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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)

ANNOUNCEMENT

PREVIOUS CONTINUING CONNECTED TRANSACTIONS

Introduction

During the Relevant Period, Bawang Beverage purchased certain packaging materials, such as carton boxes and paper boards, from Qiancai Packaging in the aggregate amount of RMB2.455 million (equivalent to approximately HK\$2.82 million). Pursuant to the Listing Rules, the Purchase Transactions constituted connected transactions for the Company. The Beverage Management Teams were not aware of the implications of the Purchase Transactions under the Listing Rules until late January 2011 when the management accounts of the Group for the year ended 31 December 2010 were finalized for auditing purposes.

Implications under the Listing Rules

A majority equity interest in Qiancai Packaging is owned by Ms. Wu, who is the sister-in-law of one of the Directors and controlling Shareholders of the Company. Ms. Wu and Qiancai Packaging are therefore considered to be connected persons of the Company. The Purchase Transactions, which fall outside the scope of the Qiancai Packaging Supply Agreement, would therefore be considered as continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios are more than 0.1% but less than 5%, the Purchase Transactions would be subject to the reporting and announcement requirements, but exempt from the independent Shareholder's approval requirement, under Chapter 14A of the Listing Rules. On this basis, the Company should have issued an announcement in accordance with Chapter 14A of the Listing Rules prior to entering into the Purchase Transactions.

Reasons for non-compliance with the announcement requirement under the Listing Rules

The Beverage Management Teams did not draw the attention of the Senior Management to the Purchase Transactions because they believed that the Purchase Transactions were part of the Qiancai Packaging Supply Agreement. This was largely due to the fact that the aggregate amount of the Purchase Transactions and the transactions under the Qiancai Packaging Supply Agreement did not exceed the applicable annual cap for the year ended 31 December 2010 set forth in the Prospectus. The Directors were therefore not aware that the Company had to issue separate announcement pursuant to the requirements under Chapter 14A of the Listing Rules.

Remedial steps taken

In order to prevent occurrence of similar incidents, the Senior Management has immediately taken steps to strengthen the internal controls over the procurement, accounting and payment cycles of all transactions with connected persons; and to conduct training session for the Beverage Management Teams so as to reinforce their knowledge regarding the rules and regulations in respect of connected transactions.

The Directors have requested the Senior Management to implement all the necessary steps to identify all connected transactions for the Company and ensure they are in full compliance with the Listing Rules. The Senior Management has also reviewed the relevant records of the Group and confirm that no other connected transactions (as such term is defined under the Listing Rules) for the Company are not in full compliance with the Listing Rules.

PURCHASE TRANSACTIONS

Relevant Period	From 1 June 2010 to 30 September 2010
Parties	Vendor: Qiancai Packaging, a majority equity interest in which is owned by Ms. Wu. Purchaser: Bawang Beverage, an indirect wholly-owned subsidiary of the Company.
Payment terms	Bawang Beverage paid the purchase amounts within 30 days after receipt of invoice.

IMPLICATIONS UNDER THE LISTING RULES

A majority equity interest in Qiancai Packaging is owned by Ms. Wu, who is the sister-in-law of one of the Directors and controlling Shareholders of the Company. Ms. Wu and Qiancai Packaging are therefore considered to be connected persons of the Company. The Purchase Transactions, which fall outside the scope of the Qiancai Packaging Supply Agreement, would therefore be considered as continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios are more than 0.1% but less than 5%, the Purchase Transactions would be subject to the reporting and announcement requirements, but exempt from the independent Shareholder's approval requirement, under Chapter 14A of the Listing Rules. On this basis, the Company should have issued an announcement in accordance with Chapter 14A of the Listing Rules prior to entering into the Purchase Transactions.

REASONS FOR AND BENEFIT OF ENTERING INTO THE PURCHASE TRANSACTIONS

The Purchase Transactions were conducted in the ordinary course of business of the Group. During the Relevant Period, Bawang Beverage purchased certain packaging materials, such as carton boxes and paper boards, from Qiancai Packaging in the aggregate amount of RMB2.455

million (equivalent to approximately HK\$2.82 million). The packaging materials were used by Bawang Beverage in packaging the products of the Group for delivery. Bawang Beverage sourced the packaging materials from Qiancai Packaging because firstly, the quality of the packaging materials was suitable for the specific packaging dimensions and requirements and secondly, Qiancai Packaging could supply the relevant packaging materials within the time period required by the Group. The Purchase Transactions were conducted on an arm's length basis with normal commercial terms following the usual purchasing procedures of the Group and therefore, the Board is of the view that the Purchase Transactions did not prejudice the interests of the Shareholders.

REASONS FOR NON-COMPLIANCE WITH ANNOUNCEMENT REQUIREMENT UNDER THE LISTING RULES

The Qiancai Packaging Supply Agreement was entered into pursuant to which Qiancai Packaging agreed to supply packaging materials to Bawang Guangzhou for a term of three years commencing 1 January 2009 which constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. The Beverage Management Teams believed that the Purchase Transactions were part of the Qiancai Packaging Supply Agreement. This was largely due to the fact that the aggregate amount of the Purchase Transactions and the transactions under the Qiancai Packaging Supply Agreement did not exceed the applicable annual cap for the year ended 31 December 2010 set forth in the Prospectus.

The Beverage Management Teams did not draw the attention of the Senior Management to the Purchase Transactions because they were not aware of the implications of the Purchase Transactions under the Listing Rules until late January 2011 when the management accounts of the Group for the year ended 31 December 2010 were finalized for auditing purposes. The Directors were therefore not aware that the Company had to issue separate announcement pursuant to the requirements under Chapter 14A of the Listing Rules.

REMEDIAL STEPS TAKEN

In order to prevent the occurrence of similar incidents, the Senior Management has immediately taken steps to strengthen the internal controls over the procurement, accounting and payment cycles of all transactions with connected persons; and to conduct training session for the Senior Management Teams to reinforce their knowledge regarding the rules and regulations in respect of connected transactions.

The Directors have requested the Senior Management to implement all the necessary steps to identify all connected transactions for the Company and ensure they are in full compliance with the Listing Rules. The Senior Management has also reviewed the relevant records of the Group and confirm that no other connected transactions (as such term is defined under the Listing Rules) for the Company are not in full compliance with the Listing Rules.

Having reviewed the available information (which included, but without limitation to the price quotations of similar packaging materials provided by other suppliers), the Directors confirm that the Purchase Transactions were entered into on terms no less favorable to the Group than terms available to or from independent third parties. On this basis, the Directors (including the independent non-executive Directors) consider that the terms of the Purchase Transactions are fair and reasonable and on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

The Directors together with the Senior Management are reviewing the purchase requirements of Bawang Beverage and are considering to revise the scope of Qiancai Packaging Supply Agreement. In such event, the Company will comply with the applicable requirements under the Listing Rules.

INFORMATION OF THE GROUP

The Company is an investment holding company. The Group is principally engaged in the design, manufacture and sale of Chinese herbal shampoo and hair-care products as well as other products such as herbal tea, skincare products, toothpaste, and shower gels.

INFORMATION OF QIANCAI PACKAGING

Qiancai Packaging is a company established in the PRC with its majority equity interest held by Ms. Wu. Qiancai Packaging is principally engaged in the manufacturing and sale of packaging materials. Other than the equity interest held by Ms. Wu, Qiancai Packaging and its directors and shareholders are independent of members of the Group and its connected persons.

DEFINITIONS

In this announcement, unless the context otherwise requires, the capitalised terms used herein shall have the following meanings:

“Bawang Beverage”	means Bawang (China) Beverage Co., Ltd., an indirect wholly-owned subsidiary of the Company;
“Bawang Guangzhou”	means Bawang (Guangzhou) Co., Ltd., an indirect wholly-owned subsidiary of the Company;
“Beverage Management Teams”	means the management team members of Bawang Beverage involved in the Purchase Transactions;
“Board”	means the board of Directors;
“Company”	means BaWang International (Group) Holding Limited, a company incorporated under the laws of the Cayman Islands with limited liability on 11 December 2007;
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules;
“Director(s)”	means the director(s) of the Company;
“Group”	means the Company and its subsidiaries;
“Hong Kong”	means The Hong Kong Special Administrative Regions of the People’s Republic of China;

“Listing Rules”	means The Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited;
“Mr. Chen”	means Mr. Chen Qiyuan, co-founder, chairman and executive Director of our Group, and one of the Company’s controlling Shareholders;
“Ms. Wu”	means Ms. Wu Xiaotao, a sister-in-law of Mr. Chen and the owner of a majority equity interest of Qiancai Packaging;
“PRC”	means The People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Prospectus”	means the prospectus of the Company dated 22 June 2009;
“Purchase Transactions”	means the purchase transactions of packaging materials by Bawang Beverage from Qiancai Packaging;
“Qiancai Packaging”	means Guangzhou Qiancai Packaging Materials Co., Ltd, a company with its majority equity interest owned by Ms. Wu;
“Qiancai Packaging Supply Agreement”	means the agreement between Bawang Guangzhou Co., Ltd and Qiancai Packaging dated 1 January 2009 pursuant to which Qiancai Packaging agreed to supply packaging materials to Bawang Guangzhou for a term of three years commencing 1 January 2009;
“Relevant Period”	refers to the period from 1 June 2010 to 30 September 2010;
“Senior Management”	means the management team members of the Company;
“Shareholder(s)”	means shareholder(s) of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto in section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;

“RMB” means Renminbi, the lawful currency of the PRC; and

“%” refers to percentage.

By order of the Board
BaWang International (Group) Holding Limited
CHEN Qiyuan
Chairman

Hong Kong, 25 February 2011

As at the date of this announcement, the Board comprises of four executive directors, namely, Mr. CHEN Qiyuan, Ms. WAN Yuhua, Mr. SHEN Xiaodi and Mr. WONG Sin Yung, one non-executive director, namely, Ms. GUO Jing, and three independent non-executive directors, namely, Mr. NGAI Wai Fung, Mr. LI Bida and Mr. CHEN Kaizhi.

* *For identification purpose only*