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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)

CONTINUING CONNECTED TRANSACTIONS LEASE AGREEMENTS

On 9 August 2013, Bawang Guangzhou and Guangzhou Bawang entered into the Previous Lease Agreements for a term of three years. Following the expiry of the Previous Lease Agreements, Bawang Guangzhou and Guangzhou Bawang agreed on 9 August 2016 to enter into the New Lease Agreements in relation to the same premises with a reduced leased area for a term of three years commencing from 9 August 2016.

As at the date of this announcement, the entire issued share capital of Guangzhou Bawang is beneficially owned by Mr. Chen and Ms. Wan. Mr. Chen is a Director and a controlling shareholder of the Company. Ms. Wan is the spouse of Mr. Chen. Accordingly, Guangzhou Bawang is an associate of Mr. Chen and therefore a connected person of the Company pursuant to Rule 14A.12 of the Listing Rules, and the transactions contemplated under the New Lease Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) in respect of annual caps for the transactions contemplated under the New Lease Agreement is more than 0.1% but less than 5.0%, such continuing connected transactions are subject to the reporting, announcement and the annual review requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On 9 August 2013, Bawang Guangzhou and Guangzhou Bawang entered into the Previous Lease Agreements for a term of three years. Following the expiry of the Previous Lease Agreements, Bawang Guangzhou and Guangzhou Bawang agreed on 9 August 2016 to enter into the New Lease Agreements in relation to the same premises with a reduced leased area for a term of three years commencing from 9 August 2016.

The major terms of the New Lease Agreements are set out below:

PRODUCTION PLANT LEASE AGREEMENT

Date:	9 August 2016
Lessor:	Guangzhou Bawang
Lessee:	Bawang Guangzhou
Premise:	Production Plant situated at Bawang Industrial Complex, No. 468 Guangfa 3rd Road, Baiyun District, Guangzhou, China
Gross floor area:	61,220.24 square meters
Lease term:	Three years, commencing from 9 August 2016 and expiring on 8 August 2019 (both days inclusive)
Use:	Production facility
Amount payable per month:	RMB799,517.29, inclusive of rental and property management fee, parking fee, usage fee for public facilities and maintenance fee
Other terms and conditions:	The amount of rental and other fees are payable on a monthly basis.

Bawang Guangzhou has a right to terminate the Production Plant Lease Agreement by giving a three months' prior notice to Guangzhou Bawang.

Subject to compliance with the Listing Rules, the Production Plant Lease Agreement is renewable at the option of Bawang Guangzhou by giving one month's notice prior to the expiry of the Production Plant Lease Agreement.

Bawang Guangzhou is also entitled to a right of first refusal to purchase the Production Plant. Should Bawang Guangzhou decide to exercise the right of first refusal in the future, it shall comply with all the applicable requirements under the Listing Rules.

OFFICE PREMISES LEASE AGREEMENT

Date: 9 August 2016

Lessor: Guangzhou Bawang

Lessee: Bawang Guangzhou

Premise: 5th and 6th Floors of Bawang International Hotel, No. 179 and 181 Tongle Road, Tongyong Village, Xinshi Town, Baiyun District, Guangzhou, China

Gross floor area: 1,995.62 square meters

Lease term: Three years, commencing from 9 August 2016 and expiring on 8 August 2019 (both days inclusive)

Use: Office

Amount payable per month: RMB83,816.04, inclusive of rental, property management fee, parking fee, usage fee for public facilities and maintenance fee

Other terms and conditions: The amount of rental and other fees are payable quarterly.

Bawang Guangzhou has a right to terminate the Office Premises Lease Agreement by giving a three months' prior notice to Guangzhou Bawang.

Subject to compliance with the Listing Rules, the Office Premises Lease Agreement is renewable at the option of Bawang Guangzhou by giving one month's notice prior to the expiry of the Office Premises Lease Agreement.

Bawang Guangzhou is also entitled to a first right of refusal to purchase the Office Premises. Should Bawang Guangzhou decide to exercise the first right of refusal in the future, it shall

comply with all the applicable requirements under the Listing Rules.

ANNUAL CAPS

Under the Listing Rules, the transactions contemplated under the New Lease Agreements will be aggregated and treated as if they were one transaction.

For the purpose of Rule 14A.53 of the Listing Rules, the annual caps in respect of the transactions contemplated under the New Lease Agreements are determined by reference to the amount payable by the Group to the Guangzhou Bawang under the New Lease Agreements for the following periods:

For the year ending 31 December 2016:	RMB4,416,667
For the year ending 31 December 2017:	RMB10,600,000
For the year ending 31 December 2018:	RMB10,600,000
For the year ending 31 December 2019:	RMB10,600,000

In arriving the above annual caps, the Directors have taken into account the following factors: (a) the historical figures of the actual amounts paid under the Previous Lease Agreements; (b) the amounts payable or estimated figures to be paid by the Group under the New Lease Agreements for the years ending 31 December 2019; and (c) the valuation report on the prevailing market rates for the Production Plant and the Office Premises prepared by an independent property valuer to the Group.

REASONS FOR ENTERING INTO THE NEW LEASE AGREEMENTS

The Production Plant is leased by the Group for the purpose of satisfying the needs for manufacturing of the Group's household and personal products for sales. The design of the infrastructures in the Production Plant could fit in the highly-automated production lines of the Group and it could also satisfy the Group's stringent requirements for production of high quality products. By entering into the Production Plant Lease Agreement, the Group is able to maintain production efficiency and quality of its products.

The Office Premises are leased by the Group for the purposes of satisfying its business and operational needs. The Office Premises are located in the same geographical district as the Production Plant. By entering into the Office Premises Lease Agreement, the Group will enjoy the benefits of maintaining a close control over its Production Plant and enhance operational effectiveness.

The terms of the New Lease Agreements were negotiated on an arm's length basis with reference to the prevailing market rates of premises, based on the valuation report as mentioned above. The independent property valuer confirmed that the rental

payable by our Group under each of the New Lease Agreements represents the prevailing market rates for similar premises in the vicinity, and the terms of the New Lease Agreements are fair, reasonable and on normal commercial terms.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the entire issued share capital of Guangzhou Bawang is beneficially owned by Mr. Chen and Ms. Wan. Mr. Chen is a Director and a controlling shareholder of the Company. Ms. Wan is the spouse of Mr. Chen. Accordingly, Guangzhou Bawang is an associate of Mr. Chen and therefore a connected person of the Company pursuant to Rule 14A.12 of the Listing Rules, and the transactions contemplated under the New Lease Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that each of the applicable percentage ratios (other than the profits ratio) of the amount payable under the New Lease Agreements is more than 0.1% and less than 5.0%, it is subject to the reporting and announcement requirements but exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

BOARD OPINION

The Directors (including the independent non-executive Directors) are of the view that the terms of the New Lease Agreements (i) are on normal commercial terms or terms no less favourable to the Group than those available to or from independent third parties; (ii) are entered into in the ordinary and usual course of business of the Group; and (iii) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) are also of the view that the proposed annual caps for the transactions contemplated under the New Lease Agreements for the years ending 31 December 2019 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board has passed resolutions to approve the transactions contemplated under the New Lease Agreements. Save for Mr. Chen and Mr. Chen Zheng He (the son of Mr. Chen and Ms. Wan), who are deemed to have material interest in the New Lease Agreements and have abstained from voting, none of the Directors had a material interest in the transactions contemplated under the New Lease Agreements and no Director was required to abstain from voting on the relevant board resolutions to approve the transactions contemplated under the New Lease Agreements.

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 skin care products, toothpaste, and shower gels.

INFORMATION OF GUANGZHOU BAWANG

Guangzhou Bawang, a company established in the PRC, is beneficially owned by Mr. Chen and Ms. Wan. The principal business activity of Guangzhou Bawang is the property investments, property development, property management, real estate agency services and property leasing.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Bawang Guangzhou”	Bawang (Guangzhou) Co., Ltd., a wholly-owned subsidiary of the Group
“Board”	the board of Directors
“Company”	BaWang International (Group) Holding Limited, a company incorporated under the laws of the Cayman Islands with limited liability on 11 December 2007
“connected person”	has the meaning as ascribed under the Listing Rules
“controlling shareholder”	has the meaning as ascribed under the Listing Rules
“Director(s)”	the director(s) of the Group
“Group”	the Company and its subsidiaries
“Guangzhou Bawang”	Guangzhou Bawang Cosmetics Co., Ltd., a company established in the PRC as a wholly foreign owned enterprise on 23 November 2001 and beneficially owned by Mr. Chen and Ms. Wan
“Hong Kong”	Hong Kong Special Administrative Regions of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Chen”	Mr. Chen Qiyuan, co-founder, chairman and

	executive Director of the Company, one of the Company's controlling shareholders and the spouse of Ms. Wan
"Ms. Wan"	Ms. Wan Yuhua, one of the Company's controlling shareholders and the spouse of Mr. Chen
"New Lease Agreements"	the Production Plant Lease Agreement and Office Premises Lease Agreement collectively
"Office Premises"	the property situated at 5th to 6th Floors, Bawang International Hotel, 179 and 181 Tangle Road, Tangyong Village, Xinshi Town, Baiyun District, Guangzhou, China
"Office Premises Lease Agreement"	the lease agreement dated 9 August 2016 entered into between Guangzhou Bawang and Bawang Guangzhou in relation to the lease of the Office Premises for a term of three years commencing from 9 August 2016 to 8 August 2019 (both days inclusive) at a monthly fee of RMB83,816.04, inclusive of rental, property management fee, parking fee, usage fee for public facilities and maintenance fee
"Previous Lease Agreements"	(i) the lease agreement dated 9 August 2013 entered into between Guangzhou Bawang and Bawang Guangzhou in relation to the lease of the Office Premises for a term of three years commencing from 9 August 2013 to 8 August 2016 (both days inclusive) and (ii) the lease agreement dated 9 August 2013 entered into between Guangzhou Bawang and Bawang Guangzhou in relation to the lease of the Production Plant for a term of three years commencing from 9 August 2013 to 8 August 2016 (both days inclusive)
"Production Plant"	the property situated at Bawang Industrial Complex, 468 Guangfa 3rd Road, Baiyun District, Guangzhou, China
"Production Plant Lease Agreement"	the lease agreement dated 9 August 2016 entered into between Guangzhou Bawang and Bawang Guangzhou in relation to the lease of the Production Plant for a

term of three years commencing from 9 August 2016 to 8 August 2019 (both days inclusive) at a monthly fee of RMB799,517.29, inclusive of rental and property management fee, parking fee, usage fee for public facilities and maintenance fee

“PRC”	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
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 9 August 2016

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. CHEN Qiyuan, Mr. CHEN Zheng He and Mr. WONG Sin Yung, and three independent non-executive Directors, namely Dr. NGAI Wai Fung, Mr. LI Bida and Mr. CHEUNG Kin Wing.

**For identification purpose only.*