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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)

**TERMINATION OF CONTINUING CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS
LEASE AGREEMENTS**

Reference is made to the announcements of the Company dated 21 January 2011 and 25 January 2011 in relation to the Previous Production and Office Premises Lease Agreement between Bawang Guangzhou and Guangzhou Bawang.

Reference is also made to the announcement of the Company dated 30 December 2011, in relation to the Previous Tenancy Agreement between Bawang Guangzhou and Guangzhou Bawang.

The Board announces that on 9 August 2013, the Company entered into the Termination Agreement with Guangzhou Bawang to terminate the Previous Production and Office Premises Lease Agreement and the Previous Tenancy Agreement. On 9 August 2013, Bawang Guangzhou entered into the Agreements with Guangzhou Bawang in relation to the leasing of Product Plant and Office Premises for a term of three years commencing from 9 August 2013.

Guangzhou Bawang is beneficially owned as to 100% by Mr. Chen and Ms. Wan, who are the Directors and the controlling Shareholders holding approximately 65.30% and 65.30% of the issued share capital of the Company respectively as at the date of this announcement. Therefore, Guangzhou Bawang 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 Termination Agreement constitutes connected transactions and the Agreements constitute continuing connected transactions for the Company under the Listing Rules.

Given that neither Guangzhou Bawang nor Bawang Guangzhou is required to make any payment to each other pursuant to the Termination Agreement, the Termination Agreement is exempt from the announcement, reporting and independent Shareholders' approval requirements 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 each of the 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.

Reference is made to the announcements of the Company dated 21 January 2011 and 25 January 2011 in relation to the Previous Production and Office Premises Lease Agreement between Bawang Guangzhou and Guangzhou Bawang.

Reference is also made to the announcement of the Company dated 30 December 2011, in relation to the Previous Tenancy Agreement between Bawang Guangzhou and Guangzhou Bawang.

TERMINATION AGREEMENT

The Board announces that on 9 August 2013, Bawang Guangzhou entered into the Termination Agreement with Guangzhou Bawang to terminate the Previous Production and Office Premises Lease Agreement and the Previous Tenancy Agreement. Pursuant to the Termination Agreement, Bawang Guangzhou and Guangzhou Bawang agreed and acknowledged that, notwithstanding anything in the Previous Production and Office Premises Lease Agreement and the Previous Tenancy Agreement, each of the parties shall not claim the other in respect of the early termination of the Previous Production and Office Premises Lease Agreement and the Previous Tenancy Agreement.

REASONS FOR THE TERMINATION OF THE PREVIOUS PRODUCTION AND OFFICE PREMISES LEASE AGREEMENT AND THE PREVIOUS TENANCY AGREEMENT

As disclosed in the Company's 2012 annual report, the Group's new Production Plant was inaugurated in August 2012. As such, most of the Group's manufacturing activities and logistic operations have been relocated to the Production Plant and the Group no longer needs to use the premises that were leased under the Previous Production and Office Premises Lease Agreement.

Additionally, owing to the streamlining of the Group's operations, we no longer require all the floor areas that were leased under the Previous Tenancy Agreement.

The Board therefore considers that it is beneficial for the Group to terminate the Previous Production and Office Premises Lease Agreement and Previous Tenancy Agreement. For further details, please also refer to the section titled "Reasons for Entering into the Agreements" of this announcement.

LEASE AGREEMENT FOR PRODUCTION PLANT

Lessor	Guangzhou Bawang
Lessee	Bawang Guangzhou
Premise	Bawang Industrial Complex, 468 Guangfa 3 rd Road, Baiyun District, Guangzhou, China
Lease term	Three years, commencing from 9 August 2013 and expiring on 8 August 2016 (both days inclusive)
Amount payable per month	RMB1,120,000, inclusive of rental and property management fee

Bawang Guangzhou and Guangzhou Bawang entered into the Lease Agreement for Production Plant, pursuant to which Bawang Guangzhou agreed to lease from Guangzhou Bawang the Production Plant.

We have a right to terminate the Lease Agreement for Production Plant by giving a three months' prior notice to Guangzhou Bawang. Accordingly, we enjoy the flexibility to relocate to another site

or premises at any time should we consider the Production Plant no longer suitable for our use or no longer cost-competitive. The Lease Agreement for Production Plant is renewable at the option of Bawang Guangzhou by giving one month's notice prior to the expiry of the lease. We have also been granted a first right of refusal to purchase the Production Plant. 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.

LEASE AGREEMENT FOR OFFICE PREMISES

Lessor	Guangzhou Bawang
Lessee	Bawang Guangzhou
Premise	5th and 6th Floors, Bawang International Hotel, 179 and 181 Tongle Road, Tongyong Village, Xinshi Town, Baiyun District, Guangzhou, China
Lease term	Three years commencing from 9 August 2013 and expiring on 8 August 2016 (both days inclusive)
Amount payable per month	RMB92,800, inclusive of rental and property management fee

Bawang Guangzhou and Guangzhou Bawang entered into the Lease Agreement for Office Premises, pursuant to which Bawang Guangzhou agreed to lease from Guangzhou Bawang the Office Premises.

We have a right to terminate this Lease Agreement for Office Premises by giving a three months' prior notice to Guangzhou Bawang. Accordingly, we enjoy the flexibility to relocate to another site or premises at any time should we consider the Office Premises no longer suitable for our use or no longer cost-competitive. The Lease Agreement for Office Premises is renewable at the option of Bawang Guangzhou by giving one month's notice prior to the expiry of the lease. We have also been granted 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.

AGGREGATION OF TRANSACTIONS AND ANNUAL CAP

Under the Listing Rules, the transactions under the Lease Agreement for Production Plant and the Lease Agreement for Office Premises will be aggregated and treated as if they were one transaction.

For the purpose of Rule 14A.25 of the Listing Rules, the maximum aggregate amount payable to Guangzhou Bawang by the Group under the Agreements are determined by reference to the amount payable by the Group to the Guangzhou Bawang under the Agreements for the following periods:

	Annual Cap
For the year ending 31 December 2013	RMB5,745,017
For the year ending 31 December 2014	RMB14,553,600
For the year ending 31 December 2015	RMB14,553,600
For the year ending 31 December 2016	RMB8,808,583

REASONS FOR ENTERING INTO THE 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 perfectly 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 Lease Agreement for Production Plant, the Group will enhance 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 Tenancy Agreement, the Group will enjoy the benefits of maintaining a close control over its Production Plant and enhance operational effectiveness.

The terms of the Agreements were negotiated on an arm's length basis with reference to the fair market rents of premises, based on the respective valuation reports prepared by the independent property valuers to the Group for each of the Production Plant and Office Premises. Each of the independent property valuer has respectively confirmed that the rent payable under the Lease Agreement for Office Premises and Lease Agreement for Product Plant is fair and reasonable and consistent with prevailing market rents for similar premises in the vicinity.

LISTING RULES IMPLICATIONS OF THE TRANSACTIONS

Guangzhou Bawang is beneficially owned as to 100% by Mr. Chen and Ms. Wan, who are the Directors and the controlling Shareholders holding approximately 65.30% and 65.30% of the issued share capital of the Company respectively as at the date of this announcement. Accordingly, the Termination Agreement constitutes connected transactions and the Agreements constitute continuing connected transactions for the Company under the Listing Rules.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Termination Agreement and the Agreements (i) have been negotiated on an arm's length basis; (ii) are conducted on normal commercial terms or terms no less favourable to the Group than those available from independent third parties; (iii) are entered into in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As neither Guangzhou Bawang nor Bawang Guangzhou is required to make any payment to each other pursuant to the Termination Agreement, the Termination Agreement is exempt from the announcement, reporting and independent Shareholders' approval requirements 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 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.

As each of Mr. Chen and Ms. Wan has a material interest in the transactions, they have abstained from voting at the meeting of the Board to approve the transactions.

INFORMATION ABOUT 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 hairs care products as well as other products, such as skincare products, toothpaste, and shower gels.

Bawang Guangzhou is a wholly owned subsidiary of the Group. The principal business activity of Bawang Guangzhou is manufacturing and trading of household and personal care products such as skincare products, toothpaste, and shower gels.

DEFINITIONS

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

“Agreements”	the two agreements, namely Lease Agreement for Office Premises and Lease Agreement for Product Plant
“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(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangzhou Bawang”	Guangzhou Bawang Cosmetics Co., Ltd., a company 100% beneficially owned by Mr. Chen and Ms. Wan
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Lease Agreement for Office Premises”	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) at a monthly fee of RMB92,800
“Lease Agreement for Production Plant”	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) at a monthly fee of RMB1,120,000
“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 our controlling Shareholders and the spouse of Ms. Wan

“Ms. Wan”	Ms. Wan Yuhua, co-founder, chief executive officer and executive Director of the Company, one of our controlling Shareholders and the spouse of Mr. Chen
“Office Premises”	5th to 6th Floors, Bawang International Hotel, 179 and 181 Tangle Road, Tangyong Village, Xinshi Town, Baiyun District, Guangzhou, China
“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
“Previous Production and Office Premises Lease Agreement”	the production facility and office lease agreement dated 21 January 2011 entered into between Guangzhou Bawang and Bawang Guangzhou, the particulars of which are set out in the Company’s announcements dated 21 January 2011 and 25 January 2011
“Previous Tenancy Agreement”	the tenancy agreement dated 28 December 2011 entered into between Guangzhou Bawang and Bawang Guangzhou, the particulars of which are set out in the Company’s announcement dated 30 December 2011
“Production Plant”	Bawang Industrial Complex, 468 Guangfa 3 rd Road, Baiyun District, Guangzhou, China
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination Agreement”	the Termination Agreement dated 9 August 2013 entered into between Guangzhou Bawang and Bawang Guangzhou to terminate the Previous Production and Office Premises Lease Agreement and the Previous Tenancy Agreement
“%”	per cent

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

Hong Kong, 9 August 2013

As at the date of this announcement, the board of directors of the Company comprises of three executive directors, namely, Mr. CHEN Qiyuan, Ms. WAN Yuhua, and Mr. WONG Sin Yung, three independent non-executive directors, namely, Mr. NGAI Wai Fung, Mr. LI Bida and Mr. CHEN Kaizhi.

**For identification purpose only*