

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



**HUABAO INTERNATIONAL HOLDINGS LIMITED**

**華寶國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00336)**

**ADOPTION OF SHARE INCENTIVE SCHEME  
BY A SUBSIDIARY**

**ADOPTION OF SHARE INCENTIVE SCHEME**

Huabao Flavours proposes to adopt the Share Incentive Scheme for the issuance of a total of 16,950,000 Restricted Shares, representing approximately 2.75% of the total share capital of Huabao Flavours of 615,880,000 shares as at the date of this announcement. The total number of underlying shares involved in all the share incentive schemes in force will not in aggregate exceed 10.00% of the total share capital of Huabao Flavours at the time when the Share Incentive Scheme is submitted to the general meeting of Huabao Flavours. The aggregate number of Huabao Flavours' shares granted to any Incentive Participant under the Share Incentive Scheme through all the share incentive schemes in force shall not exceed 1.00% of the total share capital of Huabao Flavours at the time when the Share Incentive Scheme is submitted to the general meeting of Huabao Flavours for consideration.

The Share Incentive Scheme constitutes the grant of awards over new shares of a principal subsidiary (within the meaning of Rule 17.14 of the Listing Rules) of the Company and therefore is also subject to compliance with the requirements set out in Chapter 17 of the Listing Rules.

## **GRANT OF RESTRICTED SHARES**

The total number of Incentive Participants for the initial grant under the Share Incentive Scheme is 46, accounting for approximately 3.72% of the total number of 1,235 employees of Huabao Flavours (as at 31 December 2022), including directors, senior management, core management, technical and business personnel of Huabao Flavours (including its controlling subsidiaries) and such other personnel (all of whom being directors or employees of Huabao Flavours and/or its controlling subsidiaries) as the board of directors of Huabao Flavours may deem necessary to be incentivized, the above participants do not include independent directors, supervisors and shareholders or actual controllers who individually or jointly hold more than 5% of the shares of Huabao Flavours and their spouses, parents and children.

The initial grant of 14,500,000 Restricted Shares accounted for 2.35% of the total share capital of Huabao Flavours at the time of the announcement of the draft Incentive Scheme and such initial grant accounted for 85.55% of the total grant; the reserved 2,450,000 Restricted Shares accounted for 0.40% of the total share capital of Huabao Flavours at the time of the announcement of the draft Share Incentive Scheme and such reserved portion accounted for 14.45% of the total grant.

## **GRANT OF RESTRICTED SHARES TO MR. XIA AND THE LISTING RULES IMPLICATIONS**

Of the initial grant, Mr. Xia will be granted 2,300,000 Restricted Shares, accounting for approximately 0.37% of the issued shares of Huabao Flavours as at the date of this announcement. The proposed grant of the Restricted Shares to Mr. Xia, who also being the executive Director, vice chairman and president of the Company, will result in the shares of Huabao Flavours to be issued upon exercise in full of the Restricted Shares to be granted to Mr. Xia in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the total shares of Huabao Flavours in issue. Save as disclosed, Mr. Xia was not granted any options and/or awards of shares of Huabao Flavours in the 12-month period up to and including the date of such proposed grant of the Restricted Shares.

Pursuant to Rule 17.04(1) of the Listing Rules, the grant of share options to any Director (at level of the Company) must be approved by the independent non-executive Directors (excluding any independent non-executive Directors who are the grantees of the share options concerned). Accordingly, the grant of the Restricted Shares to Mr. Xia under the Share Incentive Scheme has been reviewed and approved by the independent non-executive Directors. In addition, since the incentive instrument adopted under the Share Incentive Scheme is Restricted Shares (with the right to subscribe shares of Huabao Flavours at the Grant Price after satisfying the Vesting Conditions for exercising the options), the grant of the Restricted Shares to Mr. Xia is not subject to approval by Shareholders of the Company at general meeting pursuant to Rule 17.04(2) of the Listing Rules.

As Mr. Xia is also a director of the Company, the proposed grant of the Restricted Shares under the Share Incentive Scheme to Mr. Xia by Huabao Flavours constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that the proposed grant of the Restricted Shares to Mr. Xia under the Share Incentive Scheme, if exercised in full, will represent over 0.1% but less than 1% of the total shares of Huabao Flavours in issue, the proposed grant of the Restricted Shares to Mr. Xia constitutes an exempted connected transaction of the Company under Rule 14A.92(3)(a) of the Listing Rules.

### **EGM**

The EGM will be convened and held for the purpose of considering and approving the adoption of the Share Incentive Scheme by the Shareholders. Pursuant to Rule 13.39(4) of the Listing Rules, the resolution at the EGM will be decided by poll.

As at the date of this announcement, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has any material interest in the proposed adoption of the Share Incentive Scheme, and therefore no other Shareholder is required to abstain from voting on the relevant resolution approving the proposed adoption of the Share Incentive Scheme at the EGM. Mr. Xia, his associates and all Core Connected Persons of the Company shall abstain from favour of the resolution approving the proposed adoption of the Share Incentive Scheme. As at the date of this announcement, Mr. Xia and his associates and all Core Connected Persons of the Company did not hold any Shares in the Company.

A circular containing further details of the proposed adoption of the Share Incentive Scheme will be issued by the Company and dispatched to the Shareholders in due course.

## **I. ADOPTION OF THE SHARE INCENTIVE SCHEME**

### **Background**

Huabao Flavours is a joint stock limited company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company with its shares listed on the ChiNext of Shenzhen Stock Exchange (Stock Code: 300741). As at the date of this announcement, the total share capital of Huabao Flavours was 615,880,000 shares at par value of RMB1 each, of which 615,877,150 shares, representing 99.9995% of the issued share capital, are ordinary shares listed on the ChiNext of Shenzhen Stock Exchange. The remaining 2,850 shares, representing 0.0005% of the issued share capital, are non-circulating shares subject to lock-ups by the directors, supervisors and senior management of Huabao Flavours.

Huabao Flavours proposes to adopt the Share Incentive Scheme for the issuance of a total of 16,950,000 Restricted Shares, representing approximately 2.75% of the total share capital of Huabao Flavours of 615,880,000 shares as at the date of this announcement. The total number of underlying shares involved in all the share incentive schemes in force will not in aggregate exceed 10.00% of the total share capital of Huabao Flavours at the time when the Share Incentive Scheme is submitted to the general meeting of Huabao Flavours. The aggregate number of Huabao Flavours' shares granted to any Incentive Participant under the Share Incentive Scheme through all the share incentive schemes in force shall not exceed 1.00% of the total share capital of Huabao Flavours at the time when the Share Incentive Scheme is submitted to the general meeting of Huabao Flavours for consideration.

The Share Incentive Scheme is formulated in accordance with the principle of aligning one's remuneration to his/her contributions, the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Securities Law of the People's Republic of China (《中華人民共和國證券法》), the Administrative Measures, the Listing Rules, the Rules Governing the Listing of Shares on the ChiNext market of Shenzhen Stock Exchange (《深圳證券交易所創業板股票上市規則》), the Self-regulatory Guidelines for Listed Companies on the ChiNext market of Shenzhen Stock Exchange No.1 – Business Handling (《深圳證券交易所創業板上市公司自律監管指南第1號-業務辦理》) and other relevant laws, regulations and normative documents as well as the memorandum and articles of association of Huabao Flavours.

The Share Incentive Scheme constitutes the grant of awards over new shares of a principal subsidiary (within the meaning of Rule 17.14 of the Listing Rules) of the Company and therefore is also subject to compliance with the requirements set out in Chapter 17 of the Listing Rules.

### **Purpose of the Share Incentive Scheme**

The purpose of the Share Incentive Scheme is to further establish and improve the long-term incentive mechanism of Huabao Flavours, attract and retain outstanding talents, fully mobilize the enthusiasm of the directors, senior management, core management, technical and business personnel of Huabao Flavours and such other personnel (all of whom being directors or employees of Huabao Flavours and/or its controlling subsidiaries) as the board of directors of Huabao Flavours may deem necessary to be incentivized as well as effectively combine the interests of shareholders and Huabao Flavours with the personal interests of the core team, so that all parties will jointly focus on the long-term development of Huabao Flavours, and on the premise of fully protecting the interests of shareholders of Huabao Flavours.

## **Restricted Shares and their Ranking**

The incentive instrument adopted under the Share Incentive Scheme is Restricted Shares (Class II Restricted Shares) and the source of the underlying shares involved is the A shares in the ordinary share capital of Huabao Flavours issued to the identified Incentive Participants.

Class II Restricted Shares are different from Class I Restricted Shares as the latter are new shares to be issued at the date of grant. Pursuant to the Administrative Measures, Class I Restricted Shares refer to the shares of the listed companies the transfer of which are restricted in accordance with the conditions stipulated in the relevant equity incentive plans. Class I Restricted Shares may not be transferred, used to guarantee or repay debts before the restrictions are lifted. Therefore, relevant incentive participants are required to open securities accounts with securities registration and clearing institutions for the lock up of the Class I Restricted Shares. Save for the transfer restriction, holders of Class I Restricted Shares shall be entitled to the same rights as other shareholders including the rights to receive dividends, voting rights and rights to nominate director(s). Dividends derived from Class I Restricted Shares will be paid by the listed company to the registration and clearing institutions which will then distribute such dividends to the scheme participants through the securities account. The essence of the Class II Restricted Shares is that a company grants its employees the right to subscribe shares of the company at the grant price after satisfying the conditions for exercising the options, and the employees can capture the upside gain of the share price above the grant price on the exercise date but do not bear the downside risk of the share price. Class II Restricted Shares, under the “Application Examples of Share-based Payment Standards – Grant of Restricted Shares” by the Accounting Department of the Ministry of Finance of the PRC, are treated as share options, which are equity-settled share-based payment transactions.

As at the date of this announcement, Huabao Flavours has no Class I Restricted Shares and has no current intention to issue Class I Restricted Shares. The Incentive Participants to whom Class II Restricted Shares are granted are not entitled to the rights of shareholders including the voting rights, dividend rights, nor the right to nominate a seat at the board of directors of Huabao Flavours before vesting. The Incentive Participants who meet the Vesting Conditions of the Share Incentive Scheme will subscribe new A shares in the ordinary share capital of Huabao Flavours at the Grant Price in tranches after satisfying the corresponding Vesting Conditions, and such shares will be registered at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. The new A shares granted under the Share Incentive Scheme will be subject to the provisions of the memorandum and articles of associations of Huabao Flavours as amended from time to time and shall rank *pari passu* in all respects with the then existing fully paid A shares in issue on the allotment date or, if that date falls on a day when the register of members of Huabao Flavours is closed, the first date of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date shall be before the allotment date.

## Scope of Incentive Participants

According to Article 8 of the Administrative Measures, the Restricted Shares under the Share Incentive Scheme can only be issued to directors, senior managers, core management and technical personnel or core business personnel of listed issuers, as well as other employees that the issuers believe should be encouraged that have a direct impact on such issuers' operating performance and future development, but shall not include independent directors and supervisors. Foreign employees who serve as directors, senior managers, core technical, management and business personnel of listed companies can become the incentive participants.

Article 2.17.1 of the “Guidelines for the Securities Account Business of Special Institutions and Products of China Securities Depository and Clearing Co., Ltd. 《中國證券登記結算有限責任公司特殊機構及產品證券賬戶業務指南》” (China Securities Depository and Clearing Co., Ltd. [2023] No. 1 (中國結算業[2023]1號)) issued by China Securities Depository and Clearing Co., Ltd. in 2023 provides that “foreign investors who meet the provisions of the Measures for the Administration of Equity Incentives of Listed Companies on incentive objects and do not have the qualifications for securities investment in the A-share market should entrust the listed company to go to the corresponding market counter or apply for the opening of the relevant market through the electronic platform relevant to the stock market of the listed company”.

Article 4 of the “Measures for the Management of Equity Incentive Funds for Foreign Employees of Domestic Listed Companies 《境內上市公司外籍員工參與股權激勵資金管理辦法》” (Yinfa [2019] No. 25 (銀發[2019]25號)) issued by the People's Bank of China and the State Administration of Foreign Exchange of PRC in 2019 further provides that the State Administration of Foreign Exchange shall implement registration management for foreign employees of domestic listed companies to participate in equity incentives. Foreign employees of domestic listed companies should centrally entrust domestic listed companies that implement equity incentives to handle relevant registrations. Similar to other employees of Huabao Flavours, foreign employees would need to satisfy the Vesting Conditions before they are able to exercise the grant. Once the Vesting Conditions are met, foreign employees have to register with the State Administration of Foreign Exchange and deposit sufficient amount into securities account for exercising the vesting of the Restricted Shares.

According to the above relevant PRC regulations, normative documents and other provisions, the board of directors of Huabao Flavours considered that it is legally feasible, should Huabao Flavours decide to do so, for foreign employees to participate in the Share Incentive Scheme.

The Incentive Participants of the Share Incentive Scheme will be the directors, senior management, core management, technical and business personnel of Huabao Flavours (including its controlled subsidiaries) and such other personnel (all of whom being directors or employees of Huabao Flavours and/or its controlling subsidiaries) as the board of directors of Huabao Flavours may deem necessary to be incentivized. All Incentive Participants must have worked for Huabao Flavours or its controlling subsidiaries during the assessment period of the Share Incentive Scheme and have signed employment or engagement contracts with the Huabao Flavours or its controlling subsidiaries. The proposed Incentive Participants will be the “employee participants” (within the meaning of Rule 17.03A(1)(a) of the Listing Rules).

The Share Incentive Scheme was proposed by the Remuneration and Evaluation Committee of the board of directors of Huabao Flavours and the Incentive Participants are reviewed by the supervisory committee of Huabao Flavours.

### **Grant Price and Basis of Determination of the Grant Price of Restricted Shares**

Pursuant to Article 23 of the Administrative Measures to which the Share Incentive Scheme is subject, the grant price shall not be lower than the par value of the shares, and in principle shall not be less than the higher of the following prices:

- (a) 50% of the average trading price of the listed company’s shares on the trading day before the share incentive plan (in draft form) is announced; or
- (b) 50% of any one of the average trading prices of the listed company’s shares in the last 20 trading days, 60 trading days or 120 trading days before the share incentive plan (in draft form) is announced.

The Remuneration and Evaluation Committee of the board of directors of Huabao Flavours shall be responsible for preparing the draft and summary of the Share Incentive Scheme and submitting it to the board of directors of Huabao Flavours for consideration. The draft Share Incentive Scheme was considered and approved at a meeting of the board of directors of Huabao Flavours held on 30 August 2023 and 8 December 2023, with the Grant Price for the initial grant of the Restricted Shares under the Share Incentive Scheme being fixed at RMB11.13 per share. The announcement dated 31 August 2023 regarding the draft Share Incentive Scheme was also published by Huabao Flavours.

Pursuant to the Administrative Measures, the Grant Price of the initial grant of Restricted Shares (including the reserved portion) under the Share Incentive Scheme shall not be less than the higher of:

1. 50% of the average trading price (total trading amount on the preceding trading day/total trading volume on the preceding trading day) of Huabao Flavours' shares on 30 August 2023, the trading day immediately preceding the announcement of the draft Share Incentive Scheme, of RMB21.91 per Huabao Flavours' share, i.e. RMB10.96 per share; or
2. 50% of any one of the following:
  - (a) the average trading price (total trading amount for the last 20 trading days/total trading volume for the last 20 trading days) of Huabao Flavours' shares for the last 20 trading days immediately preceding the announcement of the draft Share Incentive Scheme of RMB22.26 per Huabao Flavours' share, i.e. RMB11.13 per Huabao Flavours' share;
  - (b) 50% of the average trading price (total trading amount for the last 60 trading days/total trading volume for the last 60 trading days) of Huabao Flavours' shares for the last 60 trading days immediately preceding the announcement of the draft Share Incentive Scheme of RMB22.25 per Huabao Flavours' share, i.e. RMB11.13 per Huabao Flavours' share; or
  - (c) 50% of the average trading price (total trading amount for the last 120 trading days/total trading volume for the last 120 trading days) of Huabao Flavours' shares for the last 120 trading days immediately preceding the announcement of the draft Share Incentive Scheme of RMB24.32 per Huabao Flavours' share, i.e. RMB12.16 per Huabao Flavours' share.

In order to fully mobilize the enthusiasm of the Incentive Participants of Huabao Flavours, and to effectively combine the interests of shareholders of Huabao Flavours, the interests of Huabao Flavours and the personal interests of the core team to achieve a better incentive effect, the board of directors of Huabao Flavours fixed the Grant Price at RMB11.13 per Huabao Flavours' share, representing 50% of the average trading price of Huabao Flavours' shares for the last 20 trading days immediately preceding the announcement of the draft Share Incentive Scheme, which complies with the provisions of the Administrative Measures.

The Grant Price of the reserved portion of the Restricted Shares is the same as the Grant Price of the initial grant of the partially Restricted Shares, which is RMB11.13 per Huabao Flavours' shares. The board of directors of Huabao Flavours must convene a meeting to consider and approve the relevant proposal and disclose the grant of the reserved portion of Restricted Shares prior to the grant.

### **Adjustment to the Grant Price and/or number of Restricted Shares**

In the event of capitalisation of capital reserve, bonus issue, share sub-division or share consolidation, rights issues or distribution of dividends of the Company during the period from the date of the announcement of the Share Incentive Scheme to the granting of Restricted Shares to the Incentive Participants, and from the granting of Restricted Shares to the Incentive Participants to the vesting of the Restricted Shares to the Incentive Participants, the Grant Price of Restricted Shares will be adjusted accordingly in accordance with the provisions of Article VI of Chapter 5 of the Share Incentive Scheme. Save for the distribution of dividends, the number of Restricted Shares will also be adjusted in the event of capitalisation of capital reserve, bonus issue, share sub-division or share consolidation rights issues of Huabao Flavours.

Corporate actions entitling adjustment of the Grant Price and/or number of Restricted Shares, as set out in Rule 17.03(13) of the Listing Rules, does not include distribution of dividends which is mandatorily required under the relevant PRC laws and regulations.

The Company has sought from the Stock Exchange for, and the Stock Exchange has granted, a waiver to comply with the strict requirement under Rule 17.03(13) of the Listing Rules on ground set out below:

- (1) The overriding principle is that no adjustments to the exercise price or number of shares should be made to the advantage of scheme participants without specific shareholders' approval. The adjustment should have a neutral impact or worse from the perspective of the scheme participants.
- (2) The Company and Huabao Flavours consider that the adjustment made due to the distribution of dividends to the Grant Price, which is a mandatory requirement under the relevant PRC laws and regulations, will not result in any dilution of the issued shares, i.e. the number of Restricted Shares, of Huabao Flavours. The adjustment to the Grant Price (but not the number of Restricted Shares) resulting from the distribution of dividends would give the Incentive Participants the same proportion of those Restricted Shares as that to which such Incentive Participant was immediately entitled prior to such event.

- (3) The Company and Huabao Flavours consider that the adjustments to the Grant Price (but not the number of Restricted Shares) in the event of distribution of dividends are fair and equitable adjustments, and will not adversely affect the interest of the shareholders of the Company and Huabao Flavours as a whole.

Huabao Flavours held the third meeting of the third session of its board of directors, the third meeting of the third session of its board of supervisors on 30 August 2023, and the first extraordinary shareholders' meeting of 2023 on 26 October 2023 and at which the resolution regarding the 2023 semi-annual profit distribution plan was considered and approved. Based on Huabao Flavours' total share capital of 615,880,000 shares on 30 June 2023, a cash dividend of RMB2.00 (tax included) for every 10 shares would be distributed to all shareholders of Huabao Flavours whose names were recorded on the register of Huabao Flavours on 10 November 2023.

Based on the methods and procedures for adjusting the Grant Price in the event of distribution of dividend set out in Article VI of Chapter 5 of the Share Incentive Scheme and subject to obtaining the approval of legal procedures of both the Company and Huabao Flavours, the Grant Price of the Restricted Shares (including the reserved portion) would be adjusted from RMB11.13 per share to RMB10.93 per share (adjusted Grant Price would be  $\text{RMB11.13} - \text{RMB0.2} = \text{RMB10.93}$  per share). The Company shall publish further announcement(s) once the Share Incentive Scheme is being approved at general meeting of the Company and Huabao Flavours respectively and the Grant Price of the Restricted Shares (including the reserved portion) will then be adjusted accordingly.

### **Validity Period and Termination**

The Share Incentive Scheme shall be valid for a maximum of 60 months from the date of initial grant of Restricted Shares to the date on which all Restricted Shares granted to the Incentive Participants are vested or lapsed. The Restricted Shares granted to the Incentive Participants will be vested in tranches according to the agreed proportion, and each vesting will be subject to the satisfaction of the corresponding Vesting Conditions.

The Shares granted under the initial and reserved grants under the Incentive Scheme will vest in three tranches after the expiry of 12 months from the date of initial and reserved grants respectively, with the percentage of vesting in each tranche being 30%, 30% and 40% respectively. The reserved portion of Restricted Shares will be consistent with the assessment year and performance assessment target of the initial grant of Restricted Shares.

In the event of one of the following circumstances occurs in Huabao Flavours, the Share Incentive Scheme shall be terminated, and the Restricted Shares granted to the Incentive Participants but not yet vested shall not be vested and shall be null and void:

- (i) A certified public accountant has issued an audit report with adverse opinion or disclaimer of opinion in relation to the financial accounting reporting for the latest accounting year;
- (ii) A certified public accountant has issued an audit report with adverse opinion or disclaimer of opinion in relation to the internal control on financial reporting for the latest accounting year;
- (iii) No profit distribution was made in accordance with laws and regulations, the Articles and public undertakings within the past 36 months (*Note*);
- (iv) Where the laws and regulations prohibit the implementation of equity incentives; or
- (v) Other circumstances as determined by the CSRC.

Note: The situation set out in (iii) above is the disclosure requirement set out in the Administrative Measures. No profit distribution in accordance with laws and regulations, the Articles, and public undertakings within the past 36 months from the date of the board of directors of Huabao Flavours to recommend the implementation of the Incentive Scheme.

As at the date of this announcement and based on the information currently available to the Directors and to the board of directors of Huabao Flavours, none of the circumstances set out above has occurred that would cause the Share Incentive Scheme to be terminated.

If Huabao Flavours intends to terminate the implementation of the Share Incentive Scheme before its consideration at the general meeting, such termination must be considered and approved by the board of directors; if Huabao Flavours terminates the implementation of the Share Incentive Scheme after it has been considered and approved at the general meeting, such termination should be considered and decided by the general meeting.

### **Lapse of the Restricted Shares**

If prior to or on the date of vesting and on happening of any of the following events, the Restricted Shares granted but not yet vested to an Incentive Participant shall lapse automatically:

1. the Incentive Participant is prohibited from being appointed as a director or senior manager of Huabao Flavours as stipulated by the Company Law;
2. the Incentive Participant has been prohibited from participating in share incentive of Huabao Flavours as stipulated in the requirements of laws and regulations;
3. the Incentive Participant does not meet the Vesting Conditions; or
4. the Incentive Participant ceases to be eligible to participate in the Share Incentive Scheme on ground as set out in Article III (ii)1 to Article III (ii)3 (inclusive) of Chapter 8 headed “Termination of and Changes to the Incentive Scheme and Handling of Changes in the Personal Circumstances of the Incentive Participants” of the Share Incentive Scheme.

### **Cancellation of the Restricted Shares**

If prior to or on the date of vesting and on happening of any of the following events, the Restricted Shares granted but not yet vested to an Incentive Participant shall be cancelled:

1. a certified public accountant has issued an audit report with adverse opinion or disclaimer of opinion in relation to the financial accounting reporting for the latest accounting year;
2. a certified public accountant has issued an audit report with adverse opinion or disclaimer of opinion in relation to the internal control on financial reporting for the latest accounting year;
3. no profit distribution was made in violation of laws and regulations, the Articles and public undertakings within the past 36 months;
4. Huabao Flavours terminates the employment relationship with the Incentive Participant due to his/her inability to perform the job;

5. if an Incentive Participant has violated the law, breached professional ethics, leaked company secrets, engaged in misconduct or malpractice that caused serious damages to the interests or reputation of Huabao Flavours, or violates the Non-Competition Agreement entered into with Huabao Flavours, the Restricted Shares granted to the Incentive Participant but not yet vested shall not be vested upon approval by the board of directors of Huabao Flavours and shall be cancelled;
6. if the Incentive Participant leaves employment due to loss of labour capacity other than for the performance of his/her duties, the Restricted Shares vested to him/her shall be processed according to the procedures stipulated in the Share Incentive Scheme, and Huabao Flavours has the discretionary right to decide that the Restricted Shares granted to the Incentive Participant but not yet vested shall not be vested and shall be cancelled;
7. if the death of the Incentive Participant is not due to the performance of his/her duties, the Restricted Shares vested to him/her shall be processed according to the procedures stipulated in the Share Incentive Scheme, and Huabao Flavours has the discretionary right to decide that the Restricted Shares granted to the Incentive Participant but not yet vested shall not be vested and shall be cancelled; or
8. if the Incentive Participant does not hold the relevant position in the Company due to resignation or termination of employment relationship by the Company, the unvested Restricted Shares granted to the Incentive Participant shall not be vested and shall be cancelled on the date of such occurrence.

### **General Information**

Under the relevant PRC laws and regulations, there is no requirement for any amount to be payable on application or acceptance of the Restricted Shares by the Incentive Participant(s), nor the period within which payments must or may be made or loans for such purposes must be repaid.

The Share Incentive Scheme has no trustees and it will be subject to the administration of the board of directors of Huabao Flavours.

Except for the Share Incentive Scheme, Huabao Flavours has no other share option scheme and/or share award scheme as at the date of this announcement.

### **Conditions precedent of the Share Incentive Scheme**

The Share Incentive Scheme is conditional upon (i) the passing of an ordinary resolution by the shareholders of the Company approving the Share Incentive Scheme; and (ii) the passing of a special resolution by the shareholders of Huabao Flavours to, among others, (a) adopt the Share Incentive Scheme; (b) authorize the directors of Huabao Flavours to deal with matters relating to the Share Incentive Scheme.

The detailed terms of the Share Incentive Scheme which is to be proposed to be approved and adopted by Huabao Flavours at the EGM will be set out in the circular to be despatched to the Shareholders.

Accordingly, an ordinary resolution will be proposed at the EGM for the Company to conditionally approve and adopt the Share Incentive Scheme by Huabao Flavours at EGM.

## **II. GRANT OF RESTRICTED SHARES IN COMPLIANCE WITH RULE 17.04 OF THE LISTING RULES AND REASONS FOR THE GRANT**

### **Grant of Restricted Shares**

The total number of Incentive Participants for the initial grant under the Share Incentive Scheme is 46, accounting for approximately 3.72% of the total number of 1,235 employees of Huabao Flavours (as at 31 December 2022), including directors, senior management, core management, technical and business personnel of Huabao Flavours (including its controlling subsidiaries, the same is applicable to below) and such other personnel (all of whom being directors or employees of Huabao Flavours and/or its controlling subsidiaries) as the board of directors of Huabao Flavours may deem necessary to be incentivized, the above participants do not include independent directors, supervisors and shareholders or actual controllers who individually or jointly hold more than 5% of the shares of Huabao Flavours and their spouses, parents and children.

The initial grant of 14,500,000 Restricted Shares accounted for 2.35% of the total share capital of Huabao Flavours at the time of the announcement of the draft Incentive Scheme and such initial grant accounted for 85.55% of the total grant; the reserved 2,450,000 Restricted Shares accounted for 0.40% of the total share capital of Huabao Flavours at the time of the announcement of the draft Share Incentive Scheme and such reserved portion accounted for 14.45% of the total grant.

A list of the Incentive Participants and the allocation under the Share Incentive Scheme is set out below:

Name	Position	Number of Restricted Shares granted (ten thousand shares)	Restricted Shares granted as a percentage of total grants	Restricted Shares granted as a percentage of current total share capital
<b>I. Directors and Senior Management</b>				
XIA Liqun	Chairman of Huabao Flavours	230	13.57%	0.37%
YUAN Xiaoqin	Director, President of Huabao Flavours	150	8.85%	0.24%
REN Miao	Director, Vice President of Huabao Flavours	80	4.72%	0.13%
LI Xiaojun	Vice President of Huabao Flavours	80	4.72%	0.13%
ZHANG Jie	Vice President and Chief Financial Officer of Huabao Flavours	60	3.54%	0.10%
HOU Xiaoqin	Vice President and Secretary of the Board of Huabao Flavours	60	3.54%	0.10%
HAN Pengliang	Director of Huabao Flavours	30	1.77%	0.05%
<b>II. Core management, technical and business personnel of Huabao Flavours (including its controlled subsidiaries) and such other personnel (all of whom being employees of Huabao Flavours and/or its controlling subsidiaries) as the board of directors of Huabao Flavours may deem necessary to be incentivized (a total of 39)</b>		760	44.84%	1.23%
<b>III. Total of the initial grant</b>		1,450	85.55%	2.35%
<b>IV. Reserved Restricted Shares</b>		245	14.45%	0.40%
<b>Total</b>		1,695	100.00%	2.75%

### Conditions for the Grant of Restricted Shares

Article V of Chapter 5 of the Share Incentive Scheme set out the conditions for the grant of Restricted Shares to Incentive Participants.

In the event that any one of the circumstances specified below arises in relation to a certain Incentive Participant, the Restricted Shares that have been granted but have not yet been vested to such Incentive Participant under the Share Incentive Scheme shall not be vested and shall lapse:

- (1) determined as an inappropriate candidate by relevant stock exchange within the most recent 12 months;

- (2) identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
- (3) subject to administrative punishment or market ban measures by the CSRC and its delegated institutions due to major breach of laws and regulations in the most recent 12 months;
- (4) prohibited by the Company Law from acting as a director or member of the senior management of a company;
- (5) applicable laws and regulations stipulate that the person shall not participate in equity incentives of listed companies;
- (6) other circumstances as determined by the CSRC.

In the event that any one of the circumstances specified below arises in relation to the Company, the Restricted Shares that have been granted but have not yet been vested to the Incentive Participants under the Share Incentive Scheme shall not be vested and shall be cancelled:

- (1) a certified public accountant has issued an audit report with adverse opinion or disclaimer of opinion in relation to the financial accounting reporting for the latest accounting year;
- (2) a certified public accountant has issued an audit report with adverse opinion or disclaimer of opinion in relation to the internal control on financial reporting for the latest accounting year;
- (3) no profit distribution was made in violation of laws and regulations, the Articles and public undertakings within the past 36 months;
- (4) where the laws and regulations prohibit the implementation of equity incentives;
- (5) other circumstances as determined by the CSRC.

As at the date of this announcement, none of the circumstances set out above has occurred.

## **Grant of Restricted Shares to Mr. Xia**

When formulating the Share Incentive Scheme, Huabao Flavours attaches great importance to, and places emphasis to encourage the work enthusiasm of, core personnel of Huabao Flavours. The Restricted Shares proposed to be awarded commensurate with the outstanding contributions and importance of individual Incentive Participant, and comprehensive consideration will be given to the length of employment, past work performance and contributions, future work and potential value of the Incentive Participants.

To determine the Restricted Shares, including number of shares and Grant Price, granted to Mr. Xia, the following factors are taking into account by the Board of Huabao Flavours, among others:

- 1) the Rules Governing the Listing of Shares on the ChiNext market of Shenzhen Stock Exchange (《深圳證券交易所創業板股票上市規則》), the Self-regulatory Guidelines for Listed Companies on the ChiNext market of Shenzhen Stock Exchange No. 1 – Business Handling (《深圳證券交易所創業板上市公司自律監管指南第1號-業務辦理》) and the prevailing market practice in ChiNext market;
- 2) the leadership role of Mr. Xia at Huabao Flavours and his contributions to the Company's present and future strategic development. Mr. Xia is professionally qualified as a certified public accountant, certified tax agent and certified asset appraiser in the PRC. Mr. Xia has more than 20 years of experience in finance and corporate management in the PRC and has been the chairman of Huabao Flavours since August 2016. He played an important role in the listing of the shares of Huabao Flavours on the Shenzhen Stock Exchange. Mr. Xia has been actively involved in the strategic development, future strategic transformation and development of Huabao Flavours:
  - As chairman and chairman of the strategy committee of the board of directors of Huabao Flavours, Mr. Xia coordinates and leads the work of the board of directors of Huabao Flavours, presiding over the shareholders' meeting and directors' meetings.
  - As a member of the audit committee of the board of directors of Huabao Flavours, Mr. Xia regularly supervises and verifies the financial affairs, and strictly controls the internal control and accounting information quality.

- As the promoter of the strategic development of Huabao Flavours and the advocate of standardized operations, Mr. Xia has a great influence on the corporate development strategy. He actively advocates the realization of technological innovation, digital transformation, international development, and promotes the high-quality and sustainable development of Huabao Flavours.
- As the strategic decision-maker of Huabao Flavours, Mr. Xia assumes leadership responsibility for the strategic development and major decisions. Under Mr. Xia's decision-making and leadership, Huabao Flavours has a clear strategic development direction and continuously promotes the healthy and sound development of the enterprise.

At present, Huabao Flavours is actively exploring the upgrade of its business model from “selling flavor products” to “providing solutions”, adhering to the development strategy of “concentric diversification” around the “taste department”, and striving to become a global leader in the flavors industry.

Mr. Xia is highly influential and irreplaceable and plays a key role in the realization of the strategy of Huabao Flavours. Taking into account multiple factors such as Mr. Xia's work performance and contribution, his importance to the development of Huabao Flavours, and his personal potential value, Mr. Xia is granted the Restricted Shares to align his interests with the interests of Huabao Flavours. Accordingly, Huabao Flavours is of the view that the grant of the Restricted Shares to Mr. Xia is conducive to the realization of the development strategy and business goals of Huabao Flavours.

According to the Article 14(2) of the Administrative Measures, the aggregate number of the underlying shares involved in all equity incentive plans of a listed company within the validity period shall not exceed 10% of the company's total share capital. Unless approved by a special resolution of the general meeting of shareholders of the listed company, the total number of shares of the company granted to any incentive target through all equity incentive plans within the validity period shall not exceed 1% of the company's total share capital.

According to Yidong platform (易董平台) of Shenzhen Value Online Information Technology Co., Ltd. (深圳價值在線信息科技股份有限公司), statistical data of “Wind” and the announcements disclosed by Juchao Information Network (巨潮資訊網) (<http://www.cninfo.com.cn>), from 1 January 2023 to 29 August 2023 (i.e. the day before Huabao Flavours convened the board meeting for publication of the Announcement) , the number of listed companies on the Growth Enterprise Market of the Shenzhen Stock Exchange that have announced and planned to implement equity incentive plans was 156 (statistics and comparative data did not include Huabao Flavours, the same as below). Of which, the options (including incentive shares) granted by a listed company to its chairman accounted for 68.01% of the total number of options (including incentive shares) of that company. The “grant ratio” (i.e. the grant of options and incentive shares to relevant chairman against the total number of grant) was the highest among the 156 listed companies. The average of the grant ratio of the said 156 listed companies that granted options to chairmen/chairwomen was 10.50%, whilst the grant of 2,300,000 Restricted Shares to Mr. Xia accounted for approximately 13.57% of the total grant. Although the grant ratio of the Restricted Shares to Mr. Xia was slightly above the average, Huabao Flavours considered that the grant ratio of the Restricted Shares to Mr. Xia is within reasonable range as such grant ratio is still lower than those of 10 listed companies among the statistical data.

In addition, among the statistical data, the highest “equity ratio” (i.e. the number of shares granted to chairman under the incentive scheme and having exercised in full against the total number of issued shares as at 29 August 2023) of a listed company accounted for 1%, whilst the average of the equity ratio was 0.24%. The grant of 2,300,000 Restricted Shares to Mr. Xia, if exercised in full, will account for approximately 0.37% of the issued shares of Huabao Flavours as at the date of this announcement. Although the equity ratio with regards to the grant of Restricted Shares to Mr. Xia is slightly higher than the average, Huabao Flavours considered that the equity ratio of the Restricted Shares to Mr. Xia is within reasonable range as such equity ratio is still lower than those of 7 listed companies among the statistical data.

Based on the above, the grant ratio and equity ratio with regards to the grant of Restricted Shares to Mr. Xia comply with the Administrative Measures. The grant, if exercised in full, does not exceed 1% of the total issued shares of Huabao Flavours as at the date of this announcement and complies the relevant laws and regulations.

### **Listing Rules Implications with regards to the grant of Restricted Shares to Mr. Xia**

The proposed grant of the Restricted Shares to Mr. Xia, who also being the executive Director, vice chairman and president of the Company, will result in the shares of Huabao Flavours to be issued upon exercise in full of the Restricted Shares to be granted to Mr. Xia in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the total shares of Huabao Flavours in issue. Save as disclosed, Mr. Xia was not granted any options and/or awards of shares of Huabao Flavours in the 12-month period up to and including the date of such proposed grant of the Restricted Shares.

Pursuant to Rule 17.04(1) of the Listing Rules, the grant of share options to any Director (at level of the Company) must be approved by the independent non-executive Directors (excluding any independent non-executive Directors who are the grantees of the share options concerned). Accordingly, the grant of the Restricted Shares to Mr. Xia under the Share Incentive Scheme has been reviewed and approved by the independent non-executive Directors. In addition, since the incentive instrument adopted under the Share Incentive Scheme is Restricted Shares (with the right to subscribe shares of Huabao Flavours at the Grant Price after satisfying the Vesting Conditions for exercising the options), the grant of the Restricted Shares to Mr. Xia is not subject to approval by Shareholders of the Company at general meeting pursuant to Rule 17.04(2) of the Listing Rules.

As Mr. Xia is also a director of the Company, the proposed grant of the Restricted Shares under the Share Incentive Scheme to Mr. Xia by Huabao Flavours constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that the proposed grant of the Restricted Shares to Mr. Xia under the Share Incentive Scheme, if exercised in full, will represent over 0.1% but less than 1% of the total shares of Huabao Flavours in issue, the proposed grant of the Restricted Shares to Mr. Xia constitutes an exempted connected transaction of the Company under Rule 14A.92(3)(a) of the Listing Rules.

### **III. BOARD APPROVAL**

The Share Incentive Scheme has been duly approved by the board of directors of Huabao Flavours. The Share Incentive Scheme and the grant of Restricted Shares under the Share Incentive Scheme to Mr. Xia have furthermore been duly approved by the Board of the Company and at which meeting, save for Mr. Xia who abstained from voting on the grant of Restricted Shares under the Incentive Scheme to Mr. Xia, no other Director has abstained (nor is required to abstain) from voting at the relevant Board meeting.

#### IV. EGM

The EGM will be convened and held for the purpose of considering and approving the adoption of the Share Incentive Scheme by the Shareholders. Pursuant to Rule 13.39(4) of the Listing Rules, the resolution at the EGM will be decided by poll.

As at the date of this announcement, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has any material interest in the proposed adoption of the Share Incentive Scheme, and therefore no other Shareholder is required to abstain from voting on the relevant resolution approving the proposed adoption of the Share Incentive Scheme at the EGM. Mr. Xia, his associates and all Core Connected Persons of the Company shall abstain from favour of the resolution approving the proposed adoption of the Share Incentive Scheme. As at the date of this announcement, Mr. Xia and his associates and all Core Connected Persons of the Company did not hold any Shares in the Company.

A circular containing further details of the proposed adoption of the Share Incentive Scheme will be issued by the Company and dispatched to the Shareholders in due course.

#### V. DEFINITIONS

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

“Administrative Measures”	Administrative Measures on Share Incentives of Listed Companies 《上市公司股權激勵管理辦法》 (Revised in 2018) issued by the CSRC
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	a day (not being a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are open for general banking business
“Bye-laws”	the bye-laws of the Company, as amended, supplemented or modified from time to time
“Company”	Huabao International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange

“Core Connected Person(s)”	has the same meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held and convened by the Company to consider and, if thought fit, approve the adoption of the Share Incentive Scheme
“Grant Price”	the price at which the Incentive Participants receive the shares of Huabao Flavours as determined by Huabao Flavours at the time of granting Restricted Shares to the Incentive Participants
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huabao Flavours”	Huabao Flavours & Fragrances Co., Ltd. (華寶香精股份有限公司), a non-wholly owned subsidiary of the Company with its shares listed on the ChiNext of Shenzhen Stock Exchange (Stock Code: 300741)
“Incentive Participant(s)”	directors, senior management, core management, technical and business personnel of Huabao Flavours (including its controlling subsidiaries) and such other personnel (all of whom being directors or employees of Huabao Flavours and/or its controlling subsidiaries) as the board of directors of Huabao Flavours may deem necessary to be incentivized pursuant to the provisions of the Share Incentive Scheme
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange, as amended, supplemented or modified from time to time
“Mr. Xia”	XIA Liqun (夏利群), an executive Director, Vice Chairman and President of the Company, and Chairman of Huabao Flavours

“Restricted Shares” or “Class II Restricted Shares”	the right to subscribe shares of Huabao Flavours at the Grant Price after satisfying the Vesting Conditions for exercising the options under the Share Incentive Scheme. The Restricted Shares granted to the Incentive Participants shall not be entitled to the rights of shareholders including the voting rights, dividend rights, or right to nominate a seat at the board of directors of Huabao Flavours before vesting, and the Restricted Shares shall not be transferred nor used for guarantee or debt repayment, etc.
“RMB”	Renminbi, the lawful currency of the PRC
“Share Incentive Scheme” or “Incentive Scheme”	the First Restricted Share Incentive Scheme of Huabao Flavours & Fragrances Co., Ltd. (華寶香精股份有限公司首期限制性股票激勵計劃) to be adopted by Huabao Flavours
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	Shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	subsidiary(ies) of the Company from time to time
“Vesting Conditions”	the attribution conditions to be satisfied by the Incentive Participants in order to receive Restricted Shares under the Share Incentive Scheme
“%”	per cent.

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

Hong Kong, 8 December 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*