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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 PROPOSED ANNUAL CAPS FOR THE THREE YEARS ENDING 31 DECEMBER 2014

Reference is made to the Prospectus in respect of the Original Packaging Material Supply Agreement and its annual caps for the three years ending 31 December 2011.

Given the Original Packaging Material Supply Agreement will expire on 31 December 2011 and the Company will continue the continuing connected transactions contemplated under the Original Packaging Material Supply Agreement, the Company entered into the New Packaging Material Supply Agreement with Chenming Paper on 28 December 2011 for a term of three years commencing from 1 January 2012.

Cheming Paper is wholly owned by Mr. Chen Qiwen, a brother of Mr. Chen. Mr. Chen is the controlling Shareholder holding approximately 65.33% of the issued share capital of the Company as at the date of this announcement. Therefore Chenming Paper is a connected person by reason of it being an associate of a connected person of the Company within the meaning of Rule 14A.11 of the Listing Rules. Accordingly, the transactions contemplated under the New Packaging Material Supply Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As each of the applicable percentage ratios in respect of the transactions under the New Packaging Material Supply Agreement is more than 0.1.% but less than 5.0%, the New Packaging Material Supply Agreement is subject to the reporting and announcement requirements set forth in Rules 14A.45 to 14A.47 of the Listing Rules and the annual review requirements set forth in Rules 14A.37 to 14A.40 of the Listing Rules, but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the Prospectus in respect of the Original Packaging Material Supply Agreement and its annual caps for the three years ending 31 December 2011.

Given the Original Packaging Material Supply Agreement will expire on 31 December 2011 and the Company will continue the continuing connected transactions contemplated under the Original Packaging Material Supply Agreement, the Company entered into the New Packaging Material Supply Agreement with Chenming Paper on 28 December 2011 for a term of three years commencing from 1 January 2012.

NEW PACKAGING MATERIAL SUPPLY AGREEMENT

Date: 28 December 2011

Parties: (i) the Group
(ii) Chenming Paper

Pursuant to the New Packaging Material Supply Agreement, Chenming Paper agreed to supply packaging materials to the Group from time to time at fixed unit prices for a term of three years commencing from 1 January 2012. The Group, at any time before the expiry of the New Packaging Material Supply Agreement, may terminate the transactions under the New Packaging Material Supply Agreement by giving a three months' prior notice to Chenming Paper. We will review the prices offered by Chenming Paper at least once annually to ensure that they are at market prices or at prices no less favourable than those offered by independent third parties. Payments will be settled by the Group by way of bank transfer on a monthly basis upon delivery of the packaging materials at the end of each month.

Annual Caps

Actual Transaction Values

The actual transaction values of the transactions under the Original Packaging Material Supply Agreement for the two year ended 31 December 2010 and for the nine months ended 30 September 2011 (unaudited) respectively are set out below:

	Year ended 31 December 2009	Year ended 31 December 2010	Nine months ended 30 September 2011
	<i>RMB</i>	<i>RMB</i>	<i>(unaudited)</i>
	<i>(million)</i>	<i>(million)</i>	<i>RMB</i>
			<i>(million)</i>

Transactions

Purchase value of packaging materials	9.9	9.0	7.3
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Historical Annual Caps

The annual caps for the transactions under the Original Packaging Material Supply Agreement for the three years ending 31 December 2011 are set out below:

	Year ended 31 December 2009 RMB (million)	Year ended 31 December 2010 RMB (million)	Year ending 31 December 2011 RMB (million)
Transactions			
Purchase value of packaging materials	10.0	11.0	12.2

As at the date of this announcement, the annual cap for the transactions under the Original Packaging Material Supply Agreement for the year ending 31 December 2011 has not been exceeded. The Company will keep on monitoring the transactions to ensure that the annual cap will not be exceeded.

Proposed Annual Caps

The proposed annual caps for the transactions under the New Packaging Material Supply Agreement for the three years ending 31 December 2014 are set out below:

	Year ending 31 December 2012 RMB (million)	Year ending 31 December 2013 RMB (million)	Year ending 31 December 2014 RMB (million)
Transactions			
Purchase value of packaging materials	11.3	11.7	12.2

In arriving at the above proposed annual caps in respect of the supply of packaging materials, the Directors have taken into account (i) the historical figures of the actual transaction values of the transactions under the Original Packaging Material Supply Agreement; (ii) the estimated growth of the demand for our products; (iii) the expected increase in the number of customers; and (iv) the economic outlook of the PRC during the three years ending 31 December 2014.

Reasons for and benefits of entering into the New Packaging Material Supply Agreement

The Company is of the view that the New Packaging Material Supply Agreement enables the Group to (i) secure a stable source of supply of packaging materials, thereby avoiding unnecessary disruption to the Group's operations; and (ii) manage the operating costs more efficiently.

IMPLICATIONS UNDER THE LISTING RULES

Cheming Paper is wholly owned by Mr. Chen Qiwen, a brother of Mr. Chen. Mr. Chen is the controlling Shareholder holding approximately 65.33% of the issued share capital of the Company as at the date of this announcement. Therefore Chemming Paper is a connected person by reason of it being an associate of a connected person of the Company within the meaning of Rule 14A.11 of the Listing Rules. Accordingly, the transactions contemplated under the New Packaging Material Supply Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The Directors, including the independent non-executive Directors, are of the view that the terms of the New Packaging Material Supply Agreement (i) are conducted 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 under the New Packaging Material Supply Agreement for the three years ending 31 December 2014 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In view of the relationship with Mr. Chen Qiwen, Mr. Chen and Ms. Wan have abstained from voting on the relevant board resolutions.

As each of the applicable percentage ratios in respect of the transactions under the New Packaging Material Supply Agreement is more than 0.1.% but less than 5.0%, the New Packaging Material Supply Agreement is subject to the reporting and announcement requirements set forth in Rules 14A.45 to 14A.47 of the Listing Rules and the annual review requirements set forth in Rules 14A.37 to 14A.40 of the Listing Rules, but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, it will have to re-comply with the provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transactions.

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 CHENMING PAPER

Chenming Paper, a company established in the PRC, is wholly owned by Mr. Chen Qiwen, a brother of Mr. Chen and is principally engaged in manufacturing and sale of paper cartons, paper boards and paper packs.

DEFINITIONS

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

“Bawang Guangzhou”	Bawang (Guangzhou) Co., Ltd., an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Chenming Paper”	Guangzhou Chenming Paper Products Company Limited, a company wholly owned by Mr. Chen Qiwen
“Company”	BaWang International (Group) Holding Limited, a company incorporated under the laws of the Cayman Islands with limited liability on 11 December 2007
“Director(s)”	the director(s) of the Group
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Regions of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange
“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
“Mr. Chen Qiwen”	Mr. Chen Qiwen, sole shareholder of Chenming Paper and a brother of Mr. Chen
“Ms. Wan”	Ms. Wan Yuhua, co-founder, chief executive officer and executive Director of the Company, one of the Company’s controlling Shareholders and the spouse of Mr. Chen
“New Packaging Material Supply Agreement”	the packaging material supply agreement dated 28 December 2011 entered into between the Group and Chenming Paper
“Original Packaging Material Supply Agreement”	the packaging material supply agreement dated 28 March 2009 entered into between Bawang Guangzhou and Chenming Paper

“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
“Prospectus”	the prospectus issued by the Company dated 22 June 2009
“Shareholder(s)”	shareholder(s) of the Group
“Stock Exchange”	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)
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 30 December 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*