

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2024

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 2024 together with comparative figures for the same period last year.

The Board refers to the profit warning announcement of the Company dated 14 June 2024. The following sets forth a summary of the unaudited consolidated results of the Group for the six months ended 30 June 2024:

Total revenue of the Group was approximately RMB109.8 million, representing an increase of approximately 10.3% from approximately RMB99.6 million for the same period last year.

Revenue through the online sales channel was approximately RMB55.6 million, representing an increase of approximately 21.6% from approximately RMB45.7 million for the same period last year.

Operating profit of the Group was approximately RMB1.7 million, as compared with the operating profit of approximately RMB5.2 million for the same period last year.

Net profit was approximately RMB1.2 million, as compared with the net profit of approximately RMB4.5 million for the same period last year.

Profit attributable to owners of the Company was approximately RMB1.2 million, as compared with the profit of approximately RMB4.5 million for the same period last year.

Earnings per share (both basic and diluted) was approximately RMB0.04 cents.

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

* *for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	109,820	99,567
Cost of sales		<u>(58,428)</u>	<u>(58,329)</u>
Gross profit		51,392	41,238
Other income		826	1,461
Selling and distribution costs		(37,366)	(27,562)
Administrative expenses		(13,047)	(9,722)
Impairment losses in respect of trade receivables		(32)	(48)
Other expenses		<u>(56)</u>	<u>(134)</u>
Operating profit		1,717	5,233
Finance cost	5	<u>(528)</u>	<u>(715)</u>
Profit before taxation	6	1,189	4,518
Taxation	7	<u>21</u>	<u>—</u>
Profit for the period attributable to owners of the Company		<u>1,210</u>	<u>4,518</u>
Earnings per share	9		
Basic (RMB cents)		<u>0.04</u>	<u>0.14</u>
Diluted (RMB cents)		<u>0.04</u>	<u>0.14</u>

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

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	1,210	4,518
Other comprehensive income for the period		
<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>730</u>	<u>573</u>
Total comprehensive income for the period attributable to owners of the Company	<u>1,940</u>	<u>5,091</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Notes</i>	30 June 2024	31 December 2023
		<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment		38,681	34,575
Right-of-use assets		18,209	22,573
Deferred tax assets		400	379
Deposit paid for acquisition of property, plant and equipment		2,346	—
Time deposit		<u>30,000</u>	<u>30,000</u>
		<u>89,636</u>	<u>87,527</u>
Current assets			
Inventories		29,327	25,831
Right to returned goods asset		267	719
Trade and other receivables	10	23,800	27,984
Bank balances and cash		<u>82,418</u>	<u>88,272</u>
		<u>135,812</u>	<u>142,806</u>
Current liabilities			
Trade and other payables	11	57,371	59,411
Contract liabilities		5,340	5,225
Refund liabilities		419	1,092
Lease liabilities		<u>10,077</u>	<u>9,208</u>
		<u>73,207</u>	<u>74,936</u>
Net current assets		<u>62,605</u>	<u>67,870</u>
Total assets less current liabilities		<u>152,241</u>	<u>155,397</u>
Non-current liability			
Lease liabilities		<u>10,799</u>	<u>15,895</u>
Net assets		<u>141,442</u>	<u>139,502</u>
Capital and reserves			
Share capital	12	277,932	277,932
Reserves		<u>(136,490)</u>	<u>(138,430)</u>
Total equity		<u>141,442</u>	<u>139,502</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL AND BASIS OF PREPARATION

BaWang International (Group) Holding Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its immediate holding company is Fortune Station Limited, which is incorporated in the British Virgin Islands (the “**BVI**”) and is owned as to: (1) 49.57% by Heroic Hour Limited, a company that is beneficially owned as to 22.00% by Mr. CHEN Zheng He, the chief executive officer and an executive director of the Company, and 78.00% by Mr. CHEN Zheng He’s six brothers and sisters; and (2) 50.43% by Mr. CHEN Qiyuan, the chairman of the board of directors of the Company (the “**Directors**”).

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

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is the functional currency of the principal subsidiaries of the Group where the primary economic environment is in the PRC. Other than the subsidiaries established in the PRC which functional currencies are RMB, the functional currency of the Company and other subsidiaries is Hong Kong dollars (“**HK\$**”). All values are rounded to the nearest thousand (“**RMB’000**”) unless otherwise stated.

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “**IASB**”) and the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange. This condensed consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the IASB.

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023 except as described below.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are effective for the Group's financial year beginning on 1 January 2024:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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

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

Amendments to IAS 1 Classification of Liabilities as Current or Non-current; and Amendments to IAS 1 — Non-current Liabilities with Covenants

Amendments to IAS 1 Classification of Liabilities as Current or Non-current issued in 2020 clarify the requirements on determining if a liability is current or non-current, in particular the determination over whether an entity has the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments specify that an entity's right to defer settlement must exist at the end of the reporting period. Classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement. The amendments also clarify the classification of liabilities that will or may be settled by issuing an entity's own equity instruments.

Amendments to IAS 1 Non-current Liabilities with Covenants issued in 2022 further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current.

The adoption of the amendments has no impact to the Group's classification of liabilities as at 1 January 2023, 31 December 2023 and 30 June 2024.

4. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2024	2023
	<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	99,582	91,526
Skin-care products	—*	21
Other household and personal care products	10,238	8,020
	<u>109,820</u>	<u>99,567</u>

Disaggregation of revenue from contracts with customers by timing of recognition

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
At a point in time	<u>109,820</u>	<u>99,567</u>

* The amount is less than RMB1,000.

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

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

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

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

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

Segment revenue and results

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

For the six months ended 30 June 2024

	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>99,582</u>	<u>—*</u>	<u>10,238</u>	<u>109,820</u>
Segment profit/(loss)	<u>3,297</u>	<u>—*</u>	<u>(1,467)</u>	1,830
Bank interest income				637
Other income				189
Corporate and other unallocated expenses				<u>(1,467)</u>
Profit before taxation				<u><u>1,189</u></u>

* The amount is less than RMB1,000.

For the six months ended 30 June 2023

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

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

5. FINANCE COST

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on lease liabilities	<u><u>528</u></u>	<u><u>715</u></u>

6. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	(637)	(627)
Government grants	—	(435)
Reversal of allowance losses on inventories (included in cost of inventories recognised as an expense)	(207)	(425)
Depreciation of property, plant and equipment	7,880	6,045
Depreciation of right-of-use assets	4,364	4,364
Obsolete inventories written-off (included in cost of inventories recognised as an expense)	123	382
Loss on disposal of property, plant and equipment	<u>56</u>	<u>134</u>

7. TAXATION

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Deferred income tax	<u>21</u>	<u>—</u>

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

Pursuant to circular issued by Ministry of Finance and State Taxation Administration on 17 January 2019, the small-scaled minimal profit enterprise with an annual taxable income below RMB1,000,000 (RMB1,000,000 included) is entitled to a preferential tax treatment of 75% exemption of taxable income and application of income tax rate as 20% from 1 January 2019 to 31 December 2021. On 2 April 2021, a circular was issued by Ministry of Finance and State Taxation Administration, the corporate income tax was halved on the basis of above preferential policies and the policies were extended from 1 January 2021 to 31 December 2022. On 26 March 2023, a circular was issued by Ministry of Finance and State Taxation Administration, the small-scaled minimal profit enterprise with an annual taxable income below RMB1,000,000 is entitled to a preferential tax treatment of 25% included in taxable income and application of income tax rate as 20% from 1 January 2023 to 31 December 2024. On 2 August 2023, a circular was issued by Ministry of Finance and State Taxation Administration and the above policies were further extended to 31 December 2027. Certain PRC subsidiaries of the Group were qualified for this preferential tax treatment during the six months ended 30 June 2023 and 2024.

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. For the six months ended 30 June 2024 and 2023, Bawang Guangzhou has no tax payable on the profit arising in PRC since the assessable profit is wholly absorbed by tax losses brought forward.

- (ii) No provision for Hong Kong Profits Tax has been provided for the six months ended 30 June 2024 and 2023 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 2024 and 2023.

8. DIVIDENDS

No dividend was paid or proposed for the six months ended 30 June 2024 (six months ended 30 June 2023: nil), nor has any dividend been proposed since the six months ended 30 June 2024.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the earnings for the period of approximately RMB1,210,000 (six months ended 30 June 2023: approximately RMB4,518,000) and the weighted average number of approximately 3,162,441,000 (six months ended 30 June 2023: approximately 3,162,441,000) ordinary shares in issue during the period.

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2024 and 2023 or at the end of both reporting periods.

10. TRADE AND OTHER RECEIVABLES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Less than 3 months	12,859	17,452
More than 3 months but less than 6 months	215	193
More than 6 months but less than 12 months	4	6
More than 12 months	<u>—</u>	<u>4</u>
Total debtors, net of allowance for impairment of trade receivables	13,078	17,655
Prepayment for purchase of raw materials	6,495	8,553
Other prepayments	1,438	1,007
Bank interest receivables	498	180
Non-income tax receivables	79	175
Other receivables	<u>2,212</u>	<u>414</u>
	<u>23,800</u>	<u>27,984</u>

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

11. TRADE AND OTHER PAYABLES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month or on demand	10,835	10,525
After 1 month but within 3 months	<u>9,829</u>	<u>8,553</u>
Total creditors	20,664	19,078
Promotion fee payables	4,922	9,218
Accrued payroll	2,422	3,651
Non-income tax payables	5,135	2,195
Other payables and accruals	<u>24,228</u>	<u>25,269</u>
	<u>57,371</u>	<u>59,411</u>

12. SHARE CAPITAL AND RESERVES

	Number of shares '000	Amount RMB'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2023 (audited), 31 December 2023 (audited), 1 January 2024 (audited) and 30 June 2024 (unaudited)	<u>10,000,000</u>	<u>880,500</u>
Issued and fully paid:		
At 1 January 2023 (audited), 31 December 2023 (audited), 1 January 2024 (audited) and 30 June 2024 (unaudited)	<u>3,162,441</u>	<u>277,932</u>

13. OTHER COMMITMENT

At the end of respective reporting period, the Company has other commitment as follow:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Amount contracted for but not provided for in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	<u>4,535</u>	<u>—</u>

BUSINESS REVIEW

The Directors report that the total revenue of the Group for the six months ended 30 June 2024 was approximately RMB109.8 million, representing an increase of approximately 10.3% from approximately RMB99.6 million for the same period last year. The operating profit of the Group for the six months ended 30 June 2024 was approximately RMB1.7 million, as compared with the operating profit of approximately RMB5.2 million for the same period last year.

For the six months ended 30 June 2024, the net profit of the Group was approximately RMB1.2 million, as compared with the net profit of approximately RMB4.5 million for the same period last year.

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

During the period under review, the Group continued to operate under the value-chain-oriented business model, which enabled the Group to control the cost of sales and operating costs at a sustainable level.

During the period under review, we invited our national distributors to participate in our new products roll-out conference, which was our first fortune event and new product roll-out conference after the pandemic. During the conference, we showcased our new products and their respective functionalities. The fresh packaging designs and the unique functionalities of the new products have aroused the distributors’ interest to place orders for such newly-launched products, which have successfully increased the purchase order quantity and enhanced our sales revenue.

During the period under review, we made use of popular social media platforms to promote and cultivate customers’ interest in our branded products through graphics + text and short video clips on social media platforms such as Douyin (抖音), Weibo (微博), Xiaohongshu (小紅書) and Bilibili (哔哩哔哩). Through the word-of-mouth recommendations from customers, our brand influence has been enhanced, which stimulated purchases by the target customers and increased the sales revenue.

Through in-store exciting and vivid counter-shows in our display counters at various hypermarkets, onsite cosmetic courses and dissemination of shampooing and hair-care knowledge during various festivals of the year and anniversary celebrations of various malls, which attracted participation of consumers, we enhanced the interactions with consumers so as to arouse their interest to buy our products and thereby increased the sales revenue via conventional channel.

During the period under review, we successfully expanded our overseas market into Canada. Our Bawang branded shampoo products were exported to the Canadian market which increased our sales revenue from overseas market.

During the period under review, we continued to participate in community welfare events to enhance our public image as a responsible corporation. On the Labour's Day on the 1st of May, in conjunction with the Guangzhou Jianggao Township Committee, we carried out the "Care and Concern Campaign" for the community hygiene workers by giving out complimentary shampoos, shower gels and hair mask products to the workers. We believe that social activities of this nature help to publicise our corporate mission and enhance our corporate image, while at the same time providing opportunities for us to implant some advertisements for promoting our Bawang branded products and enhance the Bawang brand image.

As at 30 June 2024, the Bawang brand distribution network comprised 957 distributors and six KA retailers, covering 26 provinces and four municipalities in mainland China. Furthermore, the products of the Group were also sold in Hong Kong, Singapore, Thailand, Malaysia, USA, Canada 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 2024, the Royal Wind brand distribution network comprised 957 distributors and six KA retailers, covering 26 provinces and four municipalities in mainland 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 2024, the Litao products distribution network comprised 921 distributors and one KA retailer, covering 26 provinces and four municipalities in China.

As at 30 June 2024, the Group has established online flagship stores for our Bawang and Royal Wind branded products on 15 online retailing platforms in China. We will deepen our efforts in the development of this channel.

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

- the permit for production of cosmetic products, which was issued by Guangdong Provincial Food and Drug Administration, is valid until May 2027;
- our Chinese herbal hair care series shampoo, Chinese antidandruff series shampoo and Chinese herbal skin care series body wash series products have been recognized as “The 2022 Elite High-Tech Products in Guangdong Province (2022 年度廣東省名優高新技術產品)” by the Guangdong Hi-tech Enterprise Association (廣東省高新技術企業協會) in January 2023 and valid for a period of three years until January 2026;
- our production process for haircare and skincare products has been certified by SGS with a validity period until July 2025 as to meet the requirements of US FDA CFSAN by reference to Cosmetic Good Manufacturing Practices (GMP) Guidelines 2008;
- our production process for haircare and skincare products has been certified by SGS with a validity period until July 2025 as to meet the requirements of ISO22716:2007 by reference to Cosmetic Good Manufacturing Practices (GMP) Guidelines;
- Bawang (Guangzhou) Co., Ltd was recognized by the Department of Industry and Information Technology of Guangdong Province (廣東省工業和信息化廳) as a “Specialized Small and Medium Enterprise (專精特新中小企業)” on 6 January 2024 with a validity period up to January 2027.
- we were accredited as Grade A credit rating taxpayer for financial year 2023 by Guangzhou Municipal Tax Service of the State Taxation Administration on 1 August 2024.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2024, the Group’s revenue from operations amounted to approximately RMB109.8 million, representing an increase of approximately 10.3% from approximately RMB99.6 million for the same period last year. Revenue through the online sales channel was approximately RMB55.6 million, representing an increase of approximately 21.6% from approximately RMB45.7 million for the same period last year.

During the six months ended 30 June 2024, the Group's core brand, Bawang, generated a revenue of approximately RMB104.3 million, which accounted for approximately 95.0% of the Group's total revenue, and represented an increase of approximately 8.6% as compared with the same period last year.

During the six months ended 30 June 2024, the Group's branded Chinese herbal anti-dandruff haircare series, Royal Wind, generated a revenue of approximately RMB1.3 million, which accounted for approximately 1.1% of the Group's total revenue, and represented an increase of approximately 10.2% as compared with the same period last year.

During the six months ended 30 June 2024, the Group's natural-based branded shampoo, shower gel and laundry detergent products series, Litao, generated a revenue of approximately RMB3.2 million, which accounted for approximately 3.0% of the Group's total revenue, and represented an increase of approximately 39.7% 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 2024, a summary of our sales revenue in percentage through different networks and/or channels are as follows:

Network/Channel	Conventional (%)	Online (%)	Total (%)
Distributor	46.3%	21.7%	68.0%
Retailer	<u>3.0%</u>	<u>29.0%</u>	<u>32.0%</u>
Total	<u>49.3%</u>	<u>50.7%</u>	<u>100.0%</u>

During the six months ended 30 June 2024, our products were also sold in Hong Kong, Singapore, Thailand, Malaysia, the USA, Canada and Mongolia. The sales to Hong Kong and these overseas markets accounted for approximately 0.8% of our total revenue during the six months ended 30 June 2024.

Cost of Sales

During the six months ended 30 June 2024, cost of sales amounted to approximately RMB58.4 million, representing a slight increase of approximately RMB0.1 million (or approximately 0.2%) from approximately RMB58.3 million during the same period last year. The slight increase was mainly due to the increases in the consumption of raw materials and packaging materials which were in line with the increase in sales volume, but was largely set off by the decreases in direct labor cost and aggregate manufacturing costs. This explains that, as a percentage of revenue, cost of sales for the six months ended 30 June 2024 decreased from approximately 58.6% in 2023 to approximately 53.2%.

Gross Profit

During the six months ended 30 June 2024, the Group's gross profit amounted to approximately RMB51.4 million, representing an increase of approximately 24.6% from approximately RMB41.2 million for the same period last year. The gross profit margin for the six months ended 30 June 2024 also increased from approximately 41.4% in the first half of 2023 to approximately 46.8%. Such increase was mainly attributable to a decrease in the average unit cost of production.

Selling and Distribution Costs

During the six months ended 30 June 2024, selling and distribution costs amounted to approximately RMB37.4 million, representing an increase of approximately 35.6% from approximately RMB27.6 million for the same period last year. As a percentage of revenue, our selling and distribution costs for the six months ended 30 June 2024 increased from approximately 27.7% in 2023 to approximately 34.0% in 2024. The increase was primary due to an increase in promotion fee, but was partially set off by the decrease in the cost of outsourcing business and logistic expenses.

Administrative Expenses

During the six months ended 30 June 2024, administrative expenses amounted to approximately RMB13.0 million, representing an increase of approximately 34.2% from approximately RMB9.7 million for the same period last year. The increase was primarily due to the increase in salary and bonus and also research and development expenses, but was partially set off by the decrease in depreciation expenses.

Impairment Losses of Trade Receivables

For the period under review, the Group recognized impairment losses of approximately RMB32,000 in respect of trade receivables following the management's assessment on credit risk of our financial assets by adopting the expected credit loss model according to IFRS 9.

Profit from Operations

The Group recorded an operating profit of approximately RMB1.7 million for the six months ended 30 June 2024, as compared with the operating profit of approximately RMB5.2 million for the same period last year. The decrease in operating profit was mainly attributable to the notable increases in the selling and distribution costs and administrative expenses, but was partially set off by the increase in gross profit.

Finance Cost

For the six months ended 30 June 2024, the finance cost represented the interest on lease liabilities in the amount of approximately RMB0.5 million as a result of the adoption of IFRS16 with effect from 1 January 2019 (six months ended 30 June 2023: RMB0.7 million).

Other Income

The Group recorded other income of approximately RMB0.8 million for the six months ended 30 June 2024, representing a decrease of approximately 43.5% from approximately RMB1.5 million for the same period last year. Such decrease was primarily attributable to the decrease in gain on sales of scrap materials, but was partially offset by an increase in bank interest income.

Income Tax Credit

During the six months ended 30 June 2024, the Group recorded the deferred income tax of approximately RMB21,000 (six months ended 30 June 2023: nil).

Net Profit for the Period

As a result of the combined effect of the abovementioned factors, the Group recorded a net profit of approximately RMB1.2 million for the six months ended 30 June 2024, as compared with the net profit of approximately RMB4.5 million for the six months ended 30 June 2023.

Profit for the Period Attributable to Owners of the Company

As a result of the combined effect of the above factors, the Group recorded a profit attributable to owners of the Company of approximately RMB1.2 million for the six months ended 30 June 2024, as compared with a profit attributable to owners of the Company of approximately RMB4.5 million for the six months ended 30 June 2023.

OUTLOOK

In July 2024, the International Monetary Fund (“**IMF**”) raised China’s economic growth projection to 5.0 per cent for 2024, which reflects an upward revision of 0.4 percentage point as comparing with its previous projection released in April 2024. The IMF expected the Chinese economy would grow at 4.5% cent in 2025, also a 0.4 percentage point-upward revision than that of its preceding forecast.

According to statistics released by China’s National Bureau of Statistics (“**NBS**”) in mid-July 2024, China’s economic growth slowed to 4.7 per cent in the second quarter of 2024 as compared with a year earlier. The gross domestic product (“**GDP**”) recorded a 5.0 per cent year-on-year growth in the first half of 2024, which can be attributable to the generally stable national economy with steady progress, steady increase of production, sustained recovery of demand, generally stable employment and prices, continued increase of household income, new growth drivers accelerating economic growth, and the nation has made new achievements in high-quality development.

A poll carried out by Reuters with three global investment banks in early July 2024 revealed that China is expected to achieve an economic growth of 5.0% in 2024, which was mainly due to the strong data in the first quarter of 2024.

In the Third Plenary Session of the 20th Central Committee of the Communist Party of China, the officials vowed to give “better leverage on the utility of the market”, while noting that market forces need to be better managed, and retained a previous promise to “unswervingly” develop the State economic sector. To achieve the annual economic growth target of 5.0%, the government will proactively expand domestic demand and develop new quality productivity forces. As for long term reform plans, the meeting went on to state that “high quality development” as China’s “top priority” and put forth the target for structural reforms to be completed by 2029.

Due to geopolitical conflicts, the external environment has been turbulent and there is growing trade protectionism. Domestically, the country needs to address the issues of unsold stock of residential properties and the mounting debt crisis facing municipalities across the country. The Directors therefore continue to be very cautious in forming the ongoing business strategies of the Group.

The Group will continue with its corporate theme “Dashing All the Way for Win-Win Cooperation”.

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 Bawang branded products. Leveraging on the Chinese consumers' desire for and confidence in domestically manufactured products in promoting our Bawang branded products series, we will deepen their understanding in our brand concept of "Daunted by hair-fall, Use Bawang Shampoo".
- (2) Through our official blogs in the new social media platforms including Weibo, Douyin, Kuaishou and Xiaohongshu, we will implant word-of-mouth marketing to improve the awareness and reputation of our brand, which can stimulate the interest of target customers to purchase our products and accelerate the sales of our branded products.
- (3) We will continue to leverage on our new Hi-tech equipment, various patents and special permits and innovative packaging of Bawang branded products to attract more consumers' attention. To attract the interest of young consumers in our products, we will roll out anti-hair fall shampoo products with fresh packaging by reference to young consumers' favourite lifestyles.
- (4) We will carry out a variety of marketing activities for face-to-face interaction with consumers. We will carry out quizzes with prizes for enhancement of brand recognition. We will carry out festival and holiday promotion activities and conduct educational webinars and seminars in hair health and haircare for enhancement of consumers' understanding and knowledge of anti-hair fall so as to enhance the professional brand image of Bawang anti-hair fall and to build up a preference for consumers to select Bawang branded products.
- (5) We will set up experience shops and counters for consumers to personally try out our branded products, strengthening first-hand experience and recognition.
- (6) Through the continuous participations in community welfare events, we will implant some advertisements for promoting our Bawang brand image and brand recognition.
- (7) Through a variety of styles in livestreaming sales which increase the exposures of our products and improve the consumers' feedbacks mechanism, we will perform analytical reviews to understand the consumers' opinions and addressing their needs for optimizing our products and services.

- (8) Through visual marketing design techniques, we will create more energetic and youthful publicity materials that will attract more young consumers and to improve the conversion rates for sales. We will roll out Bawang Brand membership program. We will offer members' privileges, bonus point awards and personalized services for building up brand loyalty and repeated purchases.

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

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

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

- (1) We will continue our market development project known as "Thousand Townships for Ten Thousand Points-of-Sales", which has commenced since March this year. To expedite the distribution of products to the local market for enhancement of sales revenue, we have appointed a number of key distributors in our traditional channel across Hainan Island, which will ensure that delivery of our shampoo products will swiftly reach out to all point-of-sales in their respective township networks. Additionally, publicity and promotional events will be carried out to enhance the awareness and confidence of our brand. We believe that such marketing initiatives demonstrate our determinations to extensively develop the market, which enhance our brand influence, enlarge the coverage of the market and increase our sales through this channel;
- (2) Hosting new products launch sales conference, we will roll out sales promotional policy to obtain more distribution sales orders. We will roll out new products such as fruit series, nurturing series, Royal Wind beauty haircare series, Litao shower gel, classic herbal medicine series and amino acid colorful bottle series for developing new distributors and exploring the potential untouched markets for establishment of points-of-sales so as to increase the sales through this channel;
- (3) Accelerating the recruitment of distributors in the cosmetic shop channel to increase revenue from this channel;
- (4) Increase the frequency of weekend promotions and counter shows and making use of creative performance to catch shoppers' attention so as to achieve positive effects on our brand influence; and

- (5) Continuing to optimize the infrastructures of all points-of-sales, continuing to carry out nationwide promotional activities, and eliminating the inventories of distributors. At the same time, increasing capital expenditures in key distributors, key distribution channels and prime points-of-sales so as to enhance the revenues from these distribution channels.

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

- (1) The Group will re-shuffle and re-position the structure of products at T-Mall flagship stores and T-Mall Supermarket. On the basis of the current hot-sales items such as re-growing bundles and oil, we will supplement the herbal shampoo series with ginger, polygonum, chick peas, and soapberry to satisfy customers' need through these products that have high cost-performance, as well as expand the traffic of platform activities. At the same time, the Group will also develop and promote haircare and body care products such as anti-dandruff essence and shower gel for increasing sales revenue through this channel;
- (2) The Group will refer to the characteristics and direction of cooperation with JD.com platform and gather the statistics of visits through the operational devices embedded in the system for increasing the sales revenue through this platform. Additionally, the Group will monitor the market reaction for launch of new products and make adjustments accordingly so as to increase the sales through this platform;
- (3) The Group will continue to roll out high cost-performance products which suit customers from Pinduoduo. The official 10-billion-dollar subsidy program of Pinduoduo will serve to stimulate the sales growth from this platform; and
- (4) The Group will continue to increase the investment in the live-streaming platform of Douyin. Additional live-streaming studios will be established. The Group will re-classify the customer segments in accordance with the different scenarios of their haircare and dandruff needs in daily life and will then provide the customers with solutions for enhancements of the image of Bawang branded products. At the same time, through the expansion of cooperation with market-leading and mid-tier KOLs, we will cooperate with them in recommending our products through implant commercial to achieve brand awareness and brand sales volume.

For production management, we strive to maintain our competitive advantage, and we also aim to promote Bawang brand image and market leadership through production-study-research cooperation and transformation of research achievements to high quality products. We always emphasize on the innovation of the core technology of our

products with the quality of products guaranteed. We will leverage on the capability of our professional research and development team to maintain strategic cooperation with universities and research institutions.

We will manage to enhance our corporate operational effectiveness and competitiveness through continuous improvement and optimizations of internal work process, management system and production efficiency. We will arrange overhauling of production workshops, and to enhance the factory image so as to ensure a safer production environment. We are renewing our production lines by replacing existing old production lines and equipment in phases so as to make them more intelligent and to enhance the production efficiency and to conserve energy.

We will continue to adopt a complete performance-based assessment system with the people-oriented production management concept. We will provide training and education programs for enhancement of the skills of workers and their awareness of occupational safety. We will also arouse the workers' awareness on the concept of green production, which serves to reduce the production costs and at the same time enhance their remuneration.

We have been running on a more flexible and advanced supply chain approach to reasonably utilize the production facilities and factory space, and to optimise the production processes. Our solar energy installation has started its operations early this year, which helps to reduce the conventional power usage for the purpose of production costs saving as well as to achieve reductions in the carbon emissions. Whilst exercising stringent control over the production flow and process and at the same time ensuring the quality of products, we will minimize the materials spoilage and energy wastage so as to achieve the various environmental emission targets that have been set by the Company.

For our original equipment manufacturers (“OEM”) business, we will make use of our competitive advantages in 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 cooperations 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 reduce costs and enhance the efficiency. We will be able to sustain high quality development for achieving the Company's predetermined emission targets as stated in the Company's ESG report, thereby creating 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 2024, the time deposits, bank balances and cash of the Group were approximately RMB112.4 million (as at 31 December 2023: approximately RMB118.3 million). Of which, the total time deposit was approximately RMB30.0 million (As at 31 December 2023: RMB30.0 million). A summary of liquidity and financial resources as at the dates indicated is set out below:

	30 June 2024	31 December 2023
	<i>RMB in million</i>	<i>RMB in million</i>
	(Unaudited)	(Audited)
Time deposits, bank balances and cash	112.4	118.3
Total loans	0	0
Total assets	225.4	230.3
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 2024, 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 2024, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

As at 30 June 2024, the Group capital commitment for acquisition of property, plant and equipment was approximately RMB4.5 million.

CHARGE OF ASSETS

As at 30 June 2024, the Group did not have any pledge of assets.

TRADE AND OTHER PAYABLES

As at 30 June 2024, the trade and other payables of the Group were approximately RMB57.4 million (As at 31 December 2023 approximately RMB59.4 million), which represented a decrease of 3.4%. As at 30 June 2024, 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 2024 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 C1 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 2024.

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 C3 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 2024 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 2024.

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 2024 containing all the information required under Appendix D2 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, 29 August 2024

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. LIU Jing and Mr. CHU Tat Hoi.