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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, a stock broker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **BaWang International (Group) Holding Limited**, you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.

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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)**

**MAJOR AND CONNECTED TRANSACTION  
2026 LEASE AGREEMENT  
AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



**Silver Nile Global Investments Limited**

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A notice convening the EGM of BaWang International (Group) Holding Limited to be held at Bawang Hall, BaWang Industrial Complex, 468 Guanghua 3rd Road, Baiyun District, Guangzhou, China at 4:00 p.m. on Thursday, 28 May 2026 or immediately after the conclusion of the annual general meeting of the Company, which will be held on the same day at 3:00 p.m., is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you intend to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or its adjourned meeting should you so wish.

\* For identification purpose only

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“2026 Lease Agreement”	the lease agreement entered into between Bawang Guangzhou and Guangzhou Bawang on 10 April 2026 in respect of the lease of certain premises within the Bawang Industrial Complex for the Group’s production facilities, office premises, warehouses and staff dormitory for a fixed term of five years commencing from 1 July 2026 to 30 June 2031 (both days inclusive)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bawang Guangzhou”	霸王(廣州)有限公司 (Bawang Guangzhou Co., Ltd.*), a wholly-owned subsidiary of the Company
“Bawang Industrial Complex”	the premises located at 468 Guanghua 3rd Road, Baiyun District, Guangzhou, the PRC
“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 whose shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 4:00 p.m. on Thursday, 28 May 2026 or immediately after the conclusion of the annual general meeting of the Company which will be held on the same day at 3:00 p.m. to consider and, if thought fit, to approve the resolutions contained in the notice of the meeting which is set out on pages EGM-1 to EGM-2 of this circular
“Existing Lease Agreements”	the existing lease agreement dated 23 April 2021 between Guangzhou Bawang and Bawang Guangzhou, and as amended by the supplemental lease agreements dated 1 September 2022 and 1 August 2025, in respect of the rental of certain premises within the Bawang Industrial Complex for the Group’s production facilities, office premises, warehouses and staff dormitory for a fixed term of five years commencing from 1 July 2021 to 30 June 2026 (both days inclusive)
“Fair Rent Letter”	the fair rent letter prepared by JLL

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## DEFINITIONS

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“Fortune Station Ltd.”	Fortune Station Ltd., a company incorporated in the British Virgin Islands with its issued share capital being held as to approximately 50.43% by Mr. CHEN Qiyuan, and approximately 49.57% by Heroic Hour Limited, a company incorporated in the British Virgin Islands with its entire issued share capital in turn being held by Mr. CHEN Zheng He for himself and as trustee on behalf of his six brothers and sisters
“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 controlled by the Interested Directors and beneficially owned by them together with their family members
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standard(s) issued by the International Accounting Standards Board, as may be amended from time to time
“Independent Board Committee”	the independent committee of the Company, the members of which consist of all the independent non-executive Directors, formed to advise the Independent Shareholders with respect to the 2026 Lease Agreement
“Independent Financial Adviser” or “Silver Nile Global”	Silver Nile Global Investments Limited (銀豐環球投資有限公司), a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2026 Lease Agreement and the transactions contemplated thereunder
“Independent Valuer” or “JLL”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer for providing the market rent valuation in respect of the 2026 Lease Agreement
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM
“Interested Directors”	Mr. CHEN Qiyuan and Mr. CHEN Zheng He

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## DEFINITIONS

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“Latest Practicable Date”	29 April 2026, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. CHEN Qiyuan”	Mr. CHEN Qiyuan, co-founder, chairman and an executive Director, 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, one of the Company’s controlling shareholders and the son of Mr. CHEN Qiyuan
“PRC” or “China”	the People’s Republic of China excluding, for the purposes of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the share(s) in the share capital of the Company with nominal value of HKD0.1 each
“Shareholder(s)”	shareholder(s) of the Company
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

\* *For identification purpose only*

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. CHEN Qiyuan (*Chairman*)

Mr. CHEN Zheng He (*Chief Executive Officer*)

*Independent non-executive Directors:*

Mr. CHEUNG Kin Wing

Dr. LIU Jing

Mr. CHU Tat Hoi

*Registered Office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Principal Place of Business in the PRC:*

468 Guanghua 3rd Road

BaWang Industrial Complex

Baiyun District, Guangzhou

510450

PRC

*Principal Place of Business in Hong Kong:*

Suite B, 12/F

Ritz Plaza

122 Austin Road

Tsimshatsui

Kowloon

Hong Kong

6 May 2026

*To the shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION  
2026 LEASE AGREEMENT  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

The purpose of this circular is to provide the Shareholders with information on the resolutions to be proposed at the EGM for the approval of the 2026 Lease Agreement in relation to the renting of production facilities, office premises, warehouses and staff dormitory.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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### II. MAJOR AND CONNECTED TRANSACTION

#### 1. The 2026 Lease Agreement

The principal terms of the 2026 Lease Agreement are set forth below:

Date:	10 April 2026
Lessor:	Guangzhou Bawang
Lessee:	Bawang Guangzhou
Leased Premises:	Certain premises located within the Bawang Industrial Complex, 468 Guanghua 3rd Road, Baiyun District, Guangzhou, the PRC
Gross floor area leased:	37,997.7 sq.m.
Lease term:	A fixed term of five years commencing from 1 July 2026 to 30 June 2031
Use:	Production facilities, office premises, warehouses and staff dormitory
Monthly rental:	RMB607,963.2

The monthly rental is exclusive of management fees and other outgoings, which are payable to independent third party management company. The fair market rent of the premises as determined by the Independent Valuer as at 28 February 2026 is RMB690,000 per month

Historical rental:	The historical amounts paid to Guangzhou Bawang for the leased premises were approximately RMB9.5 million, RMB10.1 million and RMB8.3 million for the years ended 31 December 2023, 2024 and 2025, respectively
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Other terms and conditions:	The Existing Lease Agreements have an original term from 1 July 2021 to 30 June 2026. The 2026 Lease Agreement shall become effective on 1 July 2026 upon the Company's compliance with the Listing Rules in respect of the approval of the said agreement (including without limitation approval by the Independent Shareholders)
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## LETTER FROM THE BOARD

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The terms of the 2026 Lease Agreement were determined after negotiation between Bawang Guangzhou and Guangzhou Bawang by reference to the rent in the vicinity of the leased premises and the fair rent of the premises as described in the Fair Rent Letter.

Bawang Guangzhou shall pay the rent with its internal resources.

The monthly rent payable per sq.m. of floor space rented by Bawang Guangzhou under the Existing Lease Agreements is approximately RMB21.83 for the period from 1 July 2021 to 30 June 2024, RMB24.84 for the period from 1 July 2024 to 31 July 2025, and RMB18.84 for the period from 1 August 2025 to 30 June 2026, respectively. Under the 2026 Lease Agreement, the monthly rent payable per sq.m. of floor space rented would be approximately RMB16.00.

### **2. Fair rent and right-of-use asset**

Pursuant to IFRS 16 (Leases), the Group will recognise a right-of-use asset and a corresponding lease liability, each at approximately RMB32,623,000 (on a present value basis) as at 1 July 2026, and the transaction contemplated under the 2026 Lease Agreement will be regarded as an acquisition of a right-of-use asset by the Group pursuant to the Listing Rules.

Shareholders should note that the above figure is unaudited and may be subject to adjustment in the future. The right-of-use asset represents a right to use the underlying leased premises over the lease term and the lease liability represents an obligation to make lease payments (i.e., the rent). The assets and liabilities arising from the lease are initially measured on present value basis and calculated by discounting the lease payments under the 2026 Lease Agreement, using the incremental borrowing rate as the discount rate. Under IFRS 16 and in the consolidated statement of profit or loss and other comprehensive income of the Company, the Company shall recognise (i) depreciation charge over the life of the right-of-use asset; and (ii) interest expenses amortised from the lease liability over the lease term.

Certain details of the Fair Rent Letter are set out below:

#### *1. Method and standard of valuation*

The Independent Valuer adopted the comparison approach in its valuation by making reference to comparable market rent transactions in its market rent assessment. This approach is based on the wide acceptance of the market rent transactions as the best indicator and presupposes that evidence of relevant rent transactions in the market may be extrapolated to similar properties, subject to allowances for variable factors. In the course of performing the valuation, the Independent Valuer had complied with all the requirements of the Global Standards published by the Royal Institution of Chartered Surveyors, the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

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## LETTER FROM THE BOARD

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### 2. *Key assumptions*

The Independent Valuer's valuation of the fair rent has been made on the assumption that the lessor leases the properties in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the rental of the properties to be leased under the 2026 Lease Agreement.

### 3. *Key inputs*

The Independent Valuer has identified and analysed various relevant lease evidences in the locality which have similar characteristics as the subject property such as transaction factor, size, accessibility, etc. The selected comparables include Guangzhou No. 1 Hard Technology Park (白雲1號硬科技產業園), Mitsui Intelligent Manufacturing Base (魅視智造基地), Guangzhou National Private Science and Technology Park (廣州民營科技園) and their monthly market rental levels range from RMB17.0 to RMB20.0 per sq.m.

### 4. *Key adjustments*

Adjustments and analysis that are applied by the Independent Valuer included differences in location, size and condition between the comparable properties and the subject property to arrive at the fair market rent for the property. The adjustment range applied is between -3% to 5%.

## 3. **Reasons and benefits of entering into the 2026 Lease Agreement**

The Group's production has been operating within the BaWang Industrial Complex since August 2013. Furthermore, on 1 December 2017, the Group also relocated its office premises from its previous location to its current location within the BaWang Industrial Complex, which the Directors believe the co-location of our office premises, production facilities and warehouses have been conducive in further improving the operational efficiency of the Group through, among other things, enhancing interaction between the Group's management staff and its production staff.

Bawang Industrial Complex is located in Baiyun District, Guangzhou, which is a commercially developed area with numerous companies engaged in the production of personal care and cosmetic products. Such strategically selected location of the Group's production premises and ancillary facilities is, in the view of the Directors, beneficial to the continuous optimisation of operational efficiency of the Group's business operations.

The Bawang Industrial Complex is also well-equipped with its own utility supply (such as heating furnace and roof-top solar power panels), and also has its own waste discharge and processing facilities, which have supported the Group's production operations without the need for the Group to set up its own facilities.

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## LETTER FROM THE BOARD

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Furthermore, the Group has established presence locally in Baiyun District since August 2013, which has allowed the Group to foster a stable and cooperative relationship with the local governmental authorities over the years, and the Group has been able to enjoy favourable government policies and incentives including:

- (a) since 2018, Bawang (Guangzhou) Co., Ltd., a wholly-owned subsidiary operated by the Group, was successfully registered as a Four Categories enterprise in Baiyun District, Guangzhou City. It continues to benefit the preferential policies implemented under the Interim Measures for Promoting the Accelerated Development of Four Categories Enterprises in Baiyun District (the “**Interim Measures**”), including but not limited to favorable policies for talent settlement and nearby school enrollment for employees’ children, etc;
- (b) since 2018, Guangzhou Bawang Trading Company Limited, a wholly-owned operating subsidiary of the Company, has been enjoying the export tax rebates under the export tax rebate scheme offered by the Ministry of Finance and State Taxation Administration of the PRC; and
- (c) Bawang Guangzhou has been awarded “Key Tax Payer (納稅大戶)” by the People’s Government of Jianggao Town, Baiyun District, Guangzhou in 2022, 2023 and 2024. Being named a Key Tax Payer in Baiyun District gives the Group a competitive advantage among other enterprises in Baiyun District in terms of a higher credit score, which may be commercially beneficial to the Group’s business operation and financing activities in the future.

On the basis of the above, the Board (excluding the members of the Independent Board Committee, whose views are contained in a letter from the Independent Board Committee in this circular) is of the view that the continued leasing of the existing premises under the 2026 Lease Agreement would be in the best interests of the Company and the Shareholders as a whole, because:

- (a) the BaWang Industrial Complex is in close proximity to major highways, namely the Guanghua 1st Class Highway (廣花一級公路) and Shenyang-Haikou Expressway (瀋海高速), where the Group has also enjoyed its logistic convenience by situating its production base in an area with an abundant supply of transportation, logistics and warehousing services providers, the combined effect of which has reduced warehousing and transportation costs of the Group. In light of the Group’s expansion of e-commerce business in recent years, the availability of a large number of transportation and logistics providers in Baiyun District has further provided the logistics convenience that the Group had leveraged on, and therefore it is considered beneficial for the Group’s operation premises to remain at its current location;

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## LETTER FROM THE BOARD

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- (b) if the Group relocates from the BaWang Industrial Complex, such relocation would result in additional expenses, including but not limited to, demolition and relocation expenses, renovation of new production facilities, office premises, warehouses and staff dormitory, necessary expenses for the purpose of constructing its own waste processing facilities, and obtaining the required permits and certifications from the relevant PRC authorities prior to re-commencement of operations, which the Board considered not to be economical after considering its financial performance;
- (c) since early 2024, the Group's roof-top solar power panels at the Bawang Industrial Complex have commenced operations. If the Group relocates from the Bawang Industrial Complex, it will be difficult to continue utilizing these roof-top solar power panels to achieve production cost savings, which the Board considers not to be in the economic interest of the Group after assessing its impact on the Group's financial performance.
- (d) any relocation would require the Group to bear the risk of either production downtime or production capacity reduction (or both) and might also require the Group to hire and re-train new employees due to staff turnover, and to re-apply and obtain all necessary licences and permits that are required for the Group's production, which would adversely affect the production capacity and hence the revenue of the Group until relocation has been completed, which would be commercially undesirable to the Group as a whole; and
- (e) the Company's management, in negotiating the rent under the 2026 Lease Agreement with the landlord, had also taken into account its knowledge of the local property markets in the vicinity, and had also made enquiries with local independent leasing agents on the recent market rental transactions of the Bawang Industrial Complex and those within the proximity.

The management notes that in light of the recent property market situation in the PRC, there has been a general decrease in rental value, although the rental rates in the close vicinity of the Bawang Industrial Complex have shown resilience against this trend. The Company believes that factors that contribute to this include: (1) the expected opening of the Guangzhou Metro Line 8 extension Jiangfu Station (江府站), which will be around 1km away from Bawang Industrial Park, by the end of 2027, and (2) recently, a large-scale shopping mall, 億達方圓薈 (Yida Fangyuanhui) has recently opened in May 2025, and has recently kindled the interest of potential tenants in the vicinity, and (3) the turnover rate of tenants in the region is relatively low, which is attributed to the concentration of large-scale daily chemical and manufacturing enterprises in the vicinity of the industrial complex, which has the effect of ensuring a stable tenant base, thereby supporting the rental levels.

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## LETTER FROM THE BOARD

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The monthly rent payable per sq.m. of floor space rented by Bawang Guangzhou under the Existing Lease Agreements would decrease from approximately RMB18.84 to RMB16.00 under the 2026 Lease Agreement as compared with the Existing Lease Agreements, for the same leased premises with the same gross floor area leased representing a rental decrease of approximately 15%.

In considering whether the term of the 2026 Lease Agreement, including whether the rental payable and the rent increment stipulated under the 2026 Lease Agreement are fair and reasonable, the Board has also made reference to the Fair Rent Letter, according to the current prevailing market practice by making reference to comparable market rent transactions in JLL's assessment. The Company has also considered the factors considered in the preparation of the fair rent letter, such as (1) the size of floor area rented, (2) the inherent discount of agreed rental rates versus the rent asked for by landlords, (3) the current rent deflation trend has been taken into account; (4) the location and accessibility of other premises in connection with the proposed Rental within the Bawang Industrial Complex (which location is more prestigious than the other comparable properties), and (5) the proposed rental rates under the 2026 Lease Agreement are lower both before and after the adjustment factors have been applied to comparable rental rates in the vicinity. The Directors therefore considered the above factors to be relevant in the comparison of fair rent, and the comparables were fairly presented in the context of the proposed lease. In addition, given that the Group's primary production facilities, warehouses and office premises together with staff dormitory are located within the Bawang Industrial Complex, and any disruption to the Group's operations caused by relocation would materially impact the Group's operations, the Board is of the view that a five-year lease agreement does not deviate from the normal commercial practice for leases of a similar nature. After carefully considering the terms proposed by the Lessor, the Board considered it more commercially beneficial for the Group to continue to enter into a longer term lease agreement with agreed rental rates for the coming five years under the 2026 Lease Agreement.

The Board also notes the views of the Independent Financial Adviser, who also considered that it would be commercially justifiable and economical, and beneficial to the Group and the Shareholders as a whole, in having a rental term of the premises exceeding three years. The Independent Financial Adviser has also reviewed, on a best effort basis, announcement published by companies listed on the Stock Exchange involving the entering into of tenancy agreements in relation to land, properties and/or premises of a similar nature and noted that there were other examples of tenancy agreements with lease terms ranging from two months to 20 years, and has given the view that the 5-year tenure under the 2026 Lease Agreement is a normal term for a transaction of the nature of the 2026 Lease Agreement and it is normal business practice for an agreement of such type to be of such a duration. Therefore, based on the Directors' industry knowledge and the views provided by the Independent Financial Adviser, the Board is of the view that it is normal business practice for agreements of this type to be of duration for the 2026 Lease Agreement.

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## LETTER FROM THE BOARD

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The Board (excluding the members of the Independent Board Committee, the views of which are contained in “Letter from the Independent Board Committee” in this circular and the Interested Directors) is of the view that (a) on the basis that the Group is able to obtain a rental discount of 15% from the current rent under the Existing Lease Agreements, and this discount rate is higher than the current discount rate of rent in the vicinity and also the prevailing rental rates in the vicinity of Bawang Industrial Complex as mentioned above, and therefore the 2026 Lease Agreement is on normal commercial terms and are fair and reasonable, and that the Fair Rent Letter also supports this view, and (b) the lease of the premises located within the BaWang Industrial Complex as the Group’s production facilities, office premises, warehouses and staff dormitory have been and will be conducted in the ordinary and usual course of business of the Group, and (c) the 2026 Lease Agreement is in the interests of the Company and the Shareholders as a whole.

The Interested Directors are deemed to have material interests in the 2026 Lease Agreement and had abstained from voting on the relevant resolution at the Board meeting approving the 2026 Lease Agreement and the transactions contemplated thereunder.

#### **4. Financial effects of the Transactions Contemplated under the 2026 Lease Agreement**

It is expected that upon the 2026 Lease Agreement becoming effective, and pursuant to IFRS 16, the Group will recognise right-of-use assets in its financial statements. This will result in an increase in total assets of approximately RMB32.6 million, reflecting the fair value of the recognised right-of-use assets. Correspondingly, total liabilities will increase by approximately RMB32.6 million, reflecting the corresponding lease liability.

The right-of-use asset will be depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, with annual depreciation charges amounting to approximately RMB6.5 million during the term of the 2026 Lease Agreement. Interest expenses on the lease liabilities will be recognised at the incremental borrowing rate of the Group, which is estimated at approximately 3.28% per annum for the 2026 Lease Agreement, and is expected to amount to approximately RMB1.1 million. After the commencement date of the lease, the lease liabilities will be adjusted by interest accretion and lease payments. The Group’s profits are expected to experience a decrease due to the aggregate effect of the depreciation charge on the right-of-use asset and the interest expenses on the lease liabilities.

#### **5. Listing Rules implications**

As at the date of this circular, Guangzhou Bawang is ultimately wholly-owned by Mr. CHEN Qiyuan, the chairman and an executive director of the Company, and Mr. CHEN Zheng He, the chief executive officer and an executive director of the Company, by themselves and through companies that are wholly-owned by them. Guangzhou Bawang is therefore an associate of Mr. CHEN Qiyuan and Mr. CHEN Zheng He and is therefore a connected person of the Company pursuant to Rule 14A.12 of the Listing Rules, and the 2026 Lease Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapters 14 and 14A the Listing Rules.

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## LETTER FROM THE BOARD

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As the highest applicable percentage ratio in respect of the transactions contemplated under the 2026 Lease Agreement, on the basis of the value of the right-of-use asset to be recognised by the Company in connection with the 2026 Lease Agreement exceeds 25% but all of them are less than 100%, the 2026 Lease Agreement constitutes a major and connected transaction in respect of an acquisition of a right-of-use asset by the Company from its connected person and is subject to reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A the Listing Rules.

### **6. 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.

### **7. About Guangzhou Bawang**

The principal business activities of Guangzhou Bawang are property investment, property development, property management, real estate agency services and property leasing. Guangzhou Bawang is controlled by the Interested Directors, and is therefore a connected person of the Company under the Listing Rules.

### **8. Independent Board Committee**

The Independent Board Committee has been formed by the Company to consider, and to advise the Independent Shareholders on, the terms of the 2026 Lease Agreement. The Company has appointed Silver Nile Global to make recommendations to the Independent Board Committee and the Independent Shareholders of the Company on the terms of the 2026 Lease Agreement. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 15 to 16 of this circular. The letter from the Independent Board Committee to the Independent Shareholders contains its recommendation on the 2026 Lease Agreement.

### **9. Independent Financial Adviser**

The Company has appointed Silver Nile Global Investments Limited as the Independent Financial Adviser for providing advice to the Independent Board Committee and the Independent Shareholders on whether the terms of the 2026 Lease Agreement are fair and reasonable, and whether they are in the interests of the Company and the Shareholders as a whole. A letter from Silver Nile Global Investments Limited to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 30 of this circular. The letter from Silver Nile Global Investments Limited to the Independent Board Committee and the Independent Shareholders contains factors they have considered and their recommendations on the 2026 Lease Agreement.

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## LETTER FROM THE BOARD

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### III. EGM

To comply with the requirement under Rule 14.40 and Rule 14A.36 of the Listing Rules, the Company will convene the EGM to seek the Independent Shareholders' approval for the 2026 Lease Agreement and the transactions contemplated thereunder. Any Shareholder with a material interest in the 2026 Lease Agreement and the transactions contemplated thereunder and his/her/its associates shall abstain from voting on the ordinary resolution(s) approval them.

The notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. At the EGM, ordinary resolutions will be proposed to approve, among other things, the entering of the 2026 Lease Agreement and the transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or its adjourned meeting should you so wish.

To the best knowledge, belief and information of the Directors, having made all reasonable enquiries, Fortune Station Ltd., which held approximately 60.12% of the entire issued share capital of the Company as at the Latest Practicable Date, will be required to abstain from voting at the EGM on the ordinary resolutions relating to the 2026 Lease Agreement. As at the Latest Practicable Date, Fortune Station Ltd. was controlled as to approximately 50.43% by Mr. CHEN Qiyuan and approximately 49.57% by Heroic Hour Limited, which in turn is held by Mr. CHEN Zheng He for himself and as trustee for his six brothers and sisters. Apart from Fortune Station Ltd., to the best knowledge, belief and information of the Directors after having made all reasonable enquiries, none of the other Shareholders as at the Latest Practicable Date has a material interest in the 2026 Lease Agreement and the transaction(s) contemplated thereunder and would be required to abstain from voting on the proposed ordinary resolutions approving them.

In order to determine the list of Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 21 May 2026 to Thursday, 28 May 2026 (both days inclusive), during which period no transfer of Shares will be registered. Shareholders whose names appear on the register of the Shareholders of the Company on Thursday, 28 May 2026 will be entitled to attend and vote (unless they are materially interested) at the EGM. All share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 20 May 2026.

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## LETTER FROM THE BOARD

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### IV. RECOMMENDATION

The Directors (including the independent non-executive Directors whose recommendation is contained in the Letter from the Independent Board Committee of this circular) are of the view that the 2026 Lease Agreement is within the ordinary and usual course of business of the Company, and the terms of the 2026 Lease Agreement are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Independent Shareholders vote in favour of the ordinary resolution(s) on the 2026 Lease Agreement and the transactions contemplated thereunder to be proposed at the EGM.

### V. OTHER INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 15 and 16 of this circular which contains its recommendation to the Independent Shareholders on the 2026 Lease Agreement; and (ii) the letter from the Independent Financial Adviser set out on pages 17 to 30 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the 2026 Lease Agreement and the principal factors and reasons considered by Silver Nile Global in arriving at its advice.

Your attention is also drawn to the other information set out in the appendices to this circular.

Yours faithfully,

By and on behalf of the Board

**BaWang International (Group) Holding Limited**

**CHEN QIYUAN**

*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the 2026 Lease Agreement and the transactions contemplated thereunder:*

### **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)**

6 May 2026

*To the Independent Shareholders*

Dear Sir or Madam,

### **MAJOR AND CONNECTED TRANSACTION 2026 LEASE AGREEMENT**

We refer to the circular of the Company (the “**Circular**”) dated 6 May 2026 of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the 2026 Lease Agreement and to give recommendation to the Independent Shareholders as to whether, in our opinion, the terms of the 2026 Lease Agreement are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and whether the 2026 Lease Agreement is in the interests of the Company and its Shareholders as a whole. Silver Nile Global Investments Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2026 Lease Agreement.

We wish to draw your attention to the letter from the Board set out in the section of Letter from the Board in the Circular which contains, among other things, information about the 2026 Lease Agreement, and the letter of advice from Silver Nile Global Investments Limited set out in the section headed “Letter from the Independent Financial Adviser” in the Circular, which contains its advice in respect of the terms of the 2026 Lease Agreement.

\* *For identification purpose only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the historical rental rates that are being charged for the Group's production facilities, office premises, warehouses and staff dormitory and having taken into account the advice from Silver Nile Global Investments Limited and the Fair Rent Letter, we consider that the terms of the 2026 Lease Agreement are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Company in so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the terms of the 2026 Lease Agreement.

Yours faithfully,

**The Independent Board Committee**

**CHEUNG Kin Wing**

*Independent  
non-executive Director*

**LIU Jing**

*Independent  
non-executive Director*

**CHU Tat Hoi**

*Independent  
non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from Silver Nile Global Investments Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2026 Lease Agreement and transactions contemplated thereunder, which has been prepared for the purpose of incorporation in the Circular.*



Silver Nile Global Investments Limited  
Suite 4301, Tower One  
Times Square, 1 Matheson Street  
Causeway Bay, Hong Kong

6 May 2026

*To: The Independent Board Committee and the Independent Shareholders of  
BaWang International (Group) Holding Limited*

Dear Sir/Madam,

### **MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE 2026 LEASE AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2026 Lease Agreement and transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 6 May 2026 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 10 April 2026 (after trading hours), Bawang Guangzhou as lessee entered into the 2026 Lease Agreement with Guangzhou Bawang as lessor in relation to the leasing of certain premises located within the Bawang Industrial Complex, 468 Guanghua 3rd Road, Baiyun District, Guangzhou, the PRC for a term of 5 years from 1 July 2026 to 30 June 2031 at a monthly rent of RMB607,963.20.

In accordance with IFRS 16 “Leases”, the Group is required to recognise the 2026 Lease Agreement as right-of-use assets. Hence, the entering into the 2026 Lease Agreement and the transactions contemplated thereunder will be regarded as acquisitions of right-of-use assets by the Group and constitutes a major transaction under Chapter 14 of the Listing Rules as one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use assets to be recognised by the Group under the 2026 Lease Agreement exceeds 25% but all applicable

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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percentage ratios are below 100%. The aggregate value of the right of-use assets to be recognised by the Group under the 2026 Lease Agreement is expected to be approximately RMB32,623,000 as at 1 July 2026, which is calculated with reference to the aggregate rental payments and discounted by a discount rate.

As at the Latest Practicable Date, Guangzhou Bawang was ultimately wholly-owned by Mr. CHEN Qiyuan, the chairman and an executive director of the Company, and Mr. CHEN Zheng He, the chief executive officer and an executive director of the Company, by themselves and through companies that are wholly-owned by them. Therefore, Guangzhou Bawang is an associate of Mr. CHEN Qiyuan and Mr. CHEN Zheng He, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. As such, the 2026 Lease Agreement and the transactions contemplated thereunder also constitute connected transactions of the Company and are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll and Rule 14A.36 of the Listing Rules requires any shareholder who has a material interest in the underlying transactions to abstain from voting on related resolution(s). As Mr. CHEN Qiyuan, Mr. CHEN Zheng He and any of their respective associates are materially interested in the transactions contemplated under the 2026 Lease Agreement, they are required to abstain from voting on the proposed resolution(s) relating to the 2026 Lease Agreement and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date and to the best of the knowledge, information and belief of the Directors, save for the above, no other Shareholders are required to abstain from voting on the relevant resolution(s) as aforementioned at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. CHEUNG Kin Wing, Dr. LIU Jing, Mr. CHU Tat Hoi, has been established to advise the Independent Shareholders as to whether the terms of the 2026 Lease Agreement are fair and reasonable and on normal commercial terms and whether the transaction(s) contemplated thereunder are in the interests of the Company and the Shareholders as a whole. We, Silver Nile Global Investments Limited ("**Silver Nile Global**"), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we were independent from and not connected with and not aware of any relationship and interests with the Company, Guangzhou Bawang and any of their respective substantial shareholders or associates that could reasonably be regarded as relevant to our independence to act as the Independent Financial Adviser. Save for our appointment as the Independent Financial Adviser, there was no other engagement between the Company and Silver Nile Global in the past two years. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules, and therefore we are qualified to give independent advice in respect of the 2026 Lease Agreement and the transactions contemplated thereunder.

### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the statements, information, opinions, beliefs and representations contained in the Circular and the information and representations provided to us by the Group, the Directors and/or the management of the Group. We have reviewed, *inter alia*, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Company and the Directors, including but not limited to, (i) the 2026 Lease Agreement; (ii) the fair rent letter prepared by the Independent Valuer in respect of market rent of the premises to be leased under the 2026 Lease Agreement (“**Premises**”) as at 28 February 2026 (the “**Valuation Date**”); and (iii) other relevant public information related to the Premises. We have assumed that (i) all statements, information and representations provided by the Directors and the management of the Group; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have also sought and received confirmation from the Company that no material facts have been omitted from the information provided and the opinions expressed to us or there is undisclosed private agreement/arrangement or implied understanding with anyone concerning the 2026 Lease Agreement and the transactions contemplated thereunder. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representation and opinions expressed by the Company, its advisers and/or the Directors. We consider that we have been provided with sufficient information and taken sufficient and necessary steps to reach an informed view and to provide a reasonable basis for our opinion in compliance with Rule 13.80 of the Listing Rules. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the prospects of the Group, Bawang Guangzhou and Guangzhou Bawang, or their respective subsidiaries or associates (if applicable). We have also not considered the taxation implication on the Group or the Shareholders as a result of the entering into of the 2026 Lease Agreement and transactions contemplated thereunder.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the omission of which would make any statement in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We have not made any independent evaluation or appraisal of the Premises, and we have not been furnished with any such evaluation or appraisal, save and except for the Fair Rent Letter prepared by the Independent Valuer which set out their assessment of market rent for the Premises. Since we are not experts in the valuation of land and property, we have relied solely on the Fair Rent Letter for the market rent of the Premises.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

This letter is issued for the information of the Independent Board Committee and Independent Shareholders solely in connection with their consideration of the entering into the 2026 Lease Agreement and the transactions contemplated thereunder, and except for its inclusion in this circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the 2026 Lease Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

#### **1. Background information of the parties to the Tenancy Agreements**

##### **(i) *Information of the Group and Bawang Guangzhou***

With reference to the Letter from the Board, 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. Bawang Guangzhou is a wholly-owned subsidiary of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below is a summary of the consolidated financial information of the Group for the three years ended 31 December 2025 (“FY2023”, “FY2024” and “FY2025” respectively) as extracted from the annual report of the Company for FY2024 and FY2025:

	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
<b>Revenue</b>	237,653	252,952	273,094
Cost of sales	(117,935)	(124,173)	(134,245)
<b>Gross profit</b>	119,718	128,779	138,849
<b>Operating profit</b>	14,882	7,582	4,457
<b>Profit for the year attributable to owners of the Company</b>	13,627	6,555	3,885

*For the year ended 31 December 2025*

The revenue of the Group increased by approximately RMB20.14 million or 7.96% from approximately RMB252.95 million to approximately RMB273.09 million for FY2024 and FY2025, respectively. According to the annual report of the Company for FY2025, the increase in revenue was mainly due to the increase in the revenue from online sales channel.

Despite the increase in revenue, the Group recorded a decrease in profit attributable to the owners of the Company of approximately RMB2.67 million from approximately RMB6.56 million in FY2024 to approximately RMB3.89 million in FY2025 mainly due to (i) increase in selling and distribution costs of approximately RMB10.29 million as a result of increase in expenses spent in the promotion and advertising of the Group’s products in various online platforms such as Douyin and JD.com, and the conventional channel, but partially offset by the decrease in outsourced labour costs; and (ii) increase in administrative expenses of approximately RMB2.76 million, as there was increase in salaries and bonus, social security expenses, and research and development expenses.

*For the year ended 31 December 2024*

The Group’s revenue remained relatively stable as compared to FY2023 with a slight increase of approximately RMB15.30 million from RMB237.65 million in FY2023 to RMB252.95 million in FY2024 which was mainly due to increase in the Group’s core brand, Bawang, products and the Group’s natural-based branded shampoo, shower gel and laundry detergent products series, Litao, products.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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However, the profit for the year attributable to owners of the Company recorded a noticeable decrease of approximately RMB7.07 million, or 51.9%, from RMB13.63 million in FY2023 to RMB6.56 million in FY2024 primarily due to increase in selling and distribution costs of approximately RMB13.77 million, as a result of increase in expenses spent in the promotion and advertising of the Group's products in various online platforms.

### **(ii) Information of Guangzhou Bawang**

According to the information provided by the management of the Company, Guangzhou Bawang is a company established in the PRC as a wholly foreign-owned enterprise on 23 November 2001. As at the Latest Practicable Date, Guangzhou Bawang was ultimately wholly-owned by Mr. CHEN Qiyuan, the chairman and an executive director of the Company, and Mr. CHEN Zheng He, the chief executive officer and an executive director of the Company, by themselves and through companies that are wholly-owned by them. The principal business activities of Guangzhou Bawang are property investment, property development, property management, real estate agency services and property leasing.

## **2. Reasons for and benefits of entering into the 2026 Lease Agreement**

With reference to the Letter from the Board and according to the breakdown obtained by us from the management of the Company, the Group currently utilises the Premises for the Group's production facilities, office premises, warehouses and staff dormitory. The premises under the 2026 Lease Agreement consist of (i) production facilities, office premises and warehouses with gross floor area of 33,218.43 square metres; and (ii) dormitory with gross floor area of 4,779.27 square metres with 124 rooms in place.

The Group's production has been operating within the Bawang Industrial Complex since August 2013 and further relocated its office premises and production facilities to the current location in 2017, which such lease had been renewed in 2021. As advised by the management of the Company, the Directors (excluding the INEDs) and management of the Group believe the co-location of office premises, production facilities and warehouses have been conducive in further improving the operational efficiency of the Group through, among other things, enhancing interaction between the Group's management staff and its production staff, hence, it is necessary to renew the lease so that the operation of the Group at the Bawang Industrial Complex can continue. We consider that, upon the renewal of lease for the Premises, the Group will be able to maintain the stability of the operation of business of the Group without the need for relocation of the entire production and business operation site which may cause unnecessary costs and disruption to the operations of the Group.

Furthermore, it is also expected that the stable and positive relationship built with the local governmental authorities over the years can be maintained by continuing the Group's presence in Baiyun District and the Group shall be able to enjoy favourable government policies and incentives, which are essential to the sustainable and long-term success of the business operation and financial

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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performance of the Group. Such benefits include incentives on staff recruitment and export tax rebate (Further details of such favourable government policies and incentives are outlined in the Letter from the Board).

We have obtained a layout plan of the Bawang Industrial Complex and we noted there are utility supplies including heating furnace, waste discharge and processing facilities, which are essential to the Group's production operations. We have been advised by the management of the Company that the Group is allowed to use these supporting facilities and the Group has not been required to pay for the construction cost. It is also noted that the Bawang Industrial Complex is in close proximity to major highways namely the Guanghua 1st Class Highway (廣花一級公路) and Shenyang-Haikou Expressway (瀋海高速). The Group shall enjoy logistics convenience on procurement of raw material and delivery of finished products.

The rental under the 2026 Lease Agreement is approximately RMB16.00 per sq.m. per month, representing a decrease of approximately 15.07% as compared to the rental of RMB18.84 per square metre per month under the Existing Lease Agreements, for the same leased premises with the same gross floor area leased. We consider that the entering into the 2026 Lease Agreement can alleviate the Group's financial burden on rental payment.

Having considered the above, we concur with the Directors that the 2026 Lease Agreement is entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

### 3. Principal terms of the 2026 Lease Agreement

Summarised below are the principal terms of the 2026 Lease Agreement:

<b>Date</b>	: 10 April 2026
<b>Parties</b>	: Guangzhou Bawang as lessor; and Bawang Guangzhou as lessee
<b>Leased premises</b>	: Certain premises located within the Bawang Industrial Complex, 468 Guanghua 3rd Road, Baiyun District, Guangzhou, the PRC
<b>Total gross floor area leased</b>	: 37,997.70 sq.m.
<b>Usage</b>	: Production facilities, office premises, warehouses and staff dormitory
<b>Term of the lease</b>	: Subject to and conditional upon the approval of the Independent Shareholders being obtained at the EGM, the term shall be five years, commencing from 1 July 2026 to 30 June 2031

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**Monthly rental** : RMB16 per sq.m., or in total RMB607,963.20 (inclusive of tax)

The rent shall be paid monthly and the rent for each month must be paid before the 10th day of that month.

The monthly rental is exclusive of management fees and other outgoings, which are payable to an independent third party management company.

Further details of the principal terms of the 2026 Lease Agreement are outlined in the Letter from the Board.

#### **4. Assessment on the principal terms of the 2026 Lease Agreement**

##### **(i) *The rental fee under the 2026 Lease Agreement***

As set out in the Letter from the Board, the rent payable under the 2026 Lease Agreement was determined after arm's length negotiations between the parties, with reference to the rent of comparable premises in nearby location and the Fair Rent Letter prepared by the Independent Valuer.

In assessing the fairness and reasonableness of the rent payable by the Company under the 2026 Lease Agreement, we have obtained and reviewed the Fair Rent Letter issued by the Independent Valuer which set out their assessment of market rent for the Premises as at 28 February 2026.

##### **(a) *Independent Valuer's background, qualifications and experience***

As part of our due diligence, we have interviewed the Independent Valuer and conducted an enquiry into its background, qualifications and experiences. According to our interview and the information provided by the Independent Valuer, we are given to understand that the Independent Valuer is a qualified valuation firm with solid experience in conducting property valuation and assessing the fairness and reasonableness of market rent of Premises for major clients including listed companies and multinational corporations. The valuation project is led by Mr. Eddie Yiu, who is a chartered surveyor. He has over 33 years of experience in the valuation of premises in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region. We further noted that team members of the Independent Valuer possess various professional qualifications in Hong Kong, the PRC and overseas, including but not limited to Members of the Hong Kong Institute of Surveyors, Member of the Royal Institution of Chartered Surveyors, Registered Professional Surveyor (General Practice) and holders of real estate related academic degrees. We also noted that they have 7 years to 20 years of experience in business valuation, asset valuation, financing and merger and acquisition

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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projects. As such, we are of the view that the Independent Valuer and the person responsible for preparing and signing the Fair Rent Letter are qualified, experienced and competent in performing asset valuations.

We have also enquired with the Independent Valuer as to its independence from the Group (including other parties to the transaction, and core connected persons of either the Group or another party to the transaction) and were given the understanding that the Independent Valuer is an independent third party of the Group and its connected persons. Furthermore, we are being advised that apart from normal professional fees paid or payable to them in connection with their appointment as the Independent Valuer, no other arrangements exist whereby they will receive any fees or benefits from the parties to the transaction.

Moreover, we have reviewed the terms of engagement of the Independent Valuer and further noted that its scope of work is appropriate to form the opinion required to be given and there are no limitation on the scope of work which might adversely impact on the degree of assurance given by the Independent Valuer in the Fair Rent Letter.

In light of the above as a whole, we are not aware of any matters that would cause us to question the Valuer's expertise and independence and we consider that the Valuer has sufficient expertise and is independent to perform the valuation and provide a reliable opinion in respect of the valuation of the fair market rent of the Premises. We therefore consider it appropriate to rely on their work and opinion.

(b) *Basis and assumptions adopted in the Fair Rent Letter*

We have reviewed the Fair Rent Letter and understand that the Fair Rent Letter was prepared in compliance with all the requirements contained in the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council. We consider the above to be acceptable and in line with market practice.

The Independent Valuer's assessment of the fair market rent has been made on the assumptions that the lessor leases the properties in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the rental of the properties. We have obtained the certificate of title of the Premises and upon our review, we consider all assumptions to be general and commonly adopted assumptions in valuation reports. Since no other unusual matters had come to our attention in this respect, we consider the basis and assumptions adopted in the Fair Rent Letter to be fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(c) *Methodology adopted in the Fair Rent Letter*

According to the Fair Rent Letter, in assessing the fairness and reasonableness of the monthly rent of the Premises, the Independent Valuer has adopted the market approach in its assessment by referring to comparable market rent transactions/asking rent in the assessment of the fair market rent of a property in the same vicinity. This approach rests on the wide acceptance of the market rent transactions as the best indicator and pre-supposes that evidence of relevant rent transactions in the marketplace can be extrapolated to similar Premises, subject to allowances for variable factors. In this regard, we have reviewed similar property rental valuations conducted by other listed companies on the Stock Exchange and noted that such methodology, basis and assumptions are commonly adopted. Upon our enquiry, we are being advised that the Independent Valuer considered the other two generally accepted valuation approaches, namely the income approach and the cost approach, are not suitable because (i) the income approach was not practicable as no estimation of future economic benefits to be derived from ownership of the property interests is available; and (ii) the cost approach was considered not suitable as it only considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation, taking into consideration past and present maintenance policy and rebuilding history.

As the market approach makes reference to the market level rental of similar Premises in nearby area, we concur with the view of the Independent Valuer that the market approach is a fair and reasonable approach to determine the monthly rent of the Premises.

(d) *Monthly rent of the Premises*

The Independent Valuer has identified a total of 3 rental references of similar premises nearby the Premises with similar established facilities and similar building conditions (the “**Comparable References**”) for comparable analysis. The Independent Valuer has obtained rental references of the Comparable References, of which the asking rent for one of the Comparable References was RMB17 per sq.m. per month, one of the Comparable References was RMB19 per sq.m. per month, and the asking rent for the remaining Comparable Reference was RMB20 per sq.m. per month, from public sources through its own research.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Summarised below are certain details of each of the Comparable References:

Comparable Reference	Location	Approx. distance to Bawang Industrial Complex (km)	Leasable area (square metre)	Usage	Interior condition	Unit rental (per square metre per month)
Guangzhou No. 1 Hard Technology Park (白雲1號硬科技產業園)	Jujia Road, Baiyun District, Guangzhou	0.6	2,700	Industrial	Similar	17.10
Mitsui Intelligent Manufacturing Base (魅視智造基地)	Minhui Second Road, Baiyun District, Guangzhou	8.4	3,500	Industrial	Similar	18.90
Guangzhou National Private Science and Technology Park (廣州民營科技園)	Beitai Road, Baiyun District, Guangzhou	9.6	14,700	Industrial	Similar	19.80

We have reviewed the sources of the Comparable References and noted that they are genuine references publicly available on the [www.58.com](http://www.58.com) and [www.anjuke.com](http://www.anjuke.com). We also noted that all the Premises under the Comparable References are for industrial use, which is the same as the Premises.

The Valuer then considered various factors based on its professional experience in respect of the rental reference for each Comparable Reference, including but not limited to transaction factors, leasable size, location and proximity and the condition of the buildings erected thereon, to derive the fair market rent of the Premises. The Independent Valuer confirmed that all the factors considered are conform to the market practice and the Independent Valuer has used their professional judgement and experience in performing similar assessment works to assign weightings to the factors when applying adjustments, which is also conducted in the same manner as required by the HKIS Valuation Standards. Based on our discussion and review on the information of the Comparable References, including but not limited to distance to Bawang Industrial Complex, property type, year of completion, leaseable area, monthly rent, nature and interior condition of the Comparable References as provided by the Independent Valuer, we noted that the Independent Valuer has made necessary adjustments based on factors, which include, among others, the differences in location, building age, size, interior quality and utilities furnishing standard between the Comparable References and the Premises. With reference to similar transactions published by companies listed on the Stock Exchange, it is noted that the aforesaid adjustment factors are the common adjustment factors mentioned in similar valuation report of respective transactions. Based on our discussion and our review of the information of the Comparable References, we consider that the adjustments made by the Independent Valuer were appropriate.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in the Letter from the Board, the adjustment range applied by the Independent Valuer on adjustment factors is between  $-3\%$  to  $5\%$ . Upon our discussion with the Independent Valuer and our review on the breakdown and underlying reasons of adjustments applied, we are being advised that the Independent Valuer has taken into account various factors which include, among others, i) smaller leaseable area of the Comparable References usually have higher unit rent rate. While Group's rental area is larger and the rent shall be negatively adjusted; ii) the location of certain Comparable References is more prestigious, hence respective rent shall be positively adjusted; and iii) based on market data, the asking rent is usually higher than transacted rent, therefore the rent shall be negatively adjusted, in determining the level of adjustments to be made on each adjustment factors. Based on the aforementioned work done, we have not identified abnormal adjustments made which would cast doubt on the appropriateness of the result of the Fair Rent Letter.

Taking into account that (i) the Comparable References are appropriately selected for performing the rental valuation of the Premises based on the expertise of the Independent Valuer; (ii) the adjustment factors applied on arriving the fair market rents of the Premises are commonly adopted in similar rental valuation; and (iii) the adjustments were applied based on the Independent Valuer's professional judgment and experience and in accordance with the HKIS Valuation Standards, we consider the adjustments applied are fair and reasonable when determining the fair market rent.

We understood from the Independent Valuer that the monthly market rent of the total gross floor area of the Premises in existing state as at 28 February 2026 was approximately RMB18 per square metre which is within the range, lower than the mean and equivalent to the median of the rental reference of the Comparable References.

For cross-checking purpose, we have reviewed the relevant rental evidences of similar industrial properties in Baiyun District Guanghua area of Guangzhou as extracted from the public website ([www.anjike.com](http://www.anjike.com) and [www.99cfw.com](http://www.99cfw.com)) in relation to rental of industrial real estates available. Based on our review, on a best effort basis and excluding those stated "negotiable" on rental, we have identified a remaining of 13 industrial real estates, which is exhaustive at the time of our review, and their monthly unit rental ranged from approximately RMB15–26 per sq.m., depending on floor, view, size, renovation and internal conditions etc. As these examples all relate to rental of industrial real estates situated within the same area as the Premises and such information is publicly available on representable PRC properties transaction websites, we considered the rental evidence reviewed is considered to be fair and representative in assessing the rental of the Premises. The market rental value of the Premises appraised by the Independent Valuer is RMB18.20 per sq.m. which is within the range of the above-mentioned unit price identified by us.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered all factors discussed in this section as a whole, we consider the rental fee under the 2026 Lease Agreement is fair and reasonable, to be in line with the industry norm and on normal commercial terms and no less favourable to the Group than those available from Independent Third Parties of similar premises.

**(ii) *The duration of the 2026 Lease Agreement***

Pursuant to the 2026 Lease Agreement, the duration of the 2026 Tenancy Agreement is five years. In assessing the reasons for a period exceeding three years for such agreement is required and to confirm that it is normal business practice for agreements of this type to be of such duration, we have considered the following factors based on information provided by the management of the Company as well as publicly available information.

As set out in the Letter from the Board and as advised by the management of the Company upon our enquiry, the reasons considered by the Group in determining a total rental term of five years for the Properties include (i) the Group's primary production facilities has been operating within the Bawang Industrial Complex since August 2013, it is believed that the primary factor in achieving a sustainable growth is the stable daily operation and production of the principal business of the Group, which requires substantial investment in production facilities. It is thus normal and customary for a manufacturer, like the Group, to enter into a long-term lease with its lessor to ensure a smooth and stable operation and enable the business to optimise the potential return on its investments (which includes initial set up costs and investment on machinery and other fixed assets); (ii) a comparatively long duration will enable the Group to prevent any unnecessary cost, effort, time and interruption of business caused by the relocation in the case of shorter term lease. In addition, it will help strengthen the Group's relationship with local government authorities, so that the Group could establish plan on the long-term strategy in relation to the future business development; (iii) the lessor agreed a fixed monthly rental, and without any rent increment clause, across the entire duration under the 2026 Lease Agreement, hence a longer duration of rental agreement would also allow the Group to have better control on budgeting from financial perspective.

Based on the above considerations, we consider that it would be commercially justifiable and economical, and beneficial to the Group and the Shareholders as a whole, in reaching a rental term exceeding three years.

We have also reviewed, on a best effort basis, announcements published by companies listed on the Stock Exchange involving the entering into of tenancy agreements in relation to land, properties and/or premises of a similar nature from 1 January 2026 to Latest Practicable Date and noticed there were other examples of tenancy agreements with lease term ranging from two months to 20 years. As such, we are of the view that the 5-year tenure under the 2026 Lease Agreement is a normal commercial term for a transaction of this nature and it is normal business practice for an agreement of this type to be of such a duration.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(iii) Conclusion on the overall principal terms of the 2026 Lease Agreement**

Having considered (i) our due diligence work on the Fair Rent Letter as discussed in the sections above; (ii) the total annual rent of the Premises under the 2026 Lease Agreement is fair and reasonable based on the opinion of Independent Valuer as set out in the Fair Rent Letter; and (iii) our review on other terms of the 2026 Lease Agreement and noted that they are on normal commercial terms, we consider the terms and conditions of the 2026 Lease Agreement and transactions contemplated thereunder, including the rental fees thereunder, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

**RECOMMENDATION**

Having considered the above principal factors and reasons, we are of the view that the terms of the 2026 Lease Agreement are on normal commercial terms and are fair and reasonable in so far as the Independent Shareholders are concerned, and the 2026 Lease Agreement and the transactions contemplated thereunder is conducted in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the 2026 Lease Agreement and transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**SILVER NILE GLOBAL INVESTMENTS LIMITED**  
**Alan Lam**  
*Managing Director*

*Note:* Mr. Alan Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Silver Nile Global Investments Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has around 13 years of experience in corporate finance advisory in Hong Kong.

## 1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2023, 2024 and 2025 are set out in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company ([www.bawang.com.cn](http://www.bawang.com.cn)). Please refer to the hyperlinks as stated below:

- Annual report of the Company for the year ended 31 December 2023:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0425/2024042500043.pdf>
- Annual report of the Company for the year ended 31 December 2024:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0429/2025042900147.pdf>
- Annual report of the Company for the year ended 31 December 2025:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0424/2026042400041.pdf>

## 2. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2026, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of this circular, the Group did not have any bank loans, bank overdrafts and liabilities under acceptance (other than normal trade bills) or other similar indebtedness, debenture or other loan capital, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

## 3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after due and careful consideration and taking into account the financial effects of the 2026 Lease Agreement, the Group's internal funds and financial resources presently available to the Group, the Group will have sufficient working capital to satisfy its requirements for at least 12 months from the date of this circular. The Group has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

## 4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In late-January 2026, the International Monetary Fund (“IMF”) slightly raised China's gross domestic product (“GDP”) growth forecast for 2026 from a previous estimate of 4.2% to 4.5%, an increase of 0.3 percentage points, primarily due to easing trade tensions and sustained momentum from domestic policy measures. The economy's growth rate is expected to decelerate to 4.0% in 2027 as structural headwinds assert themselves.

In 2025, China's actual year-on-year GDP growth reached 5.0%, demonstrating strong resilience compared to the IMF's forecast of 4.8%. Analysts attributed this performance primarily to a series of macro policy measures implemented by the Chinese government.

In late January 2026, the IMF projected that the global economy will grow by 3.3% in 2026 and 3.2% in 2027. The 2026 forecast represents a slight upward revision from its October 2025 World Economic Outlook, reflecting profound structural transformation within the global economy. The “headwinds” generated by shifts in trade policy are being partially offset by the “tailwinds” arising from an AI-driven investment boom, supportive fiscal and monetary policies across nations, and the resilience of the private sector.

In mid-January 2026, data released by the National Bureau of Statistics showed that total retail sales of consumer goods rose by 3.7% year-on-year in 2025. The growth was underpinned by a variety of factors, including government-led initiatives to stimulate consumption, with retail sales in urban and rural areas increasing by 3.6% and 4.1% respectively. Notably, online retail sales surged by 8.6%, confirming that e-commerce has become the core growth engine of China’s retail market. Industry reports projected that continued expansion of domestic demand policies, sustained momentum in online retail, accelerated services consumption, and the implementation of the “trade-in” policy will support approximately 4.5% growth in retail sales for 2026.

At the National People’s Congress held in March 2026, China reiterated its grand vision for high-quality development and set the 2026 GDP growth target at 4.5%-5%. This target maintains continuity with 2025’s actual performance, reflecting the government’s firm confidence in economic resilience amid a complex and volatile international environment.

Confronting external uncertainties, particularly export pressures from potential US tariff hikes, the Chinese government is determined to tap into domestic potential, positioning the expansion of domestic demand as a strategic cornerstone. The government continues to deepen the “trade-in” program, extending subsidies to smart home appliances, green equipment, and elderly-friendly home modifications. Simultaneously, it is vigorously boosting service consumption, with a focus on supporting elderly care, childcare, healthcare, and cultural tourism industries, while advancing inclusive reforms in education and healthcare to alleviate the burdens on residents.

Furthermore, the government is accelerating the cultivation of “new quality productive forces”, designating artificial intelligence, bio-manufacturing, and the low-altitude economy as strategic emerging industries. Following the momentum generated by DeepSeek in 2025, the deep integration of AI with the real economy has emerged as a new growth engine.

Although macroeconomic hard data remains mixed and global geopolitical tensions pose challenges, the momentum driven by new quality productive forces provides robust support for the economy. Given the complexity of the economic recovery, the lagged effects of policy transmission, and geopolitical uncertainties, the Board maintains a prudent stance regarding China’s 2026 economic environment and related measures. In formulating corporate strategies and operational plans, the Board will exercise strategic focus, actively seize policy opportunities, and strictly manage risks to ensure sustainable development.

For Bawang-branded products, the Group intends to adopt the following strategies for publicity and promotion of its branded products and enhancement of revenue:

- (1) We will continuously deepen our R&D and innovation in anti-hair loss technologies. Supported by advanced production facilities, core patented technologies, and authoritative anti-hair loss special certifications, we remain committed to clearly conveying the brand's core value of "professional anti-hair loss" and the differentiated advantages of our products, aiming to further enhance our market competitiveness and appeal;
- (2) We plan to comprehensively upgrade our marketing collateral, including brochures, promotional displays, and display racks, to establish a unified brand visual identity. We will also introduce new point-of-sale materials (POSM) featuring quantifiable product efficacy data. By presenting core efficacies — such as anti-hair loss, hair strengthening, hair root nourishment, as well as scalp oil control and volumizing in an intuitive manner, we aim to continually enhance consumers' perception of product value and stimulate their purchase intent;
- (3) To further expand our brand influence, We will actively promote cross-sector collaborations. By launching co-branded products and themed marketing campaigns, we will integrate diverse resources to achieve synergistic brand amplification. This will enable us to precisely target new consumer segments, continuously inject vitality into the brand, and effectively expand our potential customer base;
- (4) We will continue our systematic and in-depth operations across official Weibo and mainstream social platforms, including Douyin, Kuaishou, and Xiaohongshu. By curating brand-related topics and strengthening user engagement, we will consistently elevate our public brand awareness and reputation. Concurrently, we plan to introduce AI-driven short video creation to enrich our content formats, thereby enhancing user stickiness and conversion efficiency to ultimately drive sales growth;
- (5) We will establish cooperative relationships with top KOLs. Leveraging their extensive influence, we aim to facilitate in-depth product experiences and authentic word-of-mouth promotion. By generating sustained traction on trending social topics, we are committed to forging a highly efficient conversion funnel from social engagement to sales conversion; and
- (6) We will launch diversified offline marketing campaigns. By integrating cross-sector scenario-based marketing, holiday gifting, new product trial events, and expert salons on hair health, we aim to build a closed loop of "experience-awareness-conversion". Through product experience events to enhance consumer perception, expert seminars to reinforce professional trust, and coordinated point-of-sale (POS) promotions, we will comprehensively strengthen brand interaction and market penetration.

For Royal Wind branded product series, the Group will continue to strengthen its professional hair care brand positioning and actively expand its online and offline omni-channel presence. By launching segmented functional products such as sports series, we aim to actively attract young consumer groups, driving brand vitality and steady sales growth through product innovation.

For Litao branded product series, the Group will continue to deepen its household care brand positioning. While consolidating its strengths in conventional channels, we will actively expand the household cleaning and care product line. Concurrently, we will launch new personal care products such as fragrance body wash series to meet the demands of consumption upgrading, thereby continuously enriching the brand proposition and broadening household consumption scenarios.

For conventional channels, the Group will continue to deepen cooperation and interaction with distributors through the following initiatives:

- (1) Continuously optimizing the product mix within our channels. We will gradually phase out legacy and mature body wash product lines, such as the fruit series and Amino Acid series under the Bawang brand. Concurrently, we will focus on promoting high-growth-potential new products under the Bawang brand, including the Multi-efficacy Nourishing series, and the Glitter series. This strategic shift aims to bolster our competitiveness across new retail and key distribution channels;
- (2) Intensifying resource allocation to channel partners and distributors in key provinces, including Hebei, Shandong, Henan, Hunan, Jiangxi, and Fujian, thereby driving regional market penetration and expanding our market share;
- (3) Actively participating in national beauty and hair care expos. By showcasing our latest innovations at these industry events, we intend to accelerate the development and strategic layout of new retail channels and core chain networks; and
- (4) Intensifying the allocation of marketing resources to ensure the regular and continuous execution of nationwide promotional campaigns, thereby effectively accelerating distributors' inventory turnover. Concurrently, we will continue to strengthen the fundamental brand image at retail terminals and strictly safeguard the stability of our market pricing system.

As for the online sales channel, the Group hopes to achieve stable growth through implementation of the following plans:

- (1) In terms of brand building, we are committed to enhancing the market credibility and recognition of our brand and products. We will continuously increase our investment in professional endorsements. By leveraging data reports from professional testing institutions and efficacy reviews from authoritative KOLs, we aim to further solidify the foundation of consumer trust. Simultaneously, we will intensify brand promotion campaigns across new media platforms to comprehensively empower and drive sales conversion;

- (2) In terms of products, we will increase innovation and investment in new anti-hair fall hair care products, consolidate and improve the quality and sales volume and brand presence of shampoo and scalp care product categories. We will continue to expand product development and testing in other categories (such as hair-care products, shower gel, etc.), to create sales growth. We will also streamline the product planning and collaboration across channels and customers so as to enhance the scale and efficiency;
- (3) In terms of arena, we will increase investment in KOLs endorsements for our products, the key opinion customers' ("KOC") recommendations and enhancement of content creativity so as to boost brand presence and sales volume. We will deepen the operation of existing retail channels, optimize promotion efficiency, and improve the return on investment so as to increase the scale of sales to customer-end. At the same time, we will leverage platforms such as 1688 to expand business-end online wholesale and group buying business for both large and small clients to enhance sales volume; and
- (4) In terms of target groups, we will manage to gain deeper insights into consumer segments, to provide innovative products and solutions which are specific to the groups and usage scenarios (e.g., late-night users), to be precise in operations, and to optimize membership management and services. We will continue to maintain the relationships with existing distributors, to upgrade the quality of service and policy support to customers. At the same time, we will continue to develop high quality distributors for jointly exploring markets.

We continuously increased its R&D investments. Supported by our professional R&D team, we deeply engaged in industry-academia collaborations to maintain the competitive advantages of our products, consolidate the Bawang brand image, and sustain our leading position in the Chinese herbal sector.

We have established industry-academia-research collaboration projects with several renowned domestic universities and scientific research institutes, including Southern Medical University and Guangzhou University of Chinese Medicine, and forged long-term strategic partnerships with authoritative daily chemical research institutions. By integrating academic research resources with industry expertise, we continuously enhance our technological innovation capabilities. In the hair wash and care sector, our joint research project with Southern Medical University, titled "*Research on the Material Basis and Mechanism of Action of Chinese Herbal Compound Extraction Based on AI Technology*", has achieved tangible results, leading to the publication of one academic paper in a scientific journal and the granting of one invention patent. These R&D achievements have laid a solid technological foundation for the Group to drive continuous sales growth.

We remain dedicated to the research and development of anti-hair loss products. We have successively received multiple authoritative certifications, including National High-Tech Enterprise, Guangdong Provincial Engineering Technology Research Center, and Guangzhou Key Engineering Technology Research and Development Center. Furthermore, the Group has actively participated in the drafting of various recommended national standards and group standards within the industry, fully demonstrating our leadership position in the sector.

We firmly believe that innovation is the core element in maintaining product differentiation and enhancing market competitiveness. Our R&D center features a professional laboratory spanning a floor area of 500 square meters, equipped with precision instruments such as High-Performance Liquid Chromatography (HPLC) and Atomic Absorption Spectrometers (AAS), enabling precise detection of active substances and safety evaluations of our products. Furthermore, the laboratory is outfitted with supporting apparatus and efficacy testing equipment, including rotary evaporators, hair diameter analyzers, and single-column tensile testers. This provides robust hardware support for R&D innovation and strict quality control. Concurrently, the Group possesses multiple research achievements in Chinese herbs that are nearing maturity. The upcoming commercialization of these technological breakthroughs is expected to significantly elevate our core competitiveness and innovative capabilities within the anti-hair loss wash and care sector.

For production management and quality of products, we consistently adhere to an innovation-driven development philosophy with quality of products as priority. By proactively introducing automated and intelligent production equipment, and continuously optimizing our internal management systems and production processes, we effectively reduce costs and increase efficiency, thereby further enhancing our overall operational efficiency and core competitiveness.

We will arrange overhauling of production workshops to enhance the factory image. Strictly complying with the latest cosmetic regulatory requirements, we successfully completed the annual audits for ISO 22716 Cosmetics Good Manufacturing Practices (GMP), the Quality Management System (QMS), the Environmental Management System (EMS), and the Occupational Health and Safety Management System. This ensures that every production process adheres to the highest safety standards. We actively implement green production concepts by providing training and publicity to raise workers' environmental awareness, adopting more eco-friendly processes and materials in production to ensure the reliability and safety of our products. Simultaneously, leveraging multiple modernized production lines and advanced systems such as emulsification and automated filling equipment, the Group achieved the highly efficient transformation of R&D achievements into large-scale commercial production. Our highly flexible manufacturing capabilities can perfectly accommodate the production demands of multiple product categories, including hair wash and care, skin care, oral care, and hair styling. This has enabled us to forge a virtuous cycle where R&D leads production, and production feeds back into R&D.

We continue to execute a thorough performance-based appraisal system with the "people-oriented" production management concept. Multiple safety production education and training sessions have been held to enhance workers' safety awareness and emergency response abilities, thereby achieving a record of "zero-rate" industrial accident during the year under review. The company aligns its reward and compensation policies with employee performance, while offering various benefits such as health check-ups, school enrollment quotas for employees' children, and holiday perks, which greatly motivate employees' attitude towards work and enhance their sense of belonging. The stable payments of salaries and compensations also help us maintain a stable workforce.

We will adopt a more flexible and advanced supply chain approach to reasonably utilize the production facilities and factory space, and to optimise the production processes. Following the successful grid connection and power generation of our Phase I roof-top solar power panels in early 2024, our Phase II roof-top solar power panels were also successfully connected to the grid and commenced power generation during the year under review. This further reduces production costs and lowers carbon emissions. We also exercised stringent controls over the production flow and process and at the same time ensuring the quality of products. While ensuring product quality, we will minimize the materials spoilage and implement energy-saving initiatives so as to achieve the various environmental emission targets that have been pre-set by the Company.

For our original equipment manufacturers (“OEM”) business, we will continue to make use of our competitive advantages in professional design, and research and development for expanding our OEM business with a view to strengthening our cooperation with quality customers so as to increase our market share and influence in this business sector.

Going forward, we will continue to deepen various enhancement and innovative initiatives to maximise production effectiveness and at the same time reduce costs and enhance the efficiency, achieving the Company’s predetermined emission targets as stated in the Company’s ESG report, thereby creating more returns for our shareholders.

As part of the business expansion plan, the Group will continue to explore the possibility of engaging with potential distributors for launching our branded products to other countries. The Group is open to explore further business opportunities with potential overseas distributors.

Looking forward, we plan to focus on two areas to drive the strategic directions to sustain and develop our business in the volatile economic environment. In the short run, the Group intends to continue building up a management team with strong experience in both domestic and global HPC sectors, to regain the sales growth momentum and profitability, and to improve investors’ confidence in the Group. In the long run, the Group will continue to focus on strengthening the business model and positioning to acquire market shares from domestic and international competitors, maintaining a multi-brand and multi-product strategy in HPC sectors, and becoming a leader in the branded Chinese herbal HPC products.

## **5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, there has been no material adverse change in the financial or trading position of the Group since 31 December 2025, being the date to which the latest audited consolidated financial statements of the Company were made up.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the Directors and the chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they had taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into the register that was required to be kept by the Company pursuant to section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “Model Code”), were as follows:

### Directors’ and chief executive’s interests and short positions in shares, underlying shares and debentures of the Company

Name of Director/chief executive	Long/short position in ordinary shares	Nature of interest	Number of ordinary shares/ underlying ordinary shares of the Company held	Approximate percentage of issued share capital of the Company
CHEN Qiyuan ( <i>Note 1</i> )	Long	Interest in controlled corporation	1,900,840,000	60.12%
CHEN Zheng He ( <i>Note 2</i> )	Long	Interest in controlled corporation	1,900,840,000	60.12%

*Notes:*

- CHEN Qiyuan was deemed to be interested in the 1,900,840,000 Shares held by Fortune Station Ltd. (“**Fortune Station**”) by virtue of CHEN Qiyuan holding 50.43% of the issued share capital of Fortune Station. The remaining 49.57% of the issued share capital of Fortune Station was held by Heroic Hour Limited (“**Heroic Hour**”). Heroic Hour’s entire issued share capital was held by CHEN Zheng He as trustee for himself and on behalf of his six brothers and sisters. The beneficial interests of CHEN Qiyuan’s five children under the age of 18, namely CHEN Li Zi, CHEN Zheng Sheng, CHEN Zheng Yan, CHEN Ya Shan and CHEN Bo Ling in Heroic Hour, in aggregate representing 65.00% of the issued share capital of Heroic Hour, were also attributable to CHEN Qiyuan.

2. CHEN Zheng He was deemed to be interested in the shares of Fortune Station held by Heroic Hour by virtue of him holding the entire issued share capital of Heroic Hour (as trustee for himself and his six brothers and sisters). Therefore CHEN Zheng He was deemed to be interested in the 1,900,840,000 Shares held by Fortune Station.

**Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of associated corporations**

Name of Director/chief executive	Name of associate corporation	Nature of interest	Long/short position	Number of ordinary shares held	Approximate percentage interest in associated corporation
CHEN Qiyuan ( <i>Note 3</i> )	Fortune Station	Beneficial Owner	Long	20,000	50.43%
		Interest of children under the age of 18	Long	12,777	32.22 %
		Other	Long	6,880	17.35 %
CHEN Zheng He ( <i>Note 4</i> )	Fortune Station	Interest in controlled corporation	Long	19,657	49.57%

*Notes:*

3. CHEN Qiyuan was the beneficial owner of approximately 50.43% of the issued share capital of Fortune Station. The beneficial interests of CHEN Qiyuan's five children under the age of 18 in Heroic Hour, representing 65.00% of the issued share capital of Heroic Hour, were also attributable to CHEN Qiyuan. Heroic Hour held approximately 49.57% of the issued share capital of Fortune Station.
4. CHEN Zheng He was deemed to be interested in the interests of Fortune Station held by Heroic Hour by virtue of him holding the entire issued share capital of Heroic Hour (as trustee for himself and his six brothers and sisters).

Other than as disclosed above, as at the Latest Practicable Date, so far as known to any Director or chief executive of the Company, neither the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they had taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into in the register that was required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**3. DIRECTORS' INTEREST IN COMPETING BUSINESS**

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group, or has or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2025 (being the date to which the latest published audited financial statements of the Group were made up).

**5. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

**6. SERVICE CONTRACTS OF DIRECTORS**

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Group which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

**7. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP**

Bawang Guangzhou and Guangzhou Bawang have in place the Existing Lease Agreements, pursuant to which Bawang Guangzhou has been leasing from Guangzhou Bawang certain premises within the Bawang Industrial Complex for the Group's production facilities, office premises, warehouses and staff dormitory for a fixed term of five years that commenced from 1 July 2021. Pursuant to the latest supplemental agreements entered into on 1 September 2022 and 1 August 2025, as at the Latest Practicable Date, the monthly rental of the rental premises within the Bawang Industrial Complex was RMB715,816 per month (exclusive of management fees and other outgoings, which are payable to an independent third party management company) and the rented floor area was 37,997.70 sq.m.

As at the Latest Practicable Date, save for the lease under the Existing Lease Agreements and the lease contemplated under the 2026 Lease Agreement, none of the Directors had any direct or indirect interest in any asset which had been since 31 December 2025 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Save for the Existing Lease Agreements and the 2026 Lease Agreement, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

## 8. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Silver Nile Global Investments Limited	A corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activity under the SFO
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer

As at the Latest Practicable Date, none of the experts named above had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, neither Silver Nile Global Investments Limited nor Jones Lang LaSalle Corporate Appraisal and Advisory Limited had direct or indirect interest in any assets which had been since 31 December 2025 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group.

Each of Silver Nile Global Investments Limited and Jones Lang LaSalle Corporate Appraisal and Advisory Limited has given and has not withdrawn their respective written consent to the issue of this circular, with the inclusion therein of its letter(s), report(s), opinion and/or the references to their names in the form and context in which they appear in this circular.

## 9. MATERIAL CONTRACT

As at the Latest Practicable Date, the following contract (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the date of this circular and are, or may be, material:

- (i) the 2026 Lease Agreement;
- (ii) the second supplemental lease agreement entered into between Bawang Guangzhou and Guangzhou Bawang on 1 August 2025 to amend certain terms of the lease agreement entered into between Bawang Guangzhou and Guangzhou Bawang on 23 April 2021 in respect of the rental of the Bawang Industrial Complex for the Group's production facilities, office premises, warehouses, and staff dormitory for a fixed term of five years commencing from 1 July 2021 to 30 June 2026 (as amended);

- (iii) the EPC contract entered into between Bawang Guangzhou and Zhensen Electric Energy Co., Ltd. (振森電能有限公司) dated 10 May 2024 in relation to the construction of the distributed photovoltaic power generation project located at No. 6, Qiyuan Avenue, Huashan Town, Huadu District, Guangzhou, Guangdong Province, the PRC with a planned installed capacity of approximately 1.82 MW; and
- (iv) the EPC contract entered into between Bawang Guangzhou and the Zhensen Electric Energy Co., Ltd. (振森電能有限公司) dated 6 September 2024 in relation to the construction of the distributed photovoltaic power generation project located at No. 6, Qiyuan Avenue, Huashan Town, Huadu District, Guangzhou, Guangdong Province, the PRC with a planned installed capacity of approximately 3.42 MW.

## 10. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Lu Xingzhi, who is a member of the Hong Kong Chartered Governance Institute, holding dual professional qualifications as a Chartered Secretary and Corporate Governance Practitioner;
- (b) The registered office of the Company in the Cayman Islands is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, the principal place of business of the Company in the PRC is at 468 Guanghua 3rd Road, BaWang Industrial Complex, Baiyun District, Guangzhou, 510450, PRC, and the principal place of business of the Company in Hong Kong is Suite B, 12/F, Ritz Plaza, 122 Austin Road, Tsimshatsui, Kowloon, Hong Kong;
- (c) The share registrar of the Company is Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong; and
- (d) This circular has been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

## 11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.bawang.com.cn](http://www.bawang.com.cn)) for not less than 14 days from the date of this circular and up to and including the date of the EGM:

- (a) the Existing Lease Agreements;
- (b) the 2026 Lease Agreement;
- (c) the letter from the Board, the text of which is set out on pages 4 to 14 of this circular;
- (d) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 15 to 16 of this circular;

- (e) the letter from Silver Nile Global Investments Limited containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 17 to 30 of this circular;
- (f) the Fair Rent Letter on the fair rental of the premises proposed to be leased by the Group under the 2026 Lease Agreement;
- (g) the written consent of Silver Nile Global Investments Limited referred in the paragraph headed “Experts and Consents” in this Appendix;
- (h) the written consent of Jones Lang LaSalle Corporate Appraisal and Advisory Limited referred in the paragraph headed “Experts and Consents” in this Appendix; and
- (i) this circular.

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## NOTICE OF EGM

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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)**

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** the extraordinary general meeting (the “**EGM**”) of BaWang International (Group) Holding Limited (the “**Company**”) will be held at Bawang Hall, BaWang Industrial Complex, 468 Guanghua 3rd Road, Baiyun District, Guangzhou, China on Thursday, 28 May 2026 at 4:00 p.m. or immediately after the conclusion of the annual general meeting of the Company, which will be held on the same day at 3:00 p.m., for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated on 6 May 2026 (the “**Circular**”):

#### **ORDINARY RESOLUTION**

1. “**THAT**

- (a) the execution of the 2026 Lease Agreement (as defined and described in the Circular) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and
- (b) any one or more directors of the Company be and are hereby authorised to do all such acts and things as they consider necessary and to sign and execute all such documents (including under the seal of the Company), and to take all such steps which in their opinion may be necessary, appropriate, desirable or expedient for the purpose of giving effect to the 2026 Lease Agreement and completing the transactions contemplated thereunder.”

By order of the Board

**BaWang International (Group) Holding Limited**

**CHEN Qiyuan**

*Chairman*

Hong Kong, 6 May 2026

*Notes:*

- 1. All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

\* *For identification purpose only*

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## NOTICE OF EGM

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2. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint more than one proxy to attend and on a poll, vote instead of him/her. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him/her.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not less than 48 hours before the time appointed for the EGM or the adjourned meeting (as the case may be). Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For determining the entitlement to attend and vote at the above meeting, the Register of Members of the Company will be closed from Thursday, 21 May 2026 to Thursday, 28 May 2026, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 20 May 2026. The record date for determining the eligibility of the Shareholders for attending and voting at the EGM is Thursday, 28 May 2026.
5. Details of the above mentioned resolutions to be considered and approved at the EGM are set out in the circular of the Company in respect of the EGM dated 6 May 2026.
6. References to time and dates in this notice are to Hong Kong time and dates.