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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 NEW LEASE AGREEMENT

AND

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN THE PRC

Reference is made to the Company's announcements dated 9 August 2016, 2 August 2017 and 1 November 2017.

On 1 December 2017, Bawang Guangzhou and Guangzhou Bawang entered into the New Lease Agreement for the Group's production facilities, office premises and staff dormitory, and terminated the previous lease agreements dated 9 August 2016 in relation to the lease of the Group's current office premises and production plant premises with immediate effect.

As at the date of this announcement, Guangzhou Bawang is beneficially owned as to 20% by Mr. Chen Zheng He, the chief executive officer and an executive Director of the Company, and 80% by his six brothers and sisters with Mr. Chen Zheng He as the trustee. Therefore the transactions contemplated under the New Lease Agreement constitute continuing connected transactions of the Company.

Given that neither Guangzhou Bawang nor Bawang Guangzhou is required to make any payment to each other pursuant to the termination of the lease agreements of the Group's current office premises and production plant premises, the termination is exempt from the announcement, reporting and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios set out in the Listing Rules in respect of the annual caps for the transactions contemplated under the New Lease Agreement exceed 0.1% but are less than 5.0%, the transactions contemplated under the New Lease Agreement 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 Company's announcements dated 9 August 2016, 2 August 2017 and 1 November 2017.

On 1 December 2017, Bawang Guangzhou and Guangzhou Bawang entered into the New Lease Agreement for the Group's production facilities, office premises and staff dormitory, and terminated the previous lease agreement dated 9 August 2016 in relation to the lease of the Group's current office premises and production plant premises with immediate effect.

THE NEW LEASE AGREEMENT

The principal terms of the New Lease Agreement are set out below:

Date:	1 December 2017
Lessor:	Guangzhou Bawang
Lessee:	Bawang Guangzhou
Premises:	The premises located at the Bawang Industrial Complex, 468 Guanghua 3rd Road, Baiyun District, Guangzhou, the PRC.
Gross floor area:	56,836.91 square metres
Lease term:	Three years commencing from 1 December 2017 to 30 November 2020 (both days inclusive)
Use:	Production facilities, office premises and staff dormitory
Monthly rental:	RMB719,857.56 per month (exclusive of management fee and other outgoings, which are payable to an independent third party management company)
Other terms and conditions:	<p>The amount of rental is payable monthly.</p> <p>Bawang Guangzhou has a right to terminate the New Lease Agreement by giving a three months' prior notice to Guangzhou Bawang.</p> <p>Subject to compliance with the Listing Rules, the New Lease Agreement is renewable for a period of three years if Bawang Guangzhou gives one month's notice to Guangzhou Bawang.</p>

Bawang Guangzhou also has a right of first refusal to purchase the aforesaid rented 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

Pursuant to Rule 14A.53 of the Listing Rules, the annual caps in respect of the transactions contemplated under the New Lease Agreement are determined by reference to the amounts that are payable to Guangzhou Bawang during the term of the New Lease Agreement as follows:

For the year ending 31 December 2017:	RMB719,858
For the year ending 31 December 2018:	RMB8,638,296
For the year ending 31 December 2019:	RMB8,638,296
For the eleven months ending 30 November 2020:	RMB7,918,438

In arriving at the above annual caps, the Directors have taken into account the historical amounts of rental paid pursuant to the Lease Agreement, the total rental payment stated in the New Lease Agreement and the valuation report prepared by an independent valuer. The historical amounts of rental and related expenses paid to Guangzhou Bawang for the Group's office premises and production facilities were approximately RMB14.6 million, RMB12.9 million and RMB9.7 million for the year ended 31 December 2015, the year ended 31 December 2016 and the eleven months ended 30 November 2017, respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Guangzhou Bawang is beneficially owned as to 20% by Mr. Chen Zheng He, the chief executive officer and an executive director of the Company, and 80% by his six brothers and sisters (who are children under 18 of Mr. Chen Qiyuan) with Mr. Chen Zheng He as the trustee. Guangzhou Bawang is therefore an associate of Mr. Chen Zheng He and a connected person of the Company pursuant to Rule 14A.12 of the Listing Rules, and the transactions contemplated under the New Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that neither Guangzhou Bawang nor Bawang Guangzhou is required to make any payment to each other pursuant to the termination of the lease agreements of the Group's current office premises and production plant premises, the termination is exempt from the announcement, reporting and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios of the New Lease Agreement exceed 0.1% but are less than 5.0%, the transactions contemplated under the New Lease Agreement 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.

REASONS FOR AND BENEFITS OF THE NEW LEASE AGREEMENT

The Directors consider that (i) having the Group's production facilities, office premises, and staff dormitory in close proximity will increase the interaction between our Group's management staff and its production staff, which will in turn optimise its operational efficiency; and (ii) it is in the commercial interests of the Company to continue the Group's present usage of its existing production facilities, which have been in use since August 2013.

The terms of the New Lease Agreement were negotiated on an arm's length basis, with reference to the fair market rent of the premises to be rented from Guangzhou Bawang based on a valuation report prepared by an independent valuer.

The Directors (including the independent non-executive Directors) are of the view that the New Lease Agreement (i) is entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (ii) is fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Mr. Chen Zheng He and Mr. Chen Qiyuan are deemed to have material interests in the New Lease Agreement and had abstained from voting at the Board meeting approving the transactions contemplated under the New Lease Agreement.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN THE PRC

The Company's principal place of business in the PRC is changed to Bawang Industrial Complex, 468 Guanghua 3rd Road, Baiyun District, Guangzhou, the PRC with effect from the date of this announcement.

ABOUT THE COMPANY AND 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.

ABOUT GUANGZHOU BAWANG

The principal business activities of Guangzhou Bawang are property investment, 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”	霸王（廣州）有限公司 (Bawang (Guangzhou) Co., Ltd.*), a wholly-owned subsidiary of the Company
“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 and the shares of which on listed on the Stock Exchange
“connected person”	has the meaning as ascribed to this term under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangzhou Bawang”	廣州霸王化妝品有限公司 (Guangzhou Bawang Cosmetics Co., Ltd.*), a company established in the PRC as a wholly foreign owned enterprise on 23 November 2001, which is beneficially owned as to 20% by Mr. Chen Zheng He, the chief executive officer of the Company and an executive Director, and 80% by Mr. Chen Zheng He as trustee for his six brothers and sisters
“Hong Kong”	Hong Kong Special Administrative Regions of the PRC
“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 facilities inside the Bawang Industrial Complex for a term of three years commencing from 9 August 2016 to 8 August 2019 (both days inclusive)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chen Qiyuan”	Mr. Chen Qiyuan, chairman and an executive Director of the Company and the father of Mr. Chen Zheng He
“Mr. Chen Zheng He”	Mr. Chen Zheng He, the chief executive officer of the Company, an executive Director and the son of Mr. Chen Qiyuan
“New Lease Agreement”	the lease agreement entered into between Guangzhou Bawang and Bawang Guangzhou in respect of the rental of the Bawang Industrial Complex for the Group’s production facilities, office premises and staff dormitory for a term of three years commencing from 1 December 2017 to 30 November 2020 (both days inclusive)

“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, 1 December 2017

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 two independent non-executive Directors, namely Dr. NGAI Wai Fung and Mr. CHEUNG Kin Wing.

**For identification purpose only.*