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HUABAO INTERNATIONAL HOLDINGS LIMITED

華寶國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 00336)

CONTINUING CONNECTED TRANSACTIONS REVISION OF THE ANNUAL CAP FOR THE YEAR 2023

REVISION OF THE ORIGINAL 2023 ANNUAL CAP

Reference is made to the Previous Announcement in relation to the Framework Agreement entered into between Chemactive and Broad Far on 14 March 2023 for the provision of tobacco related raw materials and related services by Chemactive and its subsidiaries to Broad Far Group for a period commencing from 1 January 2023 to 31 December 2024 (both days inclusive).

Broad Far Group indicated to the Group that it will increase the volume of orders to be placed to the Group in the fourth quarter of 2023. In principle of maximizing the profitability of the Group, the Directors consider it is in the interest of the Company and its shareholders as a whole to accept the proposed increase in orders from Broad Far Group. Coupled with the expected increase in the transaction amount with Broad Far Group for the remainder of the year, the maximum transaction amount under the Framework Agreement for the year ending 31 December 2023 will exceed the Original 2023 Annual Cap. The Board therefore proposes to revise the Original 2023 Annual Cap.

IMPLICATIONS UNDER THE LISTING RULES

Chemactive is a wholly owned subsidiary of the Company, while Broad Far is ultimately controlled and beneficially owned by Madam Chu and therefore is an associate of a connected person of the Company under the Listing Rules. As the transactions contemplated under the Framework Agreement constitute the continuing connected transactions for the Company, such transactions shall be subject to compliance with the reporting, announcement and annual review requirements and, where applicable, the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the requirements under Chapter 14A of the Listing Rules applicable to the Revised 2023 Annual Cap for the continuing connected transactions under the Framework Agreement before the Original 2023 Annual Cap is exceeded.

As the highest applicable Percentage Ratio (other than the profits ratio) in respect of the Revised 2023 Annual Cap for the continuing connected transactions contemplated under the Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements, but are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

REVISION OF THE ORIGINAL 2023 ANNUAL CAP

Reference is made to the Previous Announcement in relation to the Framework Agreement entered into between Chemactive and Broad Far on 14 March 2023 for the provision of tobacco related raw materials and related services by Chemactive and its subsidiaries to Broad Far Group for a period commencing from 1 January 2023 to 31 December 2024 (both days inclusive).

Subject to compliance with the relevant laws and regulations, Broad Far Group indicated to the Group that it will increase the volume of orders to be placed to Chemactive and its subsidiaries in the fourth quarter of 2023. Coupled with the expected increase in the transaction amount with Broad Far Group for the remainder of the year, the maximum transaction amount under the Framework Agreement for the year ending 31 December 2023 will exceed the Original 2023 Annual Cap. The Board therefore proposes to revise the Original 2023 Annual Cap.

REASONS FOR AND BASIS OF DETERMINING THE REVISED 2023 ANNUAL CAP

Subject to compliance with the relevant laws and regulations, Broad Far Group indicated to the Group that it will increase the volume of orders to be placed to Chemactive and its subsidiaries in the fourth quarter of 2023. The Board has taken into consideration the following factors in order to determine the Revised 2023 Annual Cap:

- a) the actual transaction amount between Broad Far Group and Chemactive and its subsidiaries under the Framework Agreement for the period from 1 January 2023 and up to the date of this announcement, i.e. approximately RMB15,398,000 (unaudited);
- b) the indicative orders to be placed by the Broad Far Group in the fourth quarter of 2023 which is approximately to be RMB17,129,000; and
- c) the designed production capacity and materials in hand of Chemactive and its subsidiaries to meet the existing and expected increase in volume of the tobacco related raw materials in the fourth quarter of 2023.

In principle of maximizing the profitability of the Group, the Directors consider it is in the interest of the Company and its shareholders as a whole to accept the proposed increase in orders from Broad Far Group.

The Board therefore proposes to revise the Original 2023 Annual Cap as below:

For the year ending 31 December 2023
(RMB)

Original 2023 Annual Cap	18,000,000
Revised 2023 Annual Cap	33,500,000

As there are no immediate factors that indicate there will be an increase the relevant transaction amounts in 2024, the Company has no current intention to adjust the existing annual cap amount for the year ending 31 December 2024 under the Framework Agreement. However, the Company will continue to closely review and monitor the relevant transaction amounts between Broad Far Group and Chemactive and its subsidiaries to ascertain whether a revision of the annual cap amount for the year ending 31 December 2024 under the Framework Agreement will be required.

BOARD CONFIRMATION

The Directors (including all the independent non-executive Directors of the Company) are of the opinion that the revision to the Original 2023 Annual Cap is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

Madam Chu, Mr. LAM Ka Yu (son of Madam Chu) and Ms. LAM Ka Yan (daughter of Madam Chu), all were regarded as having a material interest in the revision to the Original 2023 Annual Cap and the transactions contemplated under the Framework Agreement, have abstained from voting on the relevant resolution in respect of the revision to the Original 2023 Annual Cap, the Revised 2023 Annual Cap and the transactions contemplated thereunder. Save for Madam Chu, Mr. LAM Ka Yu and Ms. LAM Ka Yan, none of the other Directors has any material interest in the Framework Agreement to abstain from voting on the Board resolution in relation thereto.

RELATIONSHIP BETWEEN THE PARTIES

The Group is principally engaged in the research and development, production, distribution and sales of flavours and fragrances and food ingredients, tobacco raw materials (comprising the reconstituted tobacco leaves (“RTL”) and new materials products applicable to tobacco industry), aroma raw materials and condiment products in the PRC.

Broad Far is a company established in the British Virgin Islands and as at the date of this announcement, Ms. LAM Ka Yan, an executive Director, the daughter of Madam Chu and the sister of Mr. Lam Ka Yu (the co-chairman and executive Director), is a director of Broad Far Hong Kong. Broad Far Hong Kong is a company in which the Group owns approximately 21.43% interest. Broad Far Hong Kong is a non-wholly owned subsidiary of Broad Far. Broad Far Group is principally engaged in the production and sales of innovative consumer products in markets outside China.

Broad Far is ultimately controlled and beneficially owned by Madam Chu and therefore is an associate of a connected person of the Company under the Listing Rules. Accordingly, transactions between the Group and Broad Far Group constitute connected transactions of the Company under the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

Chemactive is a wholly owned subsidiary of the Company, while Broad Far is ultimately controlled and beneficially owned by Madam Chu and therefore is an associate of a connected person of the Company under the Listing Rules. As the transactions contemplated under the Framework Agreement constitute the continuing connected transactions for the Company, such transactions shall be subject to compliance with the reporting, announcement and annual review requirements and, where applicable, the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the requirements under Chapter 14A of the Listing Rules applicable to the Revised 2023 Annual Cap for the continuing connected transactions under the Framework Agreement before the Original 2023 Annual Cap is exceeded.

As the highest applicable Percentage Ratio (other than the profits ratio) in respect of the Revised 2023 Annual Cap for the continuing connected transactions contemplated under the Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements, but are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“Broad Far”	Broad Far Limited, a company incorporated in the British Virgin Islands with limited liability on 28 April 2011
“Broad Far Group”	Broad Far and its subsidiaries and related companies
“Broad Far Hong Kong”	Broad Far (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability
“Chemactive”	Chemactive Investments Limited, a company incorporated in the British Virgin Islands with limited liability on 6 April 2006 and a wholly owned subsidiary of the Company
“Company”	Huabao International Holdings Limited, a company incorporated in Bermuda with limited liability on 11 October 1991, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries, as appropriate and regardless of whether directly or indirectly owned
“Framework Agreement”	the framework agreement entered into between Chemactive and Broad Far on 14 March 2023 in relation to the provision of tobacco related raw materials and related services by Chemactive and its subsidiaries to Broad Far Group
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Madam Chu”	Ms. CHU Lam Yiu, an executive Director, the Chairlady and CEO of the Company. As at the date of this announcement, Madam Chu, through companies wholly owned by her, indirectly holds an aggregate of 2,293,408,900 Shares of the Company, representing approximately 71.0% of the total issued shares of the Company

“Original 2023 Annual Cap”	the original annual cap amount for the transactions under the Framework Agreement for the year ending 31 December 2023 as disclosed in the Previous Announcement
“Percentage Ratio(s)”	has the same meaning ascribed thereto under the Listing Rules
“Previous Announcement”	the announcement of the Company dated 14 March 2023 regarding the entering into of the Framework Agreement
“PRC” or “China”	the People’s Republic of China
“Revised 2023 Annual Cap”	the revised annual cap amount for the transaction under the Framework Agreement for the year ending 31 December 2023
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“%”	per cent

By Order of the Board
Huabao International Holdings Limited
POON Chiu Kwok
Executive Director

Hong Kong, 27 October 2023

As at the date of this announcement, the Board comprises six executive directors, namely Ms. CHU Lam Yiu, Messrs. LAM Ka Yu, XIA Liqun, POON Chiu Kwok, Ms. LAM Ka Yan and Ms. CHOY Man Har and three independent non-executive directors, namely Messrs. LEE Luk Shiu, Jonathan Jun YAN and HOU Haitao.

* *For identification purposes only*