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R14.58(1)

Note 5 to R13.52

## **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)**

R13.51A

### **RENEWAL OF CONTINUING CONNECTED TRANSACTION**

Reference is made to the announcement dated 30 December 2011 in respect of the Packaging Material Supply Agreement and its annual caps for the three years ending 31 December 2014.

Given the Packaging Material Supply Agreement will expire on 31 December 2014 and the Company will continue the continuing connected transactions contemplated under the Packaging Material Supply Agreement, the Company and Chenming Paper agreed on 12 December 2014 to renew the Packaging Material Supply Agreement for a further term of three years commencing from 1 January 2015.

R14.58(3)

As at the date of this announcement, the entire issued share capital of Chenming Paper is owned by Mr. Chen Qiwen, a brother of Mr. Chen. Mr. Chen is the Director and a controlling shareholder of the Company. Accordingly, Chenming Paper 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 Packaging Material Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

R14A.68(2)

As each of the applicable percentage ratios (other than the profits ratio) in respect of annual caps for the transactions contemplated under the Packaging Material Supply 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**

Reference is made to the announcement dated 30 December 2011 in respect of the Packaging Material Supply Agreement and its annual caps for the three years ending 31 December 2014.

Given the Packaging Material Supply Agreement will expire on 31 December 2014 and the Company will continue the continuing connected transactions contemplated under the Packaging Material Supply Agreement, the Company and Chenming Paper agreed on 12 December 2014 to renew the Packaging Material Supply Agreement for a further term of three years commencing from 1 January 2015.

## **PACKAGING MATERIAL SUPPLY AGREEMENT**

R14.60(1)

Date: 12 December 2014

R14.58(3)

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

### **Transaction term**

Pursuant to the 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 2015. The Company may terminate the transactions under the Packaging Material Supply Agreement three months before the expiry of the Packaging Material Supply Agreement. In the absence of such termination, the Packaging Material Supply Agreement will be automatically renewed by a term of three years subject to the requirements under the Listing Rules. The Company shall review the prices offered by Chenming Paper at least once annually to ensure that they are at market prices and in any event at prices no less favourable than those offered by independent third parties. Payments will be settled by the Company by way of bank transfer at the end of each month.

### **Pricing basis**

R14.58(4)

The pricing of the packaging materials will be determined on an arm's length basis and comparable to prevailing market rates of the products supplied within the PRC. In determining the prevailing market rates, the Company will make reference to the prices from two or more independent suppliers before placing a purchase order. The prices and terms agreed are not higher and not less favourable to the Company than those available from independent third parties in the ordinary and usual course of business.

R14.58(5)

### **Annual Caps**

#### *Actual Transaction Values*

The actual transaction values of the transactions contemplated under the Packaging Material Supply Agreement for the two years ended 31 December 2013 and for the nine months ended 30 September 2014 (unaudited) respectively are set out below:

	Year ended 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2014 (unaudited)
<b>Transactions</b>	RMB(million)	RMB(million)	RMB(million)
Purchase value of packaging materials	9.1	9.2	5.0

#### *Historical Annual Caps*

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

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
<b>Transactions</b>	RMB(million)	RMB(million)	RMB(million)
Purchase value of packaging materials	11.3	11.7	12.2

As at the date of this announcement, the annual cap for the transactions contemplated under the Packaging Material Supply Agreement for the year ending 31 December 2014 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*

R14.58(4)

The proposed annual caps for the transactions contemplated under the Packaging Material Supply Agreement for the three years ending 31 December 2017 are set out below:

R14A.68(4)

	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017
<b>Transactions</b>	RMB(million)	RMB(million)	RMB(million)
Purchase value of packaging materials	7.9	8.9	10.2

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 Packaging Material Supply Agreement; (ii) the estimated demand for our products; (iii) the expected number of customers; and (iv) the economic outlook of the PRC during the three years ending 31 December 2017.

R14.58(5)

#### **REASONS FOR CONTINUING CONNECTED TRANSACTIONS**

R14.58(8)

Given the Packaging Material Supply Agreement will expire on 31 December 2014 and the Company will continue the continuing connected transactions contemplated under the Packaging Material Supply Agreement. The Company is of the view that the 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**

As at the date of this announcement, the entire issued share capital of Chenming Paper is owned by Mr. Chen Qiwen, a brother of Mr. Chen. Mr. Chen is the Director and a controlling shareholder of the Company. Accordingly, Chenming Paper 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 Packaging Material Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

R14A.68(2)

As each of the applicable percentage ratios (other than the profits ratio) in respect of annual caps for the transactions contemplated under the Packaging Material Supply 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.

## **BOARD OPINION**

The Directors (including the independent non-executive Directors) are of the view that the terms of the Packaging Material Supply Agreement (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 Packaging Material Supply Agreement for the three years ending 31 December 2017 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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The Board has passed resolutions to approve, among other things, the renewal of the Packaging Material Supply Agreement. Save for Mr. Chen, Ms. Wan Yuhua and Mr. Chen Zheng He, who are deemed to have material interest in the Packaging Material Supply Agreement and have abstained from voting on, the relevant board resolutions in respect of the renewal of the Packaging Material Supply Agreement and the annual caps applicable thereto. None of the other Directors had a material interest in the

R14A.68(8)

transactions contemplated under the Packaging Material Supply Agreement, and they were not required to abstain from voting on the relevant board resolutions to approve the renewal of the Packaging Material Supply Agreement.

## **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, skincare products, toothpaste, and shower gels.

## **INFORMATION OF CHENMING PAPER**

R14.58(2)

Chenming Paper, a company established in the PRC, is wholly-owned by Mr. Chen Qiwen as at the date of this announcement, 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, the following expressions have the following meanings:

“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
“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
“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
“Packaging Material Supply Agreement”	the packaging material supply agreement dated 28 December 2011 entered into between the Group and Chenming Paper, as renewed on 12 December 2014
“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
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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, 12 December 2014

*As at the date of this announcement, the Board comprises four executive Directors, namely Mr. CHEN Qiyuan, Ms. WAN Yuhua, 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.*

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*\*For identification purpose only.*