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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 TRANSACTION TENANCY AGREEMENT

The Board announces that on 28 December 2011, Bawang Guangzhou entered into the Tenancy Agreement with Guangzhou Bawang in relation to the leasing of the Office Premises for a term of three years commencing from 1 January 2012.

Guangzhou Bawang is 100% beneficially owned by Mr. Chen and Ms. Wan, who in turn are the controlling Shareholders holding approximately 65.33% and 65.31% 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 Tenancy Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

Given that each of the applicable percentage ratios (other than the profits ratio) in respect of the transactions under the Tenancy Agreement and the Production and Office Premises Lease Agreement on an aggregated basis is more than 0.1% but less than 5.0%, the Tenancy Agreement is subject to the reporting, annual review and announcement requirements and exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the Tenancy Agreement will be included in the annual report and accounts of the Company in accordance with Rule 14A.46 of the Listing Rules.

The Board announces that on 28 December 2011, Bawang Guangzhou entered into the Tenancy Agreement with Guangzhou Bawang in relation to the leasing of the Office Premises for a term of three years commencing from 1 January 2012.

TENANCY AGREEMENT

Lessor	Guangzhou Bawang
Lessee	Bawang Guangzhou
Office Premises	5th to 9th Floors, Bawang International Hotel, 179 and 181 Tongle Road, Tongyong Village, Xinshi Town, Baiyun District, Guangzhou, China
Lease term	Three years commencing from 1 January 2012 and expiring on 31 December 2014 (both days inclusive)
Rental	RMB182,000.00 per month, to be paid by way of bank transfer on a quarterly basis

Bawang Guangzhou and Guangzhou Bawang entered into the Tenancy Agreement, pursuant to which Bawang Guangzhou agreed to lease from Guangzhou Bawang the Office Premises. The term of the lease granted under the Tenancy Agreement is three years commencing from 1 January 2012 and the monthly rental payable is RMB182,000.00. The monthly rental is fixed throughout the term of the tenancy. The maximum annual rental payable to Guangzhou Bawang under the Tenancy Agreement for each of the three years ending 31 December 2014 will not exceed the annual cap of RMB2.19 million.

We have a right to terminate the Tenancy Agreement 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 Tenancy Agreement 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

Reference is made to the announcements of the Company dated 21 January 2011 and 25 January 2011 related to the Production and Office Premises Lease Agreement between Bawang Guangzhou and Guangzhou Bawang. Under the Listing Rules, the transactions under the Tenancy Agreement and the Production and Office Premises Lease Agreement will be aggregated and treated as if they were one transaction.

For the purpose of Rule 14A.25 of the Listing Rules, the aggregate of the maximum annual rental payable to Guangzhou Bawang by Bawang Guangzhou under each of the Tenancy Agreement and the Production and Office Premises Lease 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)
Tenancy Agreement	2.19	2.19	2.19
Production and Office Premises Lease Agreement	<u>2.21</u>	<u>2.21*</u>	<u>—</u>
Total	<u><u>4.40</u></u>	<u><u>4.40</u></u>	<u><u>2.19</u></u>

* The Production and Office Premises Lease Agreement will expire on 3 December 2013.

REASONS FOR THE CONTINUING CONNECTED TRANSACTION

The Office Premises are leased by the Group for the purposes of satisfying the needs of the Group's business. The Office Premises are located within proximity to the production and office premises of the Group. By entering into the Tenancy Agreement, the Group will incur minimal transportation and labour expenses in relocating the equipment and furniture to the Office Premises.

The terms of the Tenancy Agreement were negotiated on an arm's length basis with reference to the fair market rents of premises based on the valuation report issued by Jones LaSalle Sallmanns Limited, the independent property valuer to the Group who has confirmed that the rent payable under the Tenancy Agreement is fair and reasonable and consistent with prevailing market rents for similar premises in the vicinity.

LISTING RULES REQUIREMENTS

Guangzhou Bawang is 100% beneficially owned by Mr. Chen and Ms. Wan, who in turn are the controlling Shareholders holding approximately 65.33% and 65.31% 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 Tenancy Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Tenancy Agreement (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. The Directors confirm that each of Mr. Chen and Ms. Wan has a material interest in the transaction and they have abstained from voting on the Board resolutions to approve the transaction.

Given that each of the applicable percentage ratios (other than the profits ratio) in respect of the transactions under the Tenancy Agreement and the Production and Office Premises Lease Agreement on an aggregated basis is more than 0.1% but less than 5.0%, the Tenancy Agreement is subject to the reporting, annual review and announcement requirements and exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the Tenancy Agreement will be included in the annual report and accounts of the Company in accordance with Rule 14A.46 of the Listing Rules.

GENERAL

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 herbal tea, 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 herbal tea, skincare products, toothpaste, and shower gels.

Guangzhou Bawang is 100% beneficially owned by Mr. Chen and Ms. Wan. It is an investment and property holding company.

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(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 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 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 9th Floors, Bawang International Hotel, 179 and 181 Tongle Road, Tongyong 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 and the PRC and Taiwan

“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
“Shareholder(s)”	shareholder(s) of the Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement dated 28 December 2011 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 1 January 2012 to 31 December 2014 (both days inclusive) at a monthly rental of RMB182,000.00
“RMB” or “Renminbi”	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*