

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 PACKAGING MATERIAL SUPPLY MASTER AGREEMENT

PACKAGING MATERIAL SUPPLY MASTER AGREEMENT

Reference is made to the Company's announcement dated 12 December 2014 in respect of the Expired Packaging Material Supply Agreement and its annual caps for the three years ended 31 December 2017, which expired on 31 December 2017.

The Board is pleased to announce that on 1 June 2018 (after trading hours), the Company entered into the Packaging Material Supply Master Agreement with Chenming Paper, pursuant to which Chenming Paper has agreed to supply packaging materials to the Group from time to time at prices that are reviewed regularly based on arm's length negotiations between the Group and Chenming Paper, for a term of three years commencing from 1 June 2018.

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 an executive 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 Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the annual caps for the transactions contemplated under the Packaging Material Supply Master Agreement is more than 0.1% but less than 5.0%, the transactions contemplated under the Packaging Material Supply Master Agreement are subject to 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 12 December 2014 in respect of the Expired Packaging Material Supply Agreement and its annual caps for the three years ended 31 December 2017, which expired on 31 December 2017.

The Board is pleased to announce that on 1 June 2018 (after trading hours), the Company entered into the Packaging Material Supply Master Agreement with Chenming Paper, pursuant to which Chenming Paper agreed to supply packaging materials to the Group from time to time at prices that are reviewed regularly based on arm's length negotiations between the Group and Chenming Paper, for a term of three years commencing from 1 June 2018.

PACKAGING MATERIAL SUPPLY MASTER AGREEMENT

Date: 1 June 2018

Parties: (i) the Company; and
(ii) Chenming Paper.

Principal terms

Pursuant to the Packaging Material Supply Master Agreement, Chenming Paper agreed to supply packaging materials to the Group from time to time at prices that are reviewed regularly based on arm's length negotiations between the Group and Chenming Paper for a term of three years commencing from 1 June 2018.

Either the Company or Chenming Paper may inform the other party not to automatically renew the Packaging Material Supply Master Agreement by giving written notice to the other party at least three months prior to the expiry of the Packaging Material Supply Master Agreement. Either party may also terminate the Packaging Material Supply Agreement at any time by giving at least three months' prior notice to the other party. Renewal of the Packaging Material Supply Master Agreement shall be subject to compliance with the Listing Rules.

The Group shall review the prices offered by Chenming Paper in accordance with the mechanism under the section headed "pricing basis" in this announcement to ensure that they are no less favourable than those offered by independent third parties. Payments for purchases made will be settled by the Group by way of bank transfer at the end of each calendar month.

Individual purchase agreements

The Company and/or its subsidiaries may, from time to time and as necessary, enter into individual purchase agreements under the Packaging Material Supply Master Agreement for purchasing packaging material from Chenming Paper. Each purchase agreement will set out specific details of the purchase, including in particular the entity within the Group that is ordering, the types of products ordered, price, and quantity.

Pricing basis

The pricing of the packaging materials that are purchased from Chenming Paper will be determined on an arm's length basis and comparable to prevailing market rates of packaging materials that are supplied to the Group's manufacturing plants. In determining the prevailing market rates, and to ensure that the terms of purchase of packaging materials under the Packaging Material Supply Master Agreement are no less favourable than those offered by independent third parties, the Company will obtain quotations from two or more suppliers that are independent from the Group on a regular basis (but no less frequently than once every three months to determine the prevalent market prices and terms of the supply of packaging materials in similar quantities.

Pursuant to the Packaging Material Supply Master Agreement, either the Company or Chenming Paper may request adjustment to prices based on the prevailing market price. Any adjusted prices shall only become effective upon agreement between the parties. The individual purchase agreements will be placed by the Group according to the agreed prices between the Company and Chenming Paper under the Packaging Material Supply Master Agreement.

With the above purchasing procedures, the Directors (including the independent non-executive Directors but excluding the Interested Directors) consider that the pricing basis adopted by the Group would allow the Group to secure the supply of packaging materials from Chenming Paper at prices and terms that are fair and commercially reasonable, and which are on normal commercial terms or better.

ANNUAL CAPS

Previous Transaction Values

The previous transaction values and the historical annual caps of the transactions contemplated under the Expired Packaging Material Supply Master Agreement for the three years ended 31 December 2017 are set out below:

Transactions	Year ended 31 December 2015 RMB (million)	Year ended 31 December 2016 RMB (million)	Year ended 31 December 2017 RMB (million)
Purchase value of packaging materials	4.7	5.1	9.9
Historical annual caps of the purchase value of packaging materials	7.9	8.9	10.2

During the period between 1 January 2018 to 31 May 2018, no packaging materials have been supplied by Chenming Paper to the Group.

Proposed Annual Caps

The proposed annual caps for the transactions contemplated under the Packaging Material Supply Master Agreement for the three years ending 31 December 2020 and the five months ending 31 May 2021 are set out below:

Transactions	Year ending 31 December 2018 RMB (million)	Year ending 31 December 2019 RMB (million)	Year ending 31 December 2020 RMB (million)	Five months ending 31 May 2021 RMB (million)
Purchase value of packaging materials	8.0	11.9	12.6	4.8

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 amounts of the transactions under the Expired Packaging Material Supply Master Agreement; (ii) the actual consumption of packaging materials of the Group in the first five months of 2018; (iii) the estimated demand for the Group's products; (iv) the expected number of customers; (v) the prevailing price list of the packaging materials adopted by the Company at the time of entering into the Packaging Material Supply Master Agreement; (vi) the substantial increase in the Group's revenue through its online sales channel for the year ended 31 December 2017 as compared with the year ended 31 December 2016; and (vii) the economic outlook of the PRC during the three years ending 31 May 2021.

REASONS FOR AND BENEFITS OF THE PACKAGING MATERIAL SUPPLY MASTER AGREEMENT

Chenming Paper is located in close proximity to the Company's manufacturing plant. Since the packaging materials supplied by Chenming Paper to the Group were of satisfactory quality and terms, the Directors consider that the Packaging Material Supply Master 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 its operating costs more efficiently.

LISTING RULES IMPLICATIONS

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 an executive 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 Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the annual caps for the transactions contemplated under the Packaging Material Supply Master Agreement is more than 0.1% but less than 5.0%, the transactions contemplated under the Packaging Material Supply Master Agreement are subject to 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 but excluding the Interested Directors) are of the view that the terms of the Packaging Material Supply Master 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 excluding the Interested Directors) are also of the view that the proposed annual caps for the transactions contemplated under the Packaging Material Supply Master Agreement for the three years ending 31 May 2021 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board has passed resolutions to approve, among other things, the entering into of the Packaging Material Supply Master Agreement. Mr. Chen and Mr. Chen Zheng He

are deemed to have material interests in the Packaging Material Supply Master Agreement and had abstained from voting at the Board meeting approving the transactions contemplated under the Packaging Material Supply Master Agreement and the annual caps applicable thereto.

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 hair-care products as well as other products such as, skincare products, toothpaste, and shower gels.

ABOUT CHENMING PAPER

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”	廣州晨明紙品有限公司 (Guangzhou Chenming Paper Products Company Limited*), a company established in the PRC on 21 January 2008, which is 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 to it under the Listing Rules
“controlling shareholder”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Expired 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 for a term of three years, which has expired on 31

December 2017

“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Interested Directors”	Mr. Chen and Mr. Chen Zheng He
“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 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
“Packaging Material Supply Master Agreement”	the packaging material supply agreement dated 1 June 2018 entered into between the Company 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
“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
WONG Sin Yung
Company Secretary

Hong Kong, 1 June 2018

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

**For identification purpose only*