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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)

CONNECTED TRANSACTIONS WITH CUSTOMER

TRANSACTIONS WITH CUSTOMER

Reference is made to the First Announcement, the Second Announcement and the Third Announcement, respectively.

Since the publication of the Third Announcement, members of the Group have received the Purchase Orders placed by Guangdong Tobacco Company, all in relation to the provision of tobacco raw materials by members of the Group to Guangdong Tobacco Company. The aggregate consideration under the Purchase Orders amounted to approximately RMB45,465,226.

The Company indirectly holds approximately 55.375% equity interest in Guangdong Jinke, which is regarded as an indirect non-wholly owned subsidiary of the Company. Guangdong Tobacco holds 17.5% equity interest in Guangdong Jinke. Guangdong Tobacco Company are regarded as connected persons at the subsidiary level of the Company under the Listing Rules. Transactions between the Group and Guangdong Tobacco Company for sale and purchase of tobacco raw materials, etc. constitute connected transactions of the Company.

IMPLICATIONS UNDER THE LISTING RULES

Since the publication of the Third Announcement, the aggregate transaction amount between the Group and Guangdong Tobacco Company under the Sales Agreement amounted to approximately RMB45,465,226 which, on a standalone basis, exceeded 1% of the applicable percentage ratio, which triggers the obligation of the Company to re-comply with all applicable reporting, disclosure and, if applicable and required, independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the transactions under the Sales Agreement and the Previous Transactions aggregated under Rules 14.22 and 14.23 exceeds 1% but is less than 5%, such transactions are subject to the reporting, annual review, and announcement requirements, but are exempt from the independent shareholders' approval requirements.

The Company will continue to monitor the transaction amounts between the Group and Guangdong Tobacco Company and re-comply with all applicable reporting, disclosure and, if applicable and required, independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

TRANSACTIONS WITH CUSTOMER

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RELATIONSHIP BETWEEN THE PARTIES

The Group is principally engaged in the research and development, production, distribution and sales of flavours and fragrances and food ingredients, tobacco raw materials, aroma raw materials, condiment products in the PRC.

Guangdong Tobacco is a PRC state-owned tobacco entity and is primarily engaged in cigarettes production.

The Company indirectly holds approximately 55.375% equity interest in Guangdong Jinke, which is regarded as an indirect non-wholly owned subsidiary of the Company. Guangdong Tobacco holds 17.5% equity interest in Guangdong Jinke. As at the date of this announcement and to the best knowledge of the Company, the Shareholding Companies holds an aggregate 27.125% of the remaining equity interest in Guangdong Jinke and China National Tobacco Corporation, which is PRC state-owned, is the ultimate beneficial shareholder of each of the Shareholding Companies which are engaged in the tobacco industry and investment management. According to the information available to the Directors, the Shareholding Companies and their respective ultimate beneficial owners are parties independent of, and not connected with, the Company and its connected persons. Guangdong Tobacco Company are regarded as connected persons at the subsidiary level of the Company under the Listing Rules.

Accordingly, transactions between the Group and Guangdong Tobacco Company for sale and purchase of tobacco raw materials, etc. constitute connected transactions of the Company under the Listing Rules.

SALES AGREEMENT

Set out below are the principal terms of the Purchase Orders since the publication of the Third Announcement placed by Guangdong Tobacco Company with members of the Group, with an aggregate consideration of approximately RMB45,465,226:

Date of Purchase Order	Date of Acceptance of Purchase Order	Purchaser	Seller	Subject Matter	No. of Purchase Orders	Amount in RMB	
						Transaction Amount (exclusive of tax)	Transaction Amount (inclusive of tax)
From 11 December 2023 to 23 February 2024	From 15 December 2023 to 27 February 2024	Guangdong Tobacco Company	the Group	Provision of tobacco raw materials by the Group to Guangdong Tobacco Company	32	45,465,226	51,297,989

For all the Purchase Orders, payment of the transaction amounts was settled in arrears by cash transfer. Upon receipt of the Purchase Orders and in compliance with the internal control system, the Group conducted the procedures mentioned in the section headed “PRICING TERMS UNDER THE SALES AGREEMENT” and the production and inventory review to ensure that it could meet with the orders placed by Guangdong Tobacco Company. All the Purchase Orders have been confirmed as accepted.

PRICING TERMS UNDER THE SALES AGREEMENT

Guangdong Tobacco Company has been a long term customer of the Group. As between Guangdong Tobacco Company and the Group, the basis of pricing for provision of the tobacco raw materials products by the Group to Guangdong Tobacco Company is as follows:

- (i) Insofar as the provision of tobacco flavours products is concerned, the pricing will be based on bidding prices which shall be determined in accordance with the applicable Bidding Laws of the PRC and according to the internal bidding practice and policy of the Company. During the process, various departments including the Company’s marketing department, finance department and technology department will work in collaboration in the bidding process and in process management. The bidding quotations will be determined after taking into consideration factors such as product costs, investments costs for required research and development, tender quantities and relevant requirements as per tender documents, and follow-up on the tender process and results. The Company will be formally notified upon winning the bid, and the Company will sell the products to the counterparty at the winning bid price. Therefore, the bidding price will be determined in accordance with the due bidding process and on a fair and open basis.
- (ii) Insofar as the provision of other tobacco raw materials is concerned, the pricing will basically be market-driven according to the prevailing market conditions. Prior to entering into, or where appropriate, confirming the Sales Agreement, the Group has conducted an enquiry process by which the Group has made reference to at least two contemporaneous transactions with unrelated third parties for similar products and services and compared the pricing terms for the transactions with those with connected persons to ensure that the prices and terms offered by Guangdong Tobacco Company are on normal commercial terms and are fair and reasonable and comparable to those offered by independent third parties.

HISTORICAL TRANSACTION AMOUNTS AND REASONS TO CONTINUE THE TRANSACTIONS WITH GUANGDONG TOBACCO COMPANY

The unaudited historical transaction amounts (exclusive of tax) between members of the Group and Guangdong Tobacco Company for the period from 28 February 2023 to 27 November 2023 were RMB136,714,167.

The unaudited transaction amounts (exclusive of tax) between members of the Group and Guangdong Tobacco Company for the period from 28 February 2023 to 27 February 2024 were RMB182,179,393.

The Board considers that the transactions between members of the Group with Guangdong Tobacco Company are necessary for the Group, and is beneficial for the business operations, expansion and provision of better customer services of the Group.

BOARD CONFIRMATION

The Directors (including all the independent non-executive Directors of the Company) are of the opinion that the Sales Agreement was entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms (on arm's length basis) or better or on terms no less favourable than those terms offered by the Group to independent third parties for similar products and services in its ordinary and usual course of business; and (iii) that the terms of the agreement and the transaction amounts as aforesaid are fair and reasonable. The Directors (including all the independent non-executive Directors of the Company) are of the view that the connected transactions contemplated under the agreement as aforesaid are in the interests of the Company and its Shareholders as a whole.

To the best belief and knowledge of the Directors, as at the date of this announcement, Guangdong Tobacco Company does not hold any interest in the shares of the Company. In addition, each Director has confirmed that he/she does not hold any equity interest in Guangdong Tobacco Company. No Directors are required to abstain from voting on the resolutions in respect of the Sales Agreement.

IMPLICATIONS UNDER THE LISTING RULES

Since the publication of the Third Announcement, the aggregate transaction amount between the Group and Guangdong Tobacco Company under the Sales Agreement amounted to approximately RMB45,465,226 which, on a standalone basis, exceeded 1% of the applicable percentage ratio, which triggers the obligation of the Company to re-comply with all applicable reporting, disclosure and, if applicable and required, independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the transactions under the Sales Agreement and the Previous Transactions aggregated under Rules 14.22 and 14.23 exceeds 1% but is less than 5%, such transactions are subject to the reporting, annual review, and announcement requirements, but are exempt from the independent shareholders' approval requirements.

The transactions between Guangdong Tobacco Company and the Group are subject to aggregation under the Listing Rules. The Company will continue to monitor the transaction amounts between the Group and Guangdong Tobacco Company and re-comply with all applicable reporting, disclosure and, if applicable and required, independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Huabao International Holdings Limited, a company incorporated in Bermuda on 11 October 1991, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“First Announcement”	the announcement published by the Company on 27 June 2023 regarding the connected transactions between members of the Group and Guangdong Tobacco Company for the period from 24 February 2023 to 27 June 2023 (both days inclusive)
“Group”	the Company and its subsidiaries, as appropriate and regardless of whether directly or indirectly owned
“Guangdong Jinke”	Guangdong Jinke Reconstituted Tobacco Leaves Co., Ltd., a non-wholly owned subsidiary of Guangdong Jinye
“Guangdong Jinye”	Guangdong Golden Leaf Technology Development Co., Ltd., an indirect wholly owned subsidiary of the Company
“Guangdong Tobacco”	China Tobacco Guangdong Industrial Co., Ltd.
“Guangdong Tobacco Company”	Guangdong Tobacco and its subsidiaries and related companies
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“PRC” or “China”	the People’s Republic of China

“Previous Transactions”	a series of similar transactions between members of the Group and Guangdong Tobacco Company for the period from 27 February 2023 to 27 November 2023 (both days inclusive), the aggregate transaction amount of which amounted to approximately RMB136,714,167 and which are required to be aggregated with transactions under the Sales Agreement pursuant to the Listing Rules as they were all completed within a 12-month period
“Purchase Orders”	the purchase orders placed by Guangdong Tobacco Company with members of the Group, particulars of which are set out in the section headed “SALES AGREEMENT” of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Agreement”	collectively, the Purchase Orders, each of which has been confirmed as accepted by the Group according to the internal protocol of the Group from date of publication of the Third Announcement up to and inclusive of the date of this announcement
“Second Announcement”	the announcement published by the Company on 29 August 2023 regarding the connected transactions between members of the Group and Guangdong Tobacco Company for the period from 28 June 2023 to 29 August 2023 (both days inclusive)
“Shareholder(s)”	the shareholder(s) of the Company
“Shareholding Companies”	collectively, China National Tobacco Corporation Guangdong Company, China Tobacco Guangxi Tiancheng Investment Management Co., Ltd. and China Tobacco Industry Development Center
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“Third Announcement”	the announcement published by the Company on 27 November 2023 regarding the connected transactions between members of the Group and Guangdong Tobacco Company for the period from 30 August 2023 to 27 November 2023 (both days inclusive)
“%”	percent

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

Hong Kong, 27 February 2024

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

** For identification purposes only*