the Group’s total revenue, and represented an increase of approximately 0.9% as compared with the same period last year.

During the six months ended 30 June 2022, the Group’s branded Chinese herbal anti-dandruff haircare series, Royal Wind, generated a revenue of approximately RMB2.0 million, which accounted for approximately 1.7% of the Group’s total revenue, and represented an increase of approximately 8.7% as compared with the same period last year.

During the six months ended 30 June 2022, the Group’s natural-based branded shampoo, shower gel and laundry detergent products series, Litao, generated a revenue of approximately RMB2.3 million, which accounted for approximately 2.0% of the Group’s total revenue, and represented a decrease of approximately 32.6% as compared with the same period last year.

During the six months ended 30 June 2022, the Group’s branded Chinese herbal skincare series, Herborn, generated a revenue of approximately RMB0.05 million, which accounted for approximately 0.1% of the Group’s total revenue, represented a decrease of approximately 54.2% 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 2022, a summary of our sales revenue in percentage through different networks and/or channels are as follows:

Network/Channel	Conventional (%)	Online (%)	Total (%)
Distributor	49.2	22.1	71.3
Retailer	<u>5.5</u>	<u>23.2</u>	<u>28.7</u>
Total	<u><u>54.7</u></u>	<u><u>45.3</u></u>	<u><u>100.0</u></u>

During the six months ended 30 June 2022, our products were also sold in Hong Kong, Singapore, Thailand, Malaysia, USA, Russia and Mongolia. The sales to these overseas markets accounted for approximately 2.4% of our total revenue during the six months ended 30 June 2022.

Cost of Sales

During the six months ended 30 June 2022, cost of sales amounted to approximately RMB75.5 million, representing a slight decrease of approximately RMB0.2 million (or approximately 0.3%) from approximately RMB75.7 million during the same period last year. As a percentage of revenue, cost of sales for the six months ended 30 June 2022 slightly decreased from approximately 65.5% in 2021 to approximately 65.3%, which was mainly due to a decrease in the costs of packaging material and depreciation of right of use assets, but was partially offset by the increase in consumption of raw and indirect material.

Gross Profit

During the six months ended 30 June 2022, the Group's gross profit amounted to approximately RMB40.1 million, representing a slight increase of approximately 0.5% from approximately RMB39.9 million for the same period last year. The gross profit margin for the six months ended 30 June 2022 also slightly increased from approximately 34.5% in the first half of 2021 to approximately 34.7%. Such slight increase was mainly attributable to a slight decrease in the average unit cost of production.

Selling and Distribution Costs

During the six months ended 30 June 2022, selling and distribution costs amounted to approximately RMB44.7 million, representing an increase of approximately 6.4% from approximately RMB42.0 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 36.3% in 2021 to approximately 38.7% in 2022. The increase was primary due to an increase in advertising and brand promotion expenses and goods delivery expenses, but was partially offset by a decrease in marketing and promotion expenses and outsourced labor costs.

Administrative Expenses

During the six months ended 30 June 2022, administrative expenses amounted to approximately RMB13.9 million, representing a decrease of approximately 1.4% from approximately RMB14.1 million for the same period last year. The decrease was primarily due to a decrease in research and development expenses, salaries and bonus, but was partially offset by the increase in staff welfare expenses.

Reversal of Impairment Losses

For the period under review, the Group has made a reversal of impairment losses of approximately RMB2.1 million in respect of trade receivables following the management's assessment on credit risk of our financial assets by adopting the expected credit loss model according to IFRS 9.

Loss from Operations

The Group recorded an operating loss of approximately RMB15.0 million for the six months ended 30 June 2022, as compared with the operating loss of approximately RMB14.1 million for the same period last year. The increased in operating loss was mainly attributable to the continual increase in the Group's selling and distribution costs, in response to fierce market competition to maintain its market share while turnover had remained stable compared with the same period last year.

Finance Cost

For the six months ended 30 June 2022, the finance cost represented the interest on lease liabilities in the amount of approximately RMB1.2 million as a result of the adoption of IFRS16 with effect from 1 January 2019 (six months ended 30 June 2021: RMB0.2 million).

Other Income

The Group recorded other income of approximately RMB1.4 million for the six months ended 30 June 2022, representing an increase of approximately 40.6% from approximately RMB1.0 million for the same period last year. Such increase was primarily attributable to gains from certain accounts payable that were confirmed to be no longer payable and sale of scrap materials, but was partially offset by the decrease in bank interest income.

Income Tax Expense

During the six months ended 30 June 2022, the Group had no income tax expense (six months ended 30 June 2021: 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 RMB16.2 million for the six months ended 30 June 2022, as compared with the net loss from operations of approximately RMB14.3 million for the six months ended 30 June 2021.

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 RMB16.2 million for the six months ended 30 June 2022, as compared with a loss attributable to owners of the Company of approximately RMB14.3 million for the six months ended 30 June 2021.

OUTLOOK

In late July 2022, the International Monetary Fund (“IMF”) cut its growth forecast for China’s economy to 3.3 per cent for 2022 from 4.8 per cent in January this year. The IMF expected the economic growth rate would moderately slow down to 2.9 per cent in 2023 as a result of the impact of tighter monetary policy.

In the first half of 2022, China’s economy was affected by the disruptions associated with the Omicron variant outbreak right after the Spring Festival, the heightened uncertainty of the military conflicts between Russia and Ukraine, and the adverse financial impacts triggered by the US tightening its monetary policy.

According to statistics released by China’s National Bureau of Statistics (“NBS”) in mid-July 2022, China’s economy grew by 0.4 per cent in the second quarter of 2022 compared with a year earlier to post a 2.5 per cent growth in the first half of 2021. Growth was moderately below expectations, but maintained a positive reading on the back of recovery momentum in June. The NBS went on to say that China’s economy is

gradually recovering from recent shocks as a series of policies on stabilizing the economy took effect. More efforts will be made to implement a package of stimulus policy measures and keep the economic operation within a reasonable range.

In the fifth session of the 13th National People's Congress of China, a GDP growth target of around 5.5 per cent in 2022 was made, which is higher than that of the Reuters' forecast of 4.0 per cent for this year.

Some analysts expected that China's recovery will likely continue amid global recession fears but inflation may increasingly become a source of concern, and that without an imminent exit from dynamic zero-Covid, infrastructure investment will likely act as a key growth driver.

With the various ongoing risks such as Omicron variant outbreak, geopolitical conflicts and interest rate hikes which may potentially affect the economic growth for the year, the Directors tend to be very cautious about the business development of the Group for the rest of 2022.

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

For Bawang-branded products, the Group intends to adopt the following strategies for publicity and promotion of its branded products and enhancement of revenue: (1) we will continue to provide consumers with quality domestic products, leveraging on the Chinese consumers' desire for and confidence in domestically manufactured products in promoting our branded products series; (2) we will participate in the College Students Advertising Festival in autumn, and through introduction of rejuvenated Bawang branded products and creative thematic publicity through advertisements and creative advertising texts, we hope to deepen the anti-hair fall concept for those young college students who were born after 1995 or 2000; (3) we will roll out dedicated promotional themes and different unique IP images for various festivals together with new packaging of Bawang anti-hair fall shampoo series to attract the attention of young consumers and to arouse their purchase interests; (4) we will actively develop Bawang toothpaste and shower gel products series to increase sales revenue; (5) we will continue to promote Bawang branded products through implanted commercials in live streaming programs, cross-industry cooperations, and participating in more charitable communities services with implanted commercials; and (6) leveraging on the celebrity-endorsement marketing effect and continuous sharing of the views and comments by KOLs through new social media, personalised social media, Xiaohongshu promotion and sharing of product evaluations, we hope to achieve wide-spread publicity for the Bawang brand quickly and arouse our target customers' purchasing interests and to accelerate the sales growth of our branded products.

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

For Litao branded product series, the Group will continue with its household care brand positioning, and will continue to sell these products through our conventional channels.

For conventional channels, the Group will continue to deepen cooperation and interaction with distributors by: (1) making use of various festive days such as Mid-Autumn Festival and the National Day Holiday and the shopping mall anniversaries for carrying out promotional activities to increase sales; (2) continuing to promote economical family-size Bawang Blossom Flower shower gel; (3) increasing the frequency of weekend promotion and publicity counter-shows inside those major points-of-sales and making use of the creative performance to arouse shoppers' attention and to achieve positive impacts on our brand influence; (4) building a creative and attractive image of window displays at those major points-of-sales for enhancing the sales revenue; (5) strengthening the quality sales support services offered to key accounts so as to stabilise the sales revenue generating from this channel; (6) actively invigorating the point-of-sales counters at various chain stores such as Huadong RT-Mart, Chongqing Yonghui, and Hubei Good Neighbour; and (7) actively exploring the green field markets that have good sales potential and new distribution network, and points-of-sale to increase sales.

As for the online sales channel, the Group hopes to achieve stable growth through implementation of the following plans: (1) the Group will optimise the operations on Taobao and stabilise market share for hot sales items such as anti-hair fall haircare product series. The Group will create other hot sales items such as haircare essence oil products and will horizontally diversify into shower gel and laundry detergent products for capturing market shares in order to increase the sales of online flagship stores; (2) the Group will endeavour to maintain and operate the self-operated channels such as Retail Tong and Xiaohongshu; (3) the Group will intensively develop with the channel at Pingduoduo for opening more online shops and will develop more distributors through channel-specific tailor-made products so as to increase sales; (4) the Group will develop the live video-streaming channel by making use of the channel broadcasters to carry out online sales for increasing revenue. At the same time, we aim to gradually expand the scope of live-broadcast channel and maintain good relationship with customers and our spokespersons' fans and scenes for arousing their purchase interests in our products; (5) the Group will continue to develop further customers and partners through Tik-Tok channel and will operate retail supermarkets in it so as to increase sales through this channel; and (6) the Group will implement supporting policies for those elite distributors such as JD.com and vip.com in order to increase the sales revenue generated from these channels.

Apart from all these, the Group plans to develop live streaming resources internally 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 through reasonable utilizations of the existing production resources. We will continue to strengthen our research and development capability, to optimise our production process, to make centralized production to conserve water, electricity and gas energy to reduce production costs, and to enhance the training and development of production management staff and workers 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.

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

We believe that through the above-mentioned resources management and workflow integration to maximise production effectiveness, 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 and in the midst of geopolitical conflicts will focus on two areas: in the short term, the Group intends to increase its revenue by exploring new sales channels in HPC products in order to regain momentum for sales growth and profitability, and to improve investors' confidence in the Group; and in the long term, the Group will continue to focus on strengthening its business model and market positioning to increase its market share among domestic and international competitors, maintaining a multi-brand and multi-product strategy in the HPC sector, and becoming a leader in branded Chinese herbal HPC products worldwide.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group adopts conservative financial management policies and maintains a good and solid financial position. As at 30 June 2022, the time deposits, bank balances and cash of the Group were approximately RMB93.7 million (as at 31 December 2021: approximately RMB113.3 million). Of which, the total time deposits with various maturity dates of the Group were approximately RMB50.0 million (As at 31 December 2021: RMB54.0 million). A summary of liquidity and financial resources as at the dates indicated is set out below:

	30 June 2022	31 December 2021
	<i>RMB in million</i>	<i>RMB in million</i>
	(Unaudited)	(Audited)
Time deposits, bank balances and cash	93.7	113.3
Total loans	0	0
Total assets	250.7	295.6
The gearing ratio ¹	0%	0%

Note:

1. Calculated as total loans divided by total assets

MATERIAL ACQUISITION AND DISPOSAL

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGING

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

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

For the period ended 30 June 2022, the Group had not issued any material financial instruments or entered into any material contracts for foreign currency hedging purposes. However, the Board will continue to monitor the foreign exchange exposure of the Group and is prepared to take prudent measures such as hedging when required.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

As at 30 June 2022, the Group had no capital commitment for acquisition of property, plant and equipment.

CHARGE OF ASSETS

As at 30 June 2022, the Group did not have any pledge of assets.

TRADE AND OTHER PAYABLES

As at 30 June 2022, the trade and other payables of the Group were approximately RMB64.8 million (As at 31 December 2021 approximately RMB83.5 million), which represented a decrease of 22.4%. As at 30 June 2022, 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 2022 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 2022.

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 2022 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 2022.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.bawang.com.cn), IRasia (www.irasia.com/listco/hk/bawang/) and The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). The interim report for the six months ended 30 June 2022 containing all the information required under Appendix 16 to the Listing Rules will be despatched to the shareholders and be available on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 30 August 2022

As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely, Mr. CHEN Qiyuan, Mr. CHEN Zheng He and Mr. WONG Sin Yung, and three independent non-executive directors, namely, Mr. CHEUNG Kin Wing, Dr. WANG Qi, and Dr. LIU Jing.