
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in HUABAO INTERNATIONAL HOLDINGS LIMITED, you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

ADOPTION OF SHARE INCENTIVE SCHEME BY A SUBSIDIARY AND NOTICE OF SPECIAL GENERAL MEETING

A notice convening the special general meeting of Huabao International Holdings Limited to be held at Suite 3008, 30/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 5 January 2024 at 9:30 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the special general meeting is also enclosed.

If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at or after 7:30 a.m. on 5 January 2024 and/or the Hong Kong Observatory has announced at or before 7:30 a.m. on 5 January 2024 that either of the above mentioned warnings is to be issued within the next two hours or the extreme conditions as announced by the Government of Hong Kong still exists two hours prior to 9:30 a.m. on 5 January 2024, the special general meeting shall automatically be postponed to the next Business Day on which no “black” rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted between the hours from 7:30 a.m. to 9:30 a.m. or the extreme conditions as announced by the Government of Hong Kong still exists two hours prior to 9:30 a.m. and in such case the special general meeting shall be held at 9:30 a.m. on that Business Day at Suite 3008, 30th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. **Completion and return of the form of proxy will not preclude you from attending and voting at the special general meeting or any adjournment thereof if you so wish. If you attend and vote at the SGM in person, the authority of your proxy will be deemed to have been revoked.**

* for identification purposes only

CONTENTS

| | <i>Page</i> |
|--|-------------|
| Definitions | i |
| Letter from the Board | |
| I. Introduction | 1 |
| II. Adoption of the Share Incentive Scheme | 2 |
| III. Grant of Restricted Shares in Compliance with Rule 17.04 of the Listing Rules and Reasons for the Grant | 11 |
| IV. Board approval | 15 |
| V. Special General Meeting | 16 |
| VI. Closure of Register of Members for Special General Meeting | 16 |
| VII. Recommendation | 16 |
| VIII. Documents available for Inspection | 17 |
| IX. Responsibility Statement | 17 |
| X. General Information | 17 |
| Appendix I – Terms of the Share Incentive Scheme | App I-1 |
| Appendix II – Letter from the Independent Non-Executive Directors | App II-1 |
| Notice of Special General Meeting | SGM-1 |

DEFINITIONS

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

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| “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 |
| “SGM” or “Special General Meeting” | the special general meeting of the Company to be held at Suite 3008, 30/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 5 January 2024 at 9:30 a.m., notice of which is set out in this circular. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at or after 7:30 a.m. on 5 January 2024 and/or the Hong Kong Observatory has announced at or before 7:30 a.m. on 5 January 2024 that either of the above mentioned warnings is to be issued within the next two hours or the extreme conditions as announced by the Government of Hong Kong still exists two hours prior to 9:30 a.m. on 5 January 2024, the special general meeting shall automatically be postponed to the next Business Day on which no “black” rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted between the hours from 7:30 a.m. to 9:30 a.m. or the extreme conditions as announced by the Government of Hong Kong still exists two hours prior to 9:30 a.m. and in such case the special general meeting shall be held at 9:30 a.m. on that Business Day at Suite 3008, 30/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong |

DEFINITIONS

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| “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 |
| “Latest Practicable Date” | 8 December 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular |
| “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 |

DEFINITIONS

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| “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. |

LETTER FROM THE BOARD



HUABAO INTERNATIONAL HOLDINGS LIMITED

華寶國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00336)

Executive Directors:

Ms. CHU Lam Yiu (*Chairlady and CEO*)

Mr. LAM Ka Yu (*Co-Chairman*)

Mr. XIA Liqun (*Vice Chairman and President*)

Mr. POON Chiu Kwok (*Vice President and Company Secretary*)

Ms. LAM Ka Yan

Ms. CHOY Man Har

Independent Non-executive Directors:

Mr. LEE Luk Shiu

Mr. Jonathan Jun YAN

Mr. HOU Haitao

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Principal place of business
in Hong Kong:*

Suite 3008

30th Floor, Central Plaza

18 Harbour Road Wanchai

Hong Kong

14 December 2023

To the Shareholders

Dear Sir or Madam,

**ADOPTION OF SHARE INCENTIVE SCHEME BY A SUBSIDIARY
AND
NOTICE OF SPECIAL GENERAL MEETING**

I. INTRODUCTION

The purpose of this circular is to (i) provide you with information in respect of the resolution to be proposed at the SGM for the adoption of the Share Incentive Scheme; and (ii) give you the notice of SGM.

* For identification purpose only

LETTER FROM THE BOARD

II. ADOPTION OF THE SHARE INCENTIVE SCHEME

Background

Huabao Flavours, 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 Latest Practicable Date, 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 Latest Practicable Date. 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.

LETTER FROM THE BOARD

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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

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).

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

- (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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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 Latest Practicable Date 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.

LETTER FROM THE BOARD

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;

LETTER FROM THE BOARD

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 Latest Practical Date.

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 SGM are set out in Appendix I of this circular.

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

LETTER FROM THE BOARD

III. 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 |
|--|---|---|---|--|
| I. Directors and Senior Management | | | | |
| 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% |
| 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) | | 760 | 44.84% | 1.23% |
| III. Total of the initial grant | | 1,450 | 85.55% | 2.35% |
| IV. Reserved Restricted Shares | | 245 | 14.45% | 0.40% |
| Total | | 1,695 | 100.00% | 2.75% |

LETTER FROM THE BOARD

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 Latest Practicable Date, none of the circumstances set out above has occurred.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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. According, 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 Latest Practicable Date. 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.

LETTER FROM THE BOARD

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 Latest Practicable Date 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.

IV. 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.

LETTER FROM THE BOARD

V. SPECIAL GENERAL MEETING

The resolution to be proposed at the forthcoming SGM is set out in full in the notice of SGM on pages SGM-1 to SGM-2 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. If you intend to appoint a proxy to attend the SGM, you are requested to complete the proxy form and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the SGM or adjourned meeting (as the case may be). **Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournments thereof if you so wish. If you attend and vote at the SGM in person, the authority of your proxy will be deemed to have been revoked.**

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions set out in the notice of SGM will be decided by poll, the results of which will be announced after the SGM.

As at the Latest Practicable Date, 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 SGM. 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 Latest Practicable Date, Mr. Xia and his associates and all Core Connected Persons of the Company did not hold any Shares in the Company.

VI. CLOSURE OF REGISTER OF MEMBERS FOR SPECIAL GENERAL MEETING

In order to determine the entitlement of Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from 2 January 2024 to 5 January 2024, both days inclusive, during which no transfer of shares will be effected. All properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 29 December 2023. Shareholders whose names are recorded in the register of members of the Company on 5 January 2024 are entitled to attend and vote at the SGM.

VII. RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the adoption of the Share Incentive Scheme by Huabao Flavours is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of all resolutions to be proposed at the SGM. The view of the independent non-executive Directors as to whether the terms of the Share Incentive Scheme are in the interests of the Company and its shareholders as a whole, and their recommendation to the Shareholders as to voting are set out in Appendix II to this circular.

LETTER FROM THE BOARD

VIII. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Share Incentive Scheme will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.huabao.com.hk) for a period of not less than 14 days before the date of the SGM and will be available for inspection at the SGM (and any adjournment thereof, as the case may be).

IX. RESPONSIBILITY STATEMENT

The 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 in this circular misleading.

X. GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

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

The following sets out the terms of the Share Incentive Scheme to be approved and adopted by ordinary resolution at the SGM.

**HUABAO FLAVOURS & FRAGRANCES COMPANY LIMITED
FIRST RESTRICTED SHARE INCENTIVE SCHEME (REVISED DRAFT)**

December 2023

Statement

The Company and all directors and supervisors guarantee that there are no false statements, misleading statements or material omissions in this draft Incentive Scheme, and they shall be jointly and severally liable for its truthfulness, accuracy and completeness.

All the Incentive Participants of the Company undertake that in the event that false statements, misleading statements or material omissions in the information disclosure documents result in the Company to be ineligible for the granting of interests or the vesting arrangement of interests, the Incentive Participants should return to the Company all benefits obtained from the Incentive Scheme after the relevant information disclosure documents are confirmed to have contained false statements, misleading statements or material omissions.

Special Note

1. The Incentive Scheme is formulated in accordance with 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 on Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》), 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 Articles of Association of Huabao Flavours & Fragrances Co., Ltd. (《華寶香精股份有限公司章程》).
2. The incentive instrument adopted under the 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 & Fragrances Co., Ltd. (hereinafter referred to as “Huabao Flavours”, the “Company” or the “listed company”) issued to the identified Incentive Participants. The Incentive Participants who meet the grant conditions of the Incentive Scheme will receive new A shares in the ordinary share capital of the Company 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 Restricted Shares granted to the Incentive Participants shall not be entitled to the rights of shareholders of the Company before vesting, and the Restricted Shares shall not be transferred nor used for guarantee or debt repayment, etc.

3. It is proposed that 16,950,000 Restricted Shares (the total number of Restricted Shares to be granted shall not be adjusted due to the lapse of Restricted Shares), representing approximately 2.75% of the total share capital of 615,880,000 shares of the Company at the time of the announcement of the draft Incentive Scheme, would be granted to the Incentive Participants under the Incentive Scheme. In particular, the initial grant of 14,500,000 shares accounted for 2.35% of the total share capital of the Company 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 shares accounted for 0.40% of the total share capital of the Company at the time of the announcement of the draft Incentive Scheme and such reserved portion accounted for 14.45% of the total grant. The total number of underlying shares involved in all the share incentive schemes of the Company in force does not in aggregate exceed 10.00% of the total share capital of the Company at the time when the Incentive Scheme is submitted to the general meeting. The aggregate number of shares of the Company granted to any Incentive Participant under the Scheme through all the share incentive schemes in force does not exceed 1.00% of the total share capital of the Company at the time when the Scheme is submitted to the general meeting for consideration.
4. The Grant Price of the Restricted Shares under the Scheme (including the reserved grant) is RMB11.13 per share. In the event of capitalisation of capital reserve, bonus issues, 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 draft 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 and number of Restricted Shares will be adjusted accordingly in accordance with the relevant provisions of the Incentive Scheme.
5. The total number of Incentive Participants for the initial grant under the Incentive Scheme is 46, accounting for approximately 3.72% of the total number of 1,235 employees of the Company (as at 31 December 2022), including directors, senior management, core management, technical and business personnel of the Company (including its controlling subsidiaries, the same is applicable to below) and such other personnel (all of whom being directors or employees of the Company and/or its controlling subsidiaries) as the board of directors 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 the listed company and their spouses, parents and children. The reserved Incentive Participants of the prevailing Incentive Scheme refer to the Incentive Participants that have not yet been determined when the Incentive Scheme is approved by the general meeting, but are included in the Incentive Scheme during the life of the Incentive Scheme, and to be determined within 12 months after the Incentive Scheme is considered and approved by the general meeting. The criteria for determining the reserved Incentive Participants shall be determined with reference to the criteria for the initial grant.
6. The 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.

7. The Restricted 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.

The Company's level performance assessment targets for the initial and reserved grants of Restricted Shares are shown in the table below:

| Vesting period | Corresponding assessment year | Performance assessment targets |
|--|--------------------------------------|---|
| First vesting period for initial and reserved Restricted Shares | 2024 | Increase of operating income by 15% for 2024 as compared to 2023. |
| Second vesting period for initial and reserved Restricted Shares | 2025 | Increase of operating income by 25% for 2025 as compared to 2023. |
| Third vesting period for initial and reserved Restricted Shares | 2026 | Increase of operating income by 35% for 2026 as compared to 2023. |

Risk Warning: The performance targets set out under the Incentive Scheme are achievable to a certain extent, but due to the impact of changes in the macroeconomic environment, fluctuations in industry development and intensified market competition in the future, there may be a risk that the Company's performance will not be achieved.

8. None of the circumstances stipulated in Article 7 of the Administrative Measures on Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》) has occurred on the part of the Company:
- (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.

9. The Incentive Participants under the Incentive Scheme do not include the independent directors and supervisors of the Company, and shareholders or actual controllers who individually or jointly hold more than 5% of the shares of the Company and their spouses, parents and children. None of the following circumstances regarding the ineligibility as Incentive Participant as stipulated under Article 8 of the Administrative Measures on Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》) and Article 8.4.2 of the Rules Governing the Listing of Shares on the ChiNext market of Shenzhen Stock Exchange (part of the Incentive Participants:
- (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.
10. The Company undertakes not to provide loans or any other forms of financial assistance to the Incentive Participants for acquiring the relevant Restricted Shares under the Incentive Scheme, including providing guarantee for their loans.
11. There is no false statement, misleading statement or material omission in the information disclosure document related to the Incentive Scheme.
12. The Incentive Participants of the Incentive Scheme undertake that in the event that false statements, misleading statements or material omissions in the information disclosure documents result in the Company to be ineligible for the granting of interests or the vesting arrangement of interests, the Incentive Participant should return to the Company all benefits obtained from the Incentive Scheme after the relevant information disclosure documents are confirmed to have contained false statements, misleading statements or material omissions.
13. The Incentive Scheme shall be implemented only after it has been considered and approved by the general meeting of the Company. During the period when the Company is a principal subsidiary of a company listed on the Hong Kong Stock Exchange, except for those who have obtained waiver from the Hong Kong Stock Exchange (if applicable), the formulation, implementation, variation and termination of the Incentive Scheme shall also be subject to compliance with the relevant requirements of the Hong Kong Stock Exchange simultaneously.

14. Within 60 days from the date of consideration and approval of the Incentive Scheme by the general meeting of the Company, the board of directors of the Company shall convene a meeting in accordance with the relevant regulations to consider whether the conditions set out under the Incentive Scheme for the granting of Restricted Shares to the Incentive Participants are fulfilled, and the independent directors and the supervisory committee of the Company shall express clear opinions; the law firm engaged shall issue a legal opinion on whether the conditions for the granting of Restricted Shares to the Incentive Participants are fulfilled. The board of directors of the Company shall grant the Restricted Shares to the eligible Incentive Participants and complete the relevant procedures such as announcement. If the Company fails to complete the above work within 60 days, the implementation of the Incentive Scheme shall be terminated and the ungranted Restricted Shares shall lapse. The period during which the rights and interests shall not be granted according to the relevant provisions of the Administrative Measures on Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》) and other relevant regulations shall not be counted in the calculation of the 60 days period. The Company shall specify the reserved Incentive Participants within 12 months after the Incentive Scheme is considered and approved by the general meeting, otherwise the reserved portion of the Restricted Shares shall lapse.

15. The implementation of the Incentive Scheme will not result in the shareholding distribution not meeting the requirements of the listing conditions.

Content

| | | |
|------------|--|------|
| Chapter 1 | Definition | I-7 |
| Chapter 2 | Purpose of the Incentive Scheme | I-9 |
| Chapter 3 | Administrative bodies of the Incentive Scheme | I-9 |
| Chapter 4 | Basis for Determining the Incentive Participants and Scope of Incentive Participants | I-10 |
| | I. Basis for determining the Incentive Participants | I-10 |
| | II. Principles for determining the Incentive Participants of reserved Restricted Shares | I-11 |
| | III. Scope of Incentive Participants for the initial grant | I-12 |
| | IV. Verification of Incentive Participants for the initial grant | I-12 |
| | V. List of Incentive Participants and the allocation | I-13 |
| Chapter 5 | Details of the Incentive Scheme | I-14 |
| | I. Incentive method and source of shares under the Incentive Scheme | I-14 |
| | II. Number of Restricted Shares to be granted | I-14 |
| | III. Validity Period, Grant Date, Vesting Arrangement and lock-up period of the Incentive Scheme | I-15 |
| | IV. Grant Price and Basis of Determination of the Grant Price of Restricted Shares | I-18 |
| | V. Grant of Restricted Shares and Vesting Conditions | I-19 |
| | VI. Methods and procedures for adjustments under the Restricted Share Incentive Scheme | I-23 |
| | VII. Accounting for the Restricted Share Incentive Scheme | I-25 |
| | VIII. Impact of the Incentive Scheme on the Company's cash flow | I-27 |
| Chapter 6 | Implementation of the Incentive Scheme, Restricted Share Grant and Vesting Procedures | I-27 |
| | I. Procedures for implementing the Incentive Scheme | I-27 |
| | II. Procedures for the grant of Restricted Shares | I-30 |
| | III. Vesting procedures for Restricted Shares | I-31 |
| Chapter 7 | The Respective Rights and Obligations of the Company and the Incentive Participants | I-32 |
| | I. Rights and obligations of the Company | I-32 |
| | II. Rights and obligations of Incentive Participants | I-33 |
| | III. Other descriptions | I-34 |
| Chapter 8 | Termination of and Changes to the Incentive Scheme and Handling of Changes in the Personal Circumstances of the Incentive Participants | I-34 |
| Chapter 9 | Dispute Resolution Mechanism between the Company and the Incentive Participants | I-38 |
| Chapter 10 | By-laws | I-38 |

Chapter 1 Definition

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| Huabao Flavours or Company | Huabao Flavours & Fragrances Co., Ltd. |
| Huabao International | Huabao International Holdings Limited, the Company's indirect holding shareholder |
| Incentive Scheme or Scheme or First Restricted Share Incentive Scheme | the first restricted share incentive scheme of Huabao Flavours & Fragrances Co., Ltd. |
| Restricted Shares or Class II Restricted Shares | shares of the Company acquired and registered in tranches by Incentive Participants who meet the conditions for the grant under the Incentive Scheme after satisfying the corresponding Vesting Conditions |
| Incentive Participant(s) | directors, senior management, core management, technical and business personnel of the Company (including its controlling subsidiaries) and such other personnel (all of whom being directors or employees of the Company and/or its controlling subsidiaries) as the board of directors may deem necessary to be incentivized pursuant to the provisions of the Incentive Scheme |
| Grant Date | the date on which the Company grants Restricted Shares to Incentive Participants, which must be a trading day |
| Grant Price | the price at which the Incentive Participants receive the Company's shares as determined by the Company at the time of granting Restricted Shares to the Incentive Participants |
| Vesting | the act of the listed company registering the shares to the account of the Incentive Participant after the attribution conditions having been satisfied by an Incentive Participant of Restricted Shares |
| Vesting Conditions | the attribution conditions to be satisfied by the Incentive Participants in order to receive incentive shares under the Restricted Share Incentive Scheme |
| Vesting Date | the date on which the registration of the granted shares is completed after the attribution conditions having been satisfied by an Incentive Participant of Restricted Shares, which must be a trading day |
| Validity Period | 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 |
| Company Law | the Company Law of the People's Republic of China (《中華人民共和國公司法》) |
| Securities Law | the Securities Law of the People's Republic of China (《中華人民共和國證券法》) |

| | |
|--|---|
| Administrative Measures | the Administrative Measures on Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》) |
| Listing Rules | 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》) |
| Regulatory Guidelines | 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》) |
| Non-Competition Agreement | the agreement signed between some Incentive Participants and Huabao Flavours or its holding subsidiaries to refrain such Incentive Participants from joining the other company(ies) that compete(s) with the Company that produce(s) or operate(s) similar products or engage(s) in similar businesses within a period of time after the labor contract is terminated or terminated, or the agreement to refrain such Incentive Participants from establishing his/her own business to produce or operate similar products or engage in similar business that compete(s) with the Company |
| Agreement on the First Restricted Share Incentive Scheme | the agreement to be signed formally with the Incentive Participant, clarifying the rights and obligations of the Incentive Participant and the listed company pursuant to the Share Incentive Scheme |
| Articles | the Articles of Association of Huabao Flavours & Fragrances Co., Ltd. (《華寶香精股份有限公司章程》) |
| Hong Kong Listing Rules | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| CSRC | The China Securities Regulatory Commission |
| SZSE | Shenzhen Stock Exchange |
| Hong Kong Stock Exchange | The Stock Exchange of Hong Kong Limited |
| CSDCC | China Securities Depository and Clearing Corporation Limited, Shenzhen Branch |
| RMB and RMB0'000 | Renminbi, Renminbi0'000 |

Notes:

1. The financial data and financial indicators quoted in this draft, unless otherwise stated, refer to the financial data of the consolidated statements and the financial indicators calculated on the basis of such financial data.
2. Any differences in the sum of some of the totals in this draft and the sum of the direct sums of the individual breakdowns are due to rounding.

Chapter 2 Purpose of the Incentive Scheme

In order to further establish and improve the long-term incentive mechanism of the Company, attract and retain outstanding talents, fully mobilize the enthusiasm of the directors, senior management, core management, technical and business personnel of the Company (including its controlled subsidiaries) and such other personnel (all of whom being directors or employees of the Company and/or its controlling subsidiaries) as the board of directors of the Company may deem necessary to be incentivized as well as effectively combine the interests of shareholders and the Company with the personal interests of the core team, so that all parties will jointly focus on the long-term development of the Company, and on the premise of fully protecting the interests of shareholders, the Incentive Scheme is formulated in accordance with the principle of aligning one's remuneration to his/her contributions, the Company Law, the Securities Law, the Administrative Measures, the Listing Rules, the Regulatory Guidelines and other relevant laws, regulations and normative documents as well as the provisions of the Articles.

Chapter 3 Administrative bodies of the Incentive Scheme

1. The general meeting, as the ultimate authority of the Company, shall be responsible for considering and approving the implementation, amendment and termination of the Scheme.
2. The board of directors shall act as the executive and administrative body of the Incentive Scheme while the Remuneration and Evaluation Committee set up under the board of directors shall be responsible for formulating and revising the Incentive Scheme for approval at the general meeting of the Company and handling matters related to the Scheme within its scope of authority as delegated by the general meeting.
3. The supervisory committee shall act as the supervisory authority for the Scheme and be responsible for reviewing the list of Incentive Participants. It shall express opinions as to whether the Scheme is conducive to the sustainable development of the listed company, and whether there are any circumstances that are clearly detrimental to the interests of the listed company and all shareholders and shall supervise the implementation of the Scheme as to whether it is in compliance with relevant laws, administrative regulations, departmental regulations, and the operational rules of the Shenzhen Stock Exchange.
4. The independent directors shall express an independent opinion as to whether the Scheme is conducive to the sustainable development of the Company and whether there are any circumstances that are clearly detrimental to the interests of the Company and all shareholders and shall solicit voting rights by proxy from all shareholders in respect of the Scheme.
5. Where amendments are being made to the Incentive Scheme by the Company before or after the Incentive Scheme is approved at the general meeting, the independent directors and the supervisory committee shall express their opinions as to whether the amended Scheme will be conducive to the sustainable development of the Company and whether there are any circumstances that are clearly detrimental to the interests of the Company and all shareholders.

Before granting the rights and interests to the Incentive Participants, the independent directors and the supervisory committee shall express clear opinions on the conditions for granting the rights and interests to the Incentive Participants as set out in the Incentive Scheme. In the event of any discrepancy between the Company's grant of rights and interests to the Incentive Participants and the arrangement under the Scheme, the independent directors and the supervisory committee shall express their clear opinions thereon at the same time.

Before the granted Restricted Shares are vested to an Incentive Participant, the independent directors and the supervisory committee shall express clear opinions as to whether the Vesting Conditions stipulated under the Incentive Scheme for the Incentive Participants have been fulfilled.

Chapter 4 Basis for Determining the Incentive Participants and Scope of Incentive Participants

I. Basis for determining the Incentive Participants

(i) Legal basis for determination the Incentive Participants

The Incentive Participants of the Scheme are determined in accordance with the relevant laws, regulations, normative documents such as the Company Law, the Securities Law, the Administrative Measures, the Listing Rules, the Regulatory Guidelines as well as the relevant provisions of the Articles and the actual situation of the Company.

(ii) Position basis for determining the Incentive Participants

The Incentive Participants of the Scheme are mainly the directors, senior management, core management, technical and business personnel of the Company (including its controlled subsidiaries) and such other personnel (all of whom being directors or employees of the Company and/or its controlling subsidiaries) as the board of directors may deem necessary to be incentivized. The Incentive Participants of the Incentive Scheme are nominated by the Remuneration and Evaluation Committee of the board of directors of the Company and reviewed and confirmed by the supervisory committee of the Company.

The above-mentioned personnel are key personnel for the achievement of the Company's performance objectives, with greater influence and irreplaceability; or are personnel who play a key role in the achievement of the Company's strategy, with professional knowledge or greater influence.

All Incentive Participants must have worked for the Company or the controlling subsidiary during the assessment period of the Scheme and have signed employment or engagement contracts with the Company or the controlling subsidiary.

(iii) Principles for determining the Incentive Participants

1. In principle, the Incentive Participants are limited to the directors, senior management, core management, technical and business personnel and those who play an important role in the operation and development of the Company.
2. Supervisors and independent directors of the Company shall not participate in the Scheme;
3. The following persons shall not participate in the Scheme according to the Administrative Measures:
 - (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.

II. Principles for determining the Incentive Participants of reserved Restricted Shares

The reserved Restricted Shares will be granted in one time within 12 months after the Scheme being considered and approved at the general meeting of the Company. The Company will announce relevant information on the designated website about the current Incentive Participants of the reserved Restricted Shares timely and accurately in accordance with the requirements after the Remuneration and Evaluation Committee of the board of directors of the Company having made such nomination, the supervisory committee having reviewed such nomination, and the Company's counsel having provided professional opinions and issued legal opinions, and the grant will be made in accordance with the agreement of the Incentive Scheme after completing other statutory procedures. The Incentive Participants of reserved Restricted Shares can be: directors, senior management, core management, technical and business personnel of the Company (including its controlled subsidiaries) and such other personnel (all of whom being directors or employees of the Company and/or its controlling subsidiaries) as the board of directors may deem necessary to be incentivized.

III. Scope of Incentive Participants for the initial grant***(i) Scope of Incentive Participants for the initial grant***

The total number of Incentive Participants for the initial grant under the Scheme shall be 46, accounting for 3.72% of the total number of 1,235 registered employees of the Company as at 31 December 2022.

(ii) Description of the scope of Incentive Participants for the initial grant

The Incentive Participants of the Incentive Scheme are the core management level staff and core technical (operational) backbone who have direct influence on the future operation performance and development of the Company and are the core strength of the Company's strategy implementation and operation development. The implementation of equity incentive for these employees not only takes into full consideration the representativeness and exemplary effect of the Incentive Participants, but also helps to establish the benefit sharing and restraint mechanism between shareholders and the above-mentioned employees, enhances the sense of responsibility and mission of the employees to achieve the sustainable, sound and healthy development of the Company, effectively improves the cohesion and creativity of the employees, and is conducive to the realization of the development strategy and business objectives of the Company.

The Incentive Participants involved in the Incentive Scheme exclude independent directors, supervisors and shareholders or actual controllers who individually or jointly hold more than 5% of the shares of the Company and their spouses, parents and children.

The Incentive Scheme includes some foreign employees, mainly foreign Incentive Participants who play an important role in the Company's strategic development, management, technology research and development, project construction, business development and corporate culture construction. The Incentive Scheme will promote the establishment of the Company's core talent team, which is in line with the actual situation and development needs of the Company and facilitate the implementation of the Company's transformation and upgrading strategic objectives, thereby contributing to the long-term healthy and sustainable development of the Company and the long-term interests of the Company's shareholders.

IV. Verification of Incentive Participants for the initial grant

- (i)*** The Company shall publish the names and positions of the Incentive Participants internally for no less than 10 days through the Company's website or other channels prior to the general meeting.
- (ii)*** The supervisory committee of the Company shall review the list of the Incentive Participants and take sufficient consideration of the public response.

- (iii) The Company shall disclose the information regarding the review by the supervisory committee of the Company regarding the list of Incentive Participants and the publication response 5 days prior to the Scheme being considered at the general meeting. Any adjustments to the list of the Incentive Participants made by the board of directors of the Company shall also be reviewed by the supervisory committee of the Company.

V. *List of Incentive Participants and the allocation*

| Name | Position | Number of Restricted Shares granted (ten thousand shares) | Restricted Shares granted as a percentage of total grants Restricted | Restricted Shares granted as a percentage of current total share capital |
|---|--|---|--|--|
| I. Directors and Senior Management | | | | |
| XIA Liqun | Chairman | 230 | 13.57% | 0.37% |
| YUAN Xiaoqin | Director, President | 150 | 8.85% | 0.24% |
| REN Miao | Director, Vice President | 80 | 4.72% | 0.13% |
| LI Xiaojun | Vice President | 80 | 4.72% | 0.13% |
| ZHANG Jie | Vice President and Chief Financial Officer | 60 | 3.54% | 0.10% |
| HOU Xiaoqin | Vice President and Secretary of the Board | 60 | 3.54% | 0.10% |
| HAN Pengliang | Director | 30 | 1.77% | 0.05% |
| 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 may deem necessary to be incentivized (a total of 39) | | 760 | 44.84% | 1.23% |
| III. Total of the initial grant | | 1,450 | 85.55% | 2.35% |
| IV. Reserved Restricted Shares | | 245 | 14.45% | 0.40% |
| Total | | 1,695 | 100.00% | 2.75% |

- None of the above-mentioned Incentive Participants has been granted more than 1% of the total share capital of the Company through all valid share incentive schemes.
- None of the Incentive Participants of the Scheme has participated in two or more share incentive schemes of listed companies.
- If the Incentive Participants is a shareholder of the Company or a director of the Company or has connected relationship with the Company, the corresponding shareholder or director should fulfill the obligation of recusal from voting.

4. The Incentive Participants of the Scheme exclude independent directors, supervisors and shareholders or actual controllers who individually or jointly hold more than 5% of the shares of the Company and their spouses, parents and children.
5. The Incentive Participants of the reserved grant shall be determined within 12 months after the Incentive Scheme being considered and approved at a general meeting. The Company will announce relevant information on the designated website about the Incentive Participants timely and accurately in accordance with the requirements after the board of directors having made such proposal, the independent directors and the supervisory committee having expressed clear opinions, and the Company's counsel having provided professional opinions and issued legal opinions.

Chapter 5 Details of the Incentive Scheme

I. Incentive method and source of shares under the Incentive Scheme

The incentive instrument adopted under the Incentive Scheme is Class II Restricted Shares and the source of the underlying shares involved is the A shares in the Company's ordinary share capital issued to the identified Incentive Participants.

II. Number of Restricted Shares to be granted

It is proposed that 16,950,000 Restricted Shares (the total number of Restricted Shares to be granted shall not be adjusted due to the lapse of Restricted Shares), representing approximately 2.75% of the total share capital of the Company of 615,880,000 shares at the time of the announcement of the draft Incentive Scheme, would be granted to the Incentive Participants under the Incentive Scheme. The initial grant of 14,500,000 shares accounted for 2.35% of the total share capital of the Company 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 shares accounted for 0.40% of the total share capital of the Company at the time of the announcement of the draft Incentive Scheme and such reserved portion accounted for 14.45% of the total grant.

The total number of underlying shares involved in all the share incentive schemes of the Company in force does not in aggregate exceed 10.00% of the total share capital of the Company at the time when the Incentive Scheme is submitted to the general meeting. The aggregate number of shares of the Company granted to any Incentive Participant under the Scheme through all the share incentive schemes in force does not exceed 1.00% of the total share capital of the Company at the time when the Scheme is submitted to the general meeting for consideration.

*III. Validity Period, Grant Date, Vesting Arrangement and lock-up period of the Incentive Scheme**(i) Validity Period*

The 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.

(ii) Grant Date

Upon the approval of the Incentive Scheme by the general meeting of the Company, the Company will convene a meeting of the board of directors for the proposed grant to the Incentive Participants within 60 days (in case the proposed grant is conditional, the applicable period would commence from the fulfillment of such condition(s)) and complete the relevant procedures such as announcement. If the Company fails to complete the above within 60 days, it shall promptly disclose the reasons for its failure and announce the termination of the implementation of the Incentive Scheme. The period during which no interest may be granted as prescribed under the Administrative Measures shall not be counted in the calculation of such 60 days period. The Grant Date, which must be a trading day, shall be determined by the board of directors of the Company upon the Incentive Scheme has been considered and approved by the general meeting of the Company.

The Incentive Participants of the reserved portion shall be identified within 12 months after the Incentive Scheme has been considered and approved by the general meeting of the Company, otherwise the Restricted Shares corresponding to the reserved portion shall lapse.

(iii) Vesting Arrangement under the Incentive Scheme

The Restricted Shares granted under the Incentive Scheme will vest in the agreed proportion and tranches upon the satisfaction of the corresponding Vesting Conditions by the Incentive Participants, and the Vesting Date must be a trading day within the Validity Period of the Incentive Scheme, but not a day within the following periods:

1. within 30 days prior to the announcement of annual reports or interim reports of the Company, or 30 days prior to the original announcement date where the announcement is postponed due to special reasons;
2. within 10 days prior to the disclosure of quarterly reports, results preview or preliminary financial results of the Company;
3. from the date of occurrence of a material event which may have significant impact on the trading price of the shares and their derivatives of the Company, or the date of entering the decision-making process, up to and including the date on which relevant disclosure has been made in accordance with the laws;

4. any other period stipulated by the CSRC and the SZSE.

During the period when the Company is a principal subsidiary of a company listed on the Hong Kong Stock Exchange, must also comply with Rule 17.05 of Hong Kong Listing Rules or the relevant requirements as updated from time to time simultaneously.

The above “material events” (which include inside information) are the transactions or other significant events that shall be disclosed by the Company in accordance with the requirements of the Listing Rules.

The vesting period and vesting arrangement of the Restricted Shares in respect of the initial and reserved grants under the Incentive Scheme are as follows:

| Vesting Arrangement | Vesting Period | Number of vested interests as a percentage the total interests granted |
|-----------------------|--|--|
| First vesting period | From the first trading day after the expiry of 12 months following the Grant Date of the corresponding portion of Restricted Shares to the last trading day within 24 months following the Grant Date of the corresponding portion of Restricted Shares. | 30% |
| Second vesting period | From the first trading day after the expiry of 24 months following the Grant Date of the corresponding portion of Restricted Shares to the last trading day within 36 months following the Grant Date of the corresponding portion of Restricted Shares. | 30% |
| Third vesting period | From the first trading day after the expiry of 36 months following the Grant Date of the corresponding portion of Restricted Shares to the last trading day within 48 months following the Grant Date of the corresponding portion of Restricted Shares. | 40% |

Those Restricted Shares which have not been vested during the period of their respective tranches as a result of failure to fulfil the Vesting Conditions are not allowed to be vested or deferred to be vested in the next year(s) and shall lapse according to the provisions under the Incentive Scheme.

Upon the satisfaction of the Vesting Conditions of the Restricted Shares, the Company shall handle the matters in relation to the vesting and registration of the Restricted Shares for which the Vesting Conditions have been satisfied in a uniform manner.

(iv) *Lock-up period*

Upon the vesting of the Restricted Shares granted to the Incentive Participants under the Restricted Share Incentive Scheme, there will be no additional lock-up period. The lock-up provisions will be implemented in accordance with the relevant laws, administrative regulations, normative documents including the Company Law, the Securities Law, the Provisions on the Disposal of Shares held by Shareholders, Directors, Supervisors and Senior Management of Listed Companies (《上市公司股東、董監高減持股份的若干規定》) and the Implementation Rules on the Disposal of Shares held by Shareholders, Directors, Supervisors and Senior Management of the Companies Listed on the Shenzhen Stock Exchange (《深圳證券交易所上市公司股東及董事、監事、高級管理人員減持股份實施細則》) and the Articles as follows:

1. Where the Incentive Participant is a director or a member of the senior management of the Company, the number of shares which may be transferred each year during his/her term of office shall not exceed 25% of the total number of shares held by him/her. No shares held by him/her may be transferred within six months after his/her termination of office;
2. For Incentive Participants who are directors or members of the senior management of the Company, if they have sold the Company's shares held by them within 6 months after purchasing such shares, or if they have purchased the shares within 6 months after selling their shares, the gains obtained thereof shall be vested to the Company and the board of directors shall forfeit such gains;
3. Where the Incentive Participant becomes a director or senior management of the Company due to change of position upon acquiring the vested Restricted Shares, any disposal of the Company's shares shall also comply with the relevant rules such as the Implementation Rules on the Disposal of Shares held by Shareholders, Directors, Supervisors and Senior Management of the Companies Listed on the Shenzhen Stock Exchange (《深圳證券交易所上市公司股東及董事、監事、高級管理人員減持股份實施細則》).

4. During the Validity Period of the Incentive Scheme, if the relevant laws, regulations, normative documents and the relevant provisions of the Articles on the transfer of shares held by the directors and senior management of the Company have changed, the transfer of the shares held by the Incentive Participants who have become directors and senior management of the Company due to the change of their positions upon acquiring the vested Restricted Shares shall comply with the relevant laws, regulations, normative documents and the Articles as amended at the time of transfer.

IV. Grant Price and Basis of Determination of the Grant Price of Restricted Shares

(i) Grant Price

The Grant Price for the initial grant of Restricted Shares under the Incentive Scheme is RMB11.13 per share.

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 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 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 the Company.

(ii) Basis of determination of the Grant Price

The Grant Price is RMB11.13 per share.

The Grant Price of the initial grant of Restricted Shares under the Incentive Scheme shall not be less than the higher of:

1. 50% of the average trading price of the Company's shares on 30 August 2023, the trading day immediately preceding the announcement of the draft Incentive Scheme, of RMB21.91 per share, i.e. RMB10.96 per share;
2. 50% of any one of the average trading price of the Company's shares for the 20 trading days immediately preceding the announcement of the draft Incentive Scheme of RMB22.26 per share, i.e. RMB11.13 per share.

(iii) Basis of determination of the Grant Price of the reserved Restricted Shares

The Grant Price of the reserved portion of Restricted Shares is the same as the Grant Price of the initial grant of partially Restricted Shares, which is RMB11.13 per share. The board of directors 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.

V. Grant of Restricted Shares and Vesting Conditions

(i) Conditions for the grant of Restricted Shares

The Company shall grant the Restricted Shares to the Incentive Participants upon satisfaction of all of the following granting conditions; or conversely, if any of the following granting conditions has not been satisfied, no Restricted Shares shall be granted to the Incentive Participants.

1. None of the following has occurred on the part of the Company:
 - (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.
2. None of the following has occurred on the part of the Incentive Participants:
 - (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 in subparagraph 1 above 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 Incentive Scheme shall not be vested and shall be cancelled. In the event that any one of the circumstances specified in subparagraph 2 above 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 Incentive Scheme shall not be vested and shall lapse.

(ii) *Vesting conditions of Restricted Shares*

Each tranche of Restricted Shares granted to an Incentive Participant shall satisfy the respective requirements on term of office (term of office of over 12 months) prior to vesting from the date of grant to the vesting date of each tranche. In addition to satisfying the aforementioned conditions, the following conditions must also be satisfied:

1. Performance assessment requirements at the Company level

The assessment years of the Restricted Shares under the initial and reserved grants for the Incentive Scheme is the three accounting years of 2024 to 2026, with a performance assessment conducted for each accounting year, and the performance assessment target arrangement for each year is shown in the table below:

| Vesting period | Corresponding assessment year | Performance assessment targets |
|--|--------------------------------------|---|
| First vesting period for initial and reserved Restricted Shares | 2024 | Increase of operating income by 15% for 2024 as compared to 2023. |
| Second vesting period for initial and reserved Restricted Shares | 2025 | Increase of operating income by 25% for 2025 as compared to 2023. |
| Third vesting period for initial and reserved Restricted Shares | 2026 | Increase of operating income by 35% for 2026 as compared to 2023. |

2. Performance assessment requirements at the individual level

According to the “Administrative Measures for the Implementation and Assessment of 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實施考核管理辦法》), the pro rata Vesting to Incentive Participants based on their respective individual performance assessment results shall be subject to meeting the performance assessment index of the Company for the implementation of the equity incentive in the stipulated assessment year. The formula for calculating the individual’s current vesting percentage is as follows:

The actual number of Restricted Shares vested by the Incentive Participants in the year = standard coefficient × the number of Restricted Shares plan to be vested under the Scheme by the individual in the year

| Assessment Result(s) | Good or above | Below good |
|----------------------|---------------|------------|
| Standard factor | 1.0 | 0 |

If the Restricted Shares to be vested in the prevailing period under the Incentive Scheme cannot be vested due to appraisal results, such grants shall lapse and shall not be deferred to future years for vesting.

(iii) *Analysis of the reasonableness of the setting of the performance assessment indicators*

The performance assessment indicators of the Company’s Incentive Scheme are divided into two levels, namely the company-level performance assessment and the individual-level assessment.

The Company is mainly engaged in the research and development, production and sales of flavours and food ingredients. Since the establishment of the Company, with the vision of “Flavour Your Life”, the Company insists on the enterprise spirits of “innovation, pragmatism, loyalty and cooperation”, and integrates domestic and foreign scientific research resources with international vision, to provide products style system solutions and comprehensive technical services for customers.

1. Food flavours segment

The Company’s “H&K” food flavours brand was born in 1947. Relying on its own strength and technical advantages, through mergers and acquisitions and its own development, the Company has entered the sweet flavour and savoury flavour fields, and its products are widely used in dairy products, beverages, cold drinks, candy, nuts and fried foods, betel nuts, puffed food, baking products, meat products, snack foods and other fields. The Company’s tobacco flavours are mainly used in the production of cigarettes. Leveraging a long period of intensive investment in continuous research, the Company’s unique technological advantages have been formed, effectively consolidating the Company’s leading position in the industry.

2. Food ingredients segment

The main products of the Company's Shanghai Yifang include more than 300 varieties of popcorn beads, molecular cuisine, jam, fruit pieces, preserved fruits, cans, etc. It provides comprehensive solutions for the research and development, design, application and finishing for fruit and vegetable products for fast moving consumer goods manufacturers such as beverages, dairy products, casual dining and baking. In the meantime, the Company's food ingredients segment is actively expanding into sweet and savoury styles as well as functional food ingredients, and continues to expand its range of healthy and natural products, mainly used in puffed food, pasta and noodles, convenience food, meat products and snack foods. The Company focuses on comprehensive solutions of natural extracts in food and beverage, health and nutritional products, personal care products and other industries, with product lines that cover natural colours, functional ingredients, natural sweeteners, natural antioxidants, etc.

3. Daily chemical fragrances segment

Xiamen Amber Daily Chemical Technology Co., Ltd., a subsidiary of the Company, is engaged in the research and development, production and sales of daily chemical fragrances, and the industry leader in China in respect of basic essence development, incense evaluation test, fragrance technology research, microencapsulation technology application and product stability testing etc. Its products are widely used in laundry, skin care products, perfumes, personal care, incense, handicrafts and other fields.

The growth rate of operating income is selected as the performance criteria applicable for the prevailing Restricted Share Incentive Scheme. The growth rate of operating revenue is an important indicator to evaluate the operation condition and ability to capture market share of the enterprise and to predict the trend of business expansion of the enterprise, which is the basis for the survival and development of the enterprise.

The adoption of this assessment indicator is conducive to motivating the management and core cadres of the Company to enhance the Company's performance thereby creating better return to all shareholders.

In addition to the performance assessment at the company level, the Company has also set up a scientific performance assessment mechanism for each individual employee, which is expected to lead to a more accurate and comprehensive evaluation on the performance of the Incentive Participants. The Company will determine whether the relevant Incentive Participants meet the conditions of vesting according to the annual performance assessment results.

In summary, the Company's assessment mechanism under the Incentive Scheme is integrated, comprehensive and practicable. Meanwhile, the Incentive Participants are subject to the scientific and reasonable performance indicators, through which the assessment purpose of the Incentive Scheme can be achieved.

VI. Methods and procedures for adjustments under the Restricted Share Incentive Scheme*(i) Adjustment method for the number of the Restricted Shares*

In the event of capitalisation of capital reserve, bonus issues, share sub-division, share consolidation, or right issues of the Company during the period from the date of the announcement of the 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 number of the Restricted Shares shall be adjusted accordingly. The adjustment method is as follows:

1. Capitalisation of capital reserve, bonus issues and share sub-division

$$Q = Q_0 \times (1 + n)$$

where: Q_0 represents the number of Restricted Shares before adjustment; n represents the ratio of increase per share resulting from capitalisation of capital reserve, bonus issues and share sub-division (i.e. the number of the shares increased per share upon capitalisation of capital reserve, bonus issues and share sub-division); Q represents the number of Restricted Shares after adjustment.

2. Share consolidation

$$Q = Q_0 \times n$$

where: Q_0 represents the number of the Restricted Shares before adjustment; n represents the ratio of consolidation of shares (i.e. one share of the Company is consolidated into n share); Q represents the number of the Restricted Shares after adjustment.

3. Rights issues

$$Q = Q_0 \times P_1 \times (1 + n) / (P_1 + P_2 \times n)$$

where: Q_0 represents the number of Restricted Shares before adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights shares; n represents the ratio of the rights issues (i.e. the ratio of the number of shares to be issued under the rights issues to the total number of shares of the Company before the rights issues); Q represents the number of Restricted Shares after adjustment.

4. Issue of new of shares

In the event of issue of new Shares by the Company, no adjustment shall be made to the number of Restricted Shares.

In the event of distribution of dividends by the Company, no adjustment shall be made to the number of Restricted Shares.

(ii) *Adjustment method of the Grant Price of the Restricted Shares*

In the event of capitalisation of capital reserve, bonus issues, share sub-division, share consolidation, distribution of dividends, or rights issues of the Company during the period from the date of the announcement of the 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 the Restricted Shares granted shall be adjusted accordingly. The adjustment method is as follows:

1. Capitalisation of capital reserve, bonus issues and share sub-division

$$P = P_0 \div (1 + n)$$

where: P_0 represents the Grant Price before the adjustment; n represents the ratio of increase per share resulting from capitalisation of capital reserve, bonus issues and share sub-division; P represents the Grant Price after the adjustment.

2. Share consolidation

$$P = P_0 \div n$$

where: P_0 represents the Grant Price before the adjustment; n represents the ratio of consolidation of shares per share; P represents the Grant Price after the adjustment.

3. Distribution of dividends

$$P = P_0 - V$$

where: P_0 represents the Grant Price before the adjustment; V represents the dividend per share; P represents the Grant Price after the adjustment.

4. Rights issues

$$P = P_0 \times (P_1 + P_2 \times n) / [P_1 \times (1 + n)]$$

where: P_0 represents the Grant Price before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights shares; n represents the ratio of the rights issues (i.e. the ratio of the number of shares to be issued under the rights issues to the total number of shares of the Company before the rights issues); P represents the Grant Price after the adjustment.

5. Issue of new shares

In the event of issue of new shares by the Company, no adjustment will be made to the Grant Price of the Restricted Shares.

(iii) *Procedures for adjustment of the Restricted Share Incentive Scheme*

The general meeting of the Company authorizes the board of directors of the Company to adjust the number and price of Restricted Shares in accordance with the reasons set out in the Incentive Scheme, as well as the relevant rules stipulated by the CSRC, the SZSE or the Hong Kong Stock Exchange. The Company shall engage a lawyer to issue a professional opinion to the board of directors as to whether the said adjustment is in compliance with the Administrative Measures, the Articles and the provisions of the Incentive Scheme. Any adjustment of the number of Restricted Shares, price or other terms for other reasons shall be resolved by the board of directors of the Company and considered and approved by the shareholders in general meeting.

VII. Accounting for the Restricted Share Incentive Scheme

With reference to the “Application Examples of Share-based Payment Standards - Grant of Restricted Shares” by the Accounting Department of the Ministry of Finance of the People’s Republic of China, the essence of the class II restricted shares is that a company grants its employees the right to purchase 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, which is different from the class I restricted shares and is thus a share option, which is an equity-settled share-based payment transaction. In accordance with relevant requirements of the Accounting Standards for Business Enterprises No. 11 – Share-Based Payments and the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, on each balance sheet date during the vesting period, a company shall revise the number of the share options which are expected to be exercisable according to the changes in the latest statistical changes in the number of exercisable options, fulfilment of the performance targets and other subsequent information, and recognize the services acquired during such period in relevant costs or expenses and capital reserve at the fair value of the share options on the grant date.

(i) *Fair value of Restricted Shares and method of determination*

In accordance with relevant requirements of the Accounting Standards for Business Enterprises No. 11 – Share-Based Payments and the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Company selected the Black-Scholes model to calculate the fair value of Class II Restricted Shares, and the model is used to forecast the fair value of the initial grant of 14,500,000 Class II Restricted Shares with 30 August 2023 as the benchmark date (formal measurement will be made upon grant). The specific parameters were selected as follows:

1. underlying share price: RMB21.81 per share

2. Validity Period: 12 months, 24 months and 36 months respectively
 3. historical volatility: 18.21%, 22.01%, 23.09% (using the volatility of the CHINEXTC over the last 12 months, 24 months and 36 months respectively)
 4. risk free interest rate: 1.5%, 2.1%, 2.75% (the benchmark interest rates for 1-year, 2-year and 3-year deposits of financial institutions formulated by the People's Bank of China are adopted respectively)
 5. dividend yield: 0% (the Incentive Scheme stipulates that the exercise price of share options will be adjusted in the event of an ex-dividend on cash dividends, which will take the value of 0 as stipulated)
- (ii) *Estimated impact on the operating performance in each accounting period due to the implementation of the Restricted Shares*

The fair value of the Class II Restricted Shares at the grant date and the share-based cost of the Incentive Scheme will be determined by the Company accordingly. The total amount of above expenses will be recognised in accordance with the vesting proportion and in tranches during the implementation of the Incentive Scheme and the incentive cost of the Company's Incentive Scheme will be charged to recurring profit or loss.

In accordance with PRC Accounting Standards, the impact of the proposed initial grant of 14,500,000 Restricted Shares to the Incentive Participants under the Incentive Scheme on the accounting cost for each period is shown in the table below (assuming the closing price on the Grant Date is RMB21.81).

| Year | 2023 | 2024 | 2025 | 2026 | Total |
|--|-------------|-------------|-------------|-------------|--------------|
| Annual amortisation cost of Restricted Shares (RMB0'000) | 782.96 | 9,002.20 | 4,473.49 | 2,061.09 | 16,319.75 |

The equity incentive costs of the Scheme are charged to recurring profit or loss. The amortisation of the equity incentive costs will have an impact on the net profit of the Company for each year during the Validity Period of the Scheme, but will not affect the cash flow of the Company nor directly reduce the net assets of the Company. Moreover, taking into the consideration that the Share Incentive Scheme would effectively promote the Company's development, the improvement in the Company's results attributable to the Incentive Scheme would outweigh the increase in expenses arising thereof.

The above calculation is based on certain parameters and pricing model, the actual cost of equity incentive will be subject to the change of each parameter after the date of grant as determined by the board of directors, the actual accounting cost is related to the actual Grant Date, the share price and the number of grants on the Grant Date, but also the actual number of effective and lapsed grants, the final amortisation expense of Restricted Shares in each year is subject to the annual audit report issued by the auditor.

VIII. Impact of the Incentive Scheme on the Company's cash flow

If the Incentive Participants subscribe in full for the initial grant of 14,500,000 Restricted Shares under the Incentive Scheme, the Company will issue 14,500,000 shares of the Company to the Incentive Participants and the funds raised will be RMB161,385,000, which the Company plans to use in full to replenish the Company's working capital.

Chapter 6 Implementation of the Incentive Scheme, Restricted Share Grant and Vesting Procedures*I. Procedures for implementing the Incentive Scheme*

- (i) The Remuneration and Evaluation Committee of the board of directors shall be responsible for preparing the draft and summary of the Incentive Scheme and submitting it to the board of directors for consideration.
- (ii) The board of directors shall make a resolution on the draft of the Incentive Scheme in accordance with the law, and directors who are proposed to be incentivised or directors who are related to them should abstain themselves from voting. After making an announcement regarding the resolution of the board of directors, the draft of the Share Incentive Scheme, the opinions of the independent directors and the opinions of the supervisory committee, fulfilling the procedure of announcing the list of Incentive Participants, and making an announcement to explain the review on and public announcement of the list of Incentive Participants conducted by the supervisory committee, the board of directors should submit the Incentive Scheme to the general meeting for consideration; request should also be made to the general meeting to authorise the implementation of the adjustment, grant, vesting and registration of Restricted Shares.
- (iii) The independent directors and the supervisory committee should offer their opinions on whether the Incentive Scheme is beneficial to the sustainable development of the Company and whether there are obvious detriments to the interests of the Company and the shareholders as a whole.
- (iv) The implementation of the Incentive Scheme shall be subject to consideration and approval at the general meeting of the Company. The Company shall announce the names and positions of the Incentive Participants internally through the internal website of the Company or other channels before the general meeting, and the period of announcement shall be not less than 10 days. The supervisory committee should review the list of Incentive Participants, taking into full account of the opinions set out in the announcement. The Company should disclose the explanation from the supervisory committee regarding its review on and announcement of the list of Incentive Participants 5 days before the consideration of the Share Incentive Scheme at the general meeting.

- (v) The listed company should conduct a self-examination on the trading of the Company's shares and its derivatives by persons who have inside information within 6 months prior to the announcement of the draft Share Incentive Scheme, and state whether there is any insider trading. Any person who possesses inside information and trades in the shares of the Company shall not become an Incentive Participant, except for circumstances that are not considered insider trading under the laws, administrative regulations and relevant judicial interpretations. Those who have disclosed inside information which resulted in insider trading shall not become Incentive Participants.
- (vi) The Company shall engage a lawyer to issue a legal opinion on the Incentive Scheme. The board of directors shall announce the legal opinion at the same time when it issues the notice of the general meeting to consider the Share Incentive Scheme.
- (vii) When the Company convenes the general meeting to consider the Incentive Scheme, the independent director(s) should solicit proxy votes from all shareholders in respect of the Incentive Scheme.
- (viii) The general meeting should vote on the matter of the Incentive Scheme, and shall be approved by more than 2/3 of the votes held by the shareholders present at the meeting. Save as directors, supervisors, senior management of the listed company and shareholders who are holding individually or in aggregate more than 5% of the shares of the listed company, the votes of other shareholders should be counted separately and disclosed. When the Incentive Scheme is considered at the general meeting of the Company, shareholders who are proposed to be incentivised or shareholders who are related to them should abstain themselves from voting.
- (ix) When the Incentive Scheme is considered and approved at the general meeting of the Company, and the grant conditions stipulated in the Incentive Scheme are met, the Company shall grant Restricted Shares to the Incentive Participants within the prescribed time. The board of directors shall be responsible for the implementation of the adjustment, grant, vesting and registration of the Restricted Shares upon being authorised at the general meeting.
- (x) After the Incentive Scheme is considered and approved at the general meeting, the Company should grant the Restricted Shares and issue the relevant announcement within 60 days (from the fulfilment of conditions for granting of interests if such conditions exist). If the Company fails to complete the above work within 60 days, it should promptly disclose the reasons for such failure and announce the termination of the implementation of the Incentive Scheme, pursuant to which the Share Incentive Scheme shall not be considered again within 3 months from the date of the announcement. In accordance with the Administrative Measures, the period during which the Company shall not grant Restricted Shares will not be counted towards the 60 days.

- (xi) The Company may make changes to the Incentive Scheme before it is considered and approved at the general meeting, and the changes must be considered and approved by the board of directors. If the Company is to make changes to the Share Incentive Scheme which has been considered and approved at the general meeting, it should promptly announce and submit the changes to the general meeting for consideration. The independent directors and the supervisory committee should offer their opinions on whether the Incentive Scheme is beneficial to the sustainable development of the Company and whether there are obvious detriments to the interests of the Company and the shareholders as a whole. The law firm should issue its professional opinion on whether the revised proposal is in compliance with the requirements of the Administrative Measures and relevant laws and regulations, and whether there are obvious detriments to the interests of the listed company and the shareholders as a whole.
- (xii) If the Company intends to terminate the implementation of the Incentive Scheme before its consideration at the general meeting, such termination must be considered and approved by the board of directors. If the Company terminates the implementation of the Incentive Scheme after it has been considered and approved at the general meeting, such termination should be considered and decided by the general meeting. The law firm should issue its professional opinion on whether the termination of the Incentive Scheme is in compliance with the relevant laws and administrative regulations and whether there are obvious detriments to the interests of the listed company and the shareholders as a whole.

If the resolution to terminate the implementation of the Incentive Scheme is considered and approved at the general meeting or by the board of directors, or if the Incentive Scheme is not approved at the general meeting, the Company shall not consider the Share Incentive Scheme within 3 months from the date of announcement of the resolution.

II. Procedures for the grant of Restricted Shares

- (i) The Remuneration and Evaluation Committee of the board of directors shall formulate the scheme for the grant of Restricted Shares, and the board of directors shall consider and approve the scheme for the grant of Restricted Shares formulated by the Remuneration and Evaluation Committee. Within 60 days from the date of consideration and approval of the Incentive Scheme at the general meeting of the Company (from the fulfilment of conditions for granting of interests if such conditions exist), the board of directors of the Company shall hold a meeting to grant the incentive to the Incentive Participants.
- (ii) Before granting of interests to the Incentive Participants by the Company, the board of directors should consider and announce whether the conditions set out in the Incentive Scheme for granting of interests to the Incentive Participants have been fulfilled. At the same time, the independent directors and the supervisory committee should offer explicit opinions. The law firm should issue a legal opinion on whether the conditions for granting of interests to the Incentive Participants have been fulfilled. The supervisory committee of the Company should verify the list of Incentive Participants on the date of grant of Restricted Shares and provide its opinion. If there is any discrepancy between the arrangement for granting of interests to the Incentive Participants and those as set out in the Scheme, the independent directors, the supervisory committee and the law firm should offer their explicit opinions as well.
- (iii) The Company and each of the Incentive Participants shall enter into the Agreement on the First Restricted Share Incentive Scheme to agree on the rights and obligations of both parties.
- (iv) After the Share Incentive Scheme has been considered and approved at the general meeting, the Company should grant the Restricted Shares to the Incentive Participants and publish the relevant announcement within 60 days (from the fulfilment of conditions for granting of interests if such conditions exist). If the Company fails to complete the issue of announcement within 60 days, the implementation of the Incentive Scheme shall be terminated and the board of directors should promptly disclose the reasons for such failure and shall not consider the Share Incentive Scheme again for the next 3 months.
- (v) The recipient of the grant of the reserved interests should be specified within 12 months after the consideration and approval of the Incentive Scheme at the general meeting. If the Incentive Participant is not specified after more than 12 months, the reserved interests shall lapse.

III. Vesting procedures for Restricted Shares

- (i) Before the vesting of the Restricted Shares, the board of directors of the Company should consider whether the Vesting Conditions by the Incentive Participants set out in the Incentive Scheme have been fulfilled, the independent directors and the supervisory committee should offer explicit opinions as well, and the law firm should issue a legal opinion on whether the conditions for the exercise of the interests of the Incentive Participants have been fulfilled.
- (ii) For the Incentive Participants who have met the Vesting Conditions, they are required to pay the subscription monies of the Restricted Shares to the designated account of the Company as required by the Company, and have the funds verified by a certified public accountant, with any default payment deemed to be a forfeiture of the subscription of the Restricted Shares granted to the Incentive Participants. The Company shall make an application to the stock exchange and upon confirmation by the stock exchange, the vesting and registration of the shares shall be handled by the share registration and settlement institution. For the Incentive Participants who have not met the Vesting Conditions, the corresponding tranche of Restricted Shares shall be lapse, nullified and voided. After the vesting by the Incentive Participants, the listed company should make an announcement disclosing the resolution of the board of directors in a timely manner and make an announcement regarding the opinions of the independent directors, the supervisory committee and the law firm and the relevant implementation status.
- (iii) The Incentive Participants may transfer the vested Restricted Shares, but the transfer of shares held by directors and senior management of the Company should be made in accordance with the requirements of relevant laws, administrative regulations and normative documents.

Chapter 7 The Respective Rights and Obligations of the Company and the Incentive Participants***I. Rights and obligations of the Company***

- (i) The Company shall have the right to interpret and enforce the Scheme and conduct performance assessment on the Incentive Participants in accordance with the requirements of the Scheme. If the Incentive Participants do not meet the Vesting Conditions set out in the Scheme, the Company shall nullify the Vesting of the Restricted Shares granted to the Incentive Participants but not yet registered in accordance with the principles set out in the Scheme, and such Vesting shall be null and void.
- (ii) 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 the Company, or violates the Non-Competition Agreement entered into with the Company, the Company may, upon approval by the board of directors of the Company, nullify the vesting of the Restricted Shares granted to the Incentive Participant but not yet vested, and such vesting shall be null and void. In serious circumstances, the Company may also claim the losses suffered by the Company pursuant to the relevant laws.
- (iii) The Company shall withhold and pay on behalf of the Incentive Participants the personal income tax and other taxes payable by them in accordance with the requirements of national tax regulations.
- (iv) The Company undertakes not to provide loans or any other forms of financial assistance to the Incentive Participants for acquiring the relevant interests under the Incentive Scheme, including providing guarantee for their loans.
- (v) The Company shall fulfil the information disclosure and other obligations under the Incentive Scheme in accordance with the relevant requirements; the Company should actively work with the Incentive Participants who have met the Vesting Conditions to carry out the Vesting of the Restricted Shares in accordance with the Share Incentive Scheme and the relevant requirements of the CSRC, the SZSE and the CSDCC. However, the Company shall not be responsible for any loss suffered by the Incentive Participants that prevented the Incentive Participants from Vesting due to reasons owing to the CSRC, the SZSE and the CSDCC.
- (vi) Other relevant rights and obligations as stipulated by laws and regulations.

II. Rights and obligations of Incentive Participants

- (i) The Incentive Participants should comply with the requirements of their positions within the Company, and shall work diligently and responsibly, observe professional ethics and make their due contributions to the development of the Company.
- (ii) The source of funds for the Incentive Participants when acquiring the relevant Restricted Shares pursuant to the requirements of the Incentive Scheme comes from the self-financing of the Incentive Participant.
- (iii) The Incentive Participants are entitled to and should acquire the vested shares in accordance with the requirements of the Scheme and may deal with such shares in accordance with the requirements.
- (iv) The Restricted Shares granted to the Incentive Participants shall not be transferred or used for guarantee or repayment of debt before Vesting. The Restricted Shares granted to the Incentive Participants in accordance with the requirements of the Incentive Scheme shall not have voting and polling rights before Vesting and shall also not be entitled to share bonus and dividend distribution.
- (v) Any gain of the Incentive Participants generated from the Incentive Scheme are subject to individual income tax and other taxes according to the national tax regulations.
- (vi) The Incentive Participant should undertake that in the event that false statements, misleading statements or material omissions in the information disclosure documents result in the listed company to be ineligible for the granting of Restricted Shares or vesting arrangement, the Incentive Participant should return to the Company all benefits gained through the Incentive Scheme after the relevant information disclosure documents are confirmed to have contained false statements, misleading statements or material omissions.
- (vii) If an employee who becomes an Incentive Participant violates the Non-Competition Agreement entered into with the Company after leaving the Company, the employee shall be obligated to return to the Company all proceeds gained from the Restricted Shares previously acquired by him/her through the Scheme.
- (viii) If an Incentive Participant cannot become an Incentive Participant under the circumstances stipulated in Article 8 of the Administrative Measures during the implementation of the Incentive Scheme, the Restricted Shares granted to him/her but not yet vested shall be null and void.

- (ix) After the Incentive Scheme is considered and approved at the general meeting of the Company, the Company shall enter into the Agreement on the First Restricted Share Incentive Scheme with each Incentive Participant to confirm the content of the Incentive Scheme, which explicitly agree on the respective rights and obligations of the parties under the Incentive Scheme and other related matters.
- (x) Other relevant rights and obligations as stipulated by laws, administrative regulations, departmental rules and normative documents.

III. Other descriptions

The determination of the Incentive Participants of the Share Incentive Scheme by the Company does not constitute a commitment to the employment period of the employees of the Company and its controlling subsidiaries. The employment relationship shall continue to be determined by the Company and its subsidiaries in accordance with the Labour Contract or the Employment Contract entered into with the Incentive Participants.

Chapter 8 Termination of and Changes to the Incentive Scheme and Handling of Changes in the Personal Circumstances of the Incentive Participants

I. Termination of the Incentive Scheme

- (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;
- (iv) Where the laws and regulations prohibit the implementation of equity incentives;
- (v) Other circumstances as determined by the CSRC.

In the event of one of the above circumstances occurs in the Company, the 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. If the Company intends to terminate the implementation of the Incentive Scheme before its consideration at the general meeting, such termination must be considered and approved by the board of directors; if the Company terminates the implementation of the Incentive Scheme after it has been considered and approved at the general meeting, such termination should be considered and decided by the general meeting. The law firm should issue its professional opinion on whether the termination of the Incentive Scheme is in compliance with the relevant laws and administrative regulations and whether there are obvious detriments to the interests of the listed company and the shareholders as a whole.

In addition, in the event that false statements, misleading statements or material omissions in the information disclosure documents result in the Company to be non-compliance with the conditions for granting or vesting of Restricted Shares, the Restricted Shares granted to the Incentive Participants but not yet vested shall not be vested; and the benefits gained should be returned for Restricted Shares already vested. The board of directors should recover the proceeds received by the Incentive Participants in accordance with the requirements set out in the preceding paragraphs. If the Incentive Participants are not responsible for the above matters and suffer losses due to such return of benefits, the Incentive Participants may claim their losses from the Company or the Incentive Participant who is responsible.

II. Changes to the Incentive Scheme

The Company may make changes to the Incentive Scheme before it is considered and approved at the general meeting, and such changes must be considered and approved by the board of directors; changes to be made by the Company to the Incentive Scheme which has been considered and approved at the general meeting should be promptly announced and submitted to the general meeting for consideration, except where the board of directors of the Company is authorised at the general meeting of the Company to adjust the number and price of the Restricted Shares granted/ vested in accordance with the reasons set out in the Incentive Scheme, as well as the relevant rules stipulated by the CSRC, the SZSE or the Hong Kong Stock Exchange, and shall not include the following circumstances:

- (i) circumstances leading to early vesting;
- (ii) circumstances leading to a reduction in grant price (except for reduction in grant price due to reasons such as capitalisation of capital reserves, bonus shares, distribution of dividends and rights issues).

During the period when the Company is a principal subsidiary of a company listed on the Hong Kong Stock Exchange, except for those who have obtained waiver from the Hong Kong Stock Exchange (if applicable), the Company must also comply with the following requirements if any changes to the Incentive Scheme are to be made:

- (1) Any alterations to the terms and conditions of the Incentive Scheme which are of a material nature or any alterations to the provisions relating to the matters set out in Rule 17.03 of the Hong Kong Listing Rules to the advantage of Incentive Participants must be approved by the general meeting of Huabao International and/or approved by Huabao Flavours by way of special resolution (if applicable).
- (2) Any change to the terms of Restricted Shares granted to an Incentive Participant must be approved by the board of directors, the remuneration and appraisal committee, the independent non-executive directors of Huabao Flavours and the shareholders of both Huabao International and Huabao Flavours (where applicable) if the initial grant of the Restricted Shares was approved by the board, the remuneration and appraisal committee, the independent non-executive directors of Huabao Flavours and the shareholders of both Huabao International and Huabao Flavours (where applicable). This requirement does not apply where the alterations take effect automatically under the existing terms of the Incentive Scheme.

- (3) The amended terms of the Incentive Scheme must still comply with the relevant requirements of Chapter 17 of the Hong Kong Listing Rules.
- (4) Any change to the authority of the directors to alter the terms of the Incentive Scheme must be approved by shareholders of Huabao International and/or Huabao Flavours in general meeting.

The Company shall fulfil the obligation of announcement in a timely manner; the independent directors and the supervisory committee shall offer their opinions on whether the revised proposal is beneficial to the sustainable development of the Company and whether there are obvious detriments to the interests of the Company and the shareholders as a whole; the law firm shall issue its professional opinion on whether the revised proposal is in compliance with the requirements of the Administrative Measures and relevant laws and regulations, and whether there are obvious detriments to the interests of the Company and the shareholders as a whole, and in the event that such changes involve the change of Incentive Participants, the supervisory committee shall re-verify the list of Incentive Participants in accordance with the procedures agreed in the Scheme.

In the event of any of the following circumstances, the Incentive Scheme shall not be changed and shall continue to be implemented as it was before such circumstance occurs:

- (i) Change of control of the Company;
- (ii) Merger or demerger of the Company.

III. Handling of changes in the personal circumstances of the Incentive Participants

- (i) If there is an ordinary change of position of the Incentive Participant in the Company, the Restricted Shares granted to him/her shall be processed in full according to the relevant requirements of the Scheme.
- (ii) If the Incentive Participant loses the eligibility to participate in the Scheme due to any one of the following circumstances, the Restricted Shares vested by the Incentive Participant shall not be changed and the Restricted Shares not yet vested shall not be vested and shall be null and void:
 - 1. the Incentive Participant is identified as an unsuitable candidate by the stock exchange within the last 12 months;
 - 2. the Incentive Participant is identified as an unsuitable candidate by the CSRC and its delegated institutions within the last 12 months;
 - 3. the Incentive Participant has been imposed administrative punishment or market access prohibition by the CSRC and its delegated institutions within the last 12 months due to material violation of laws and regulations;

4. the Incentive Participant is prohibited from being appointed as a director or senior manager of the Company as stipulated by the Company Law;
 5. the Company terminates the employment relationship with the Incentive Participant due to his/her inability to perform the job;
 6. the Incentive Participant has been prohibited from participating in share incentive of the listed company as stipulated in the requirements of laws and regulations;
 7. other circumstances as determined by the CSRC.
- (iii) 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 the Company, or violates the Non-Competition Agreement entered into with the Company, the Restricted Shares granted to the Incentive Participant but not yet vested shall not be vested upon approval by the board of directors of the Company and shall be cancelled. The Company shall also require the Incentive Participant to return the proceeds obtained from the vested Restricted Shares.
- (iv) 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.
- (v) In case of an Incentive Participant who leaves employment due to loss of labour capacity, it shall be dealt with according to the following two scenarios:
1. If the Incentive Participant leaves employment due to loss of labour capacity caused by the performance of his/her duties, the interests granted to him/her shall be processed in full according to the procedures stipulated in the Incentive Scheme prior to the loss of labour capacity, and the results of his/her individual performance appraisal shall no longer be included in the Vesting Conditions.
 2. 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 Incentive Scheme, and the Company 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.

- (vi) In case of death of an Incentive Participant, it shall be dealt with according to the following two scenarios:
1. If the death of the Incentive Participant is due to the performance of his duties, the interests granted to him/her shall be held by the designated heir or legal heir on his/her behalf and processed according to the procedures stipulated in the Scheme prior to the death of the Incentive Participant, and the results of his/her individual performance appraisal shall no longer be included in the Vesting Conditions.
 2. 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 Incentive Scheme, and the Company 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.
- (vii) Other unspecified circumstances shall be determined and dealt with by the Remuneration and Evaluation Committee of the board of directors.

Chapter 9 Dispute Resolution Mechanism between the Company and the Incentive Participants

Controversies or disputes between the Company and the Incentive Participants arising from the implementation of the Incentive Scheme or the Agreement on the First Restricted Share Incentive Scheme entered into by the parties, or in connection with the Incentive Scheme and/or the Agreement on the First Restricted Share Incentive Scheme shall be resolved through negotiation and communication between the parties, or through mediation by the Remuneration and Evaluation Committee of the board of directors of the Company. If the parties fail to resolve the controversy or dispute through the above means or the relevant controversies or disputes cannot be resolved through the above means within 60 days from the date of such occurrence, either party shall have the right to file a lawsuit to the people's court of competent jurisdiction where the Company is located to resolve the matter.

Chapter 10 By-laws

- i. The Scheme shall become effective upon its approval at the general meeting of the Company. During the period when the Company is a principal subsidiary of a company listed on the Hong Kong Stock Exchange, except for those who have obtained waiver from the Hong Kong Stock Exchange (if applicable), the formulation, implementation, variation and termination of the Incentive Scheme shall also be subject to compliance with the relevant requirements of the Hong Kong Stock Exchange simultaneously.
- ii. The board of directors of the Company shall be responsible for the interpretation of the Scheme.

Huabao Flavours & Fragrances Co., Ltd.
Board of Directors
9 December 2023



HUABAO INTERNATIONAL HOLDINGS LIMITED

華寶國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00336)

14 December 2023

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of Huabao International Holdings Limited (the “**Company**”) dated 14 December 2023 to the shareholders of the Company (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

This letter sets out our recommendation to the Independent Shareholders as to voting in relation to the resolution to be proposed at the SGM for the approval of the adoption of the Share Incentive Scheme.

Having considered the reasons for the adoption of the Share Incentive Scheme, we are of the view that the terms of the Share Incentive Scheme are fair and reasonable and in the interest of the Company and the Shareholders (including the Independent Shareholders) as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

LEE Luk Shiu

Jonathan Jun YAN

HOU Haitao

Independent Non-executive Directors

* *For identification purpose only*

NOTICE OF SPECIAL GENERAL MEETING



HUABAO INTERNATIONAL HOLDINGS LIMITED

華寶國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00336)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the “**Meeting**”) of Huabao International Holdings Limited (the “**Company**”) will be held at Suite 3008, 30/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 5 January 2024 at 9:30 a.m. (if there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above or the extreme conditions as announced by the Hong Kong Special Administrative Government in force on 5 January 2024, the provisions contained in Note 8 below shall be applicable) for the purpose of considering and, if though fit, passing with or without amendments, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

1. the rules of the proposed share incentive scheme of Huabao Flavours & Fragrances Co., Ltd. (“**Huabao Flavours**”) be and are hereby approved and adopted; and the directors of the Company be and are hereby authorised to execute such documents and take such actions as they deem appropriate to implement and give effect to such scheme by Huabao Flavours.”

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

Hong Kong, 14 December 2023

* For identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. A shareholder of the Company (the “**Shareholder(s)**”) entitled to attend and vote at the Meeting (or at any adjournment thereof) is entitled to appoint another person as his/her/its proxy to attend and vote in his/her/its stead in accordance with the bye-laws of the Company. A proxy need not be the Shareholder. Completion and return of the form of proxy will not preclude a member from attending the Meeting and voting in person. In such event, his/her form of proxy will be deemed to have been revoked.
2. A form of proxy for use at the Meeting is enclosed.
3. 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 true copy thereof must be deposited at the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the Meeting (or any adjourned meeting thereof) and in default the form of proxy shall not be treated as valid. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the Meeting (or any adjourned meeting thereof) should they so wish.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of joint holding.
5. An explanatory statement containing further details regarding Resolution above is set out in a circular to the Shareholders dated 14 December 2023 (“**Circular**”) sent together with this notice.
6. In order to determine the entitlement of Shareholders to attend and vote at the Meeting, the register of members of the Company will be closed from 2 January 2024 to 5 January 2024, both days inclusive, during which no transfer of shares will be effected. All properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 29 December 2023. Shareholders whose names are recorded in the register of members of the Company on 5 January 2024 are entitled to attend and vote at the Meeting.
7. Pursuant to Rule 13.39(4) of the Listing Rules, the resolution set out in this notice will be decided by poll at the Meeting.
8. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at or after 7:30 a.m. on 5 January 2024 and/or the Hong Kong Observatory has announced at or before 7:30 a.m. on 5 January 2024 that either of the above mentioned warnings is to be issued within the next two hours or the extreme conditions as announced by the Hong Kong Special Administrative Government still exists two hours prior to 9:30 a.m. on 5 January 2024, the Meeting shall automatically be postponed to the next Business Day on which no “black” rainstorm warning or tropical cyclone warning signal number 8 or above or the extreme conditions as announced by the Hong Kong Special Administrative Government is hoisted between the hours from 7:30 a.m. to 9:30 a.m. and in such case the Meeting shall be held at 9:30 a.m. on that Business Day at Suite 3008, 30th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. “Business Day”, in this context, shall mean a day (not being a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are open for general banking business.
9. **Every Shareholder or proxy is recommended to wear surgical facial mask during their attendance of the Meeting; and no refreshment will be served and no gift will be distributed at the Meeting.**

As at the date of this notice, 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 Mr. LEE Luk Shiu, Mr. Jonathan Jun YAN and Mr. HOU Haitao.