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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)

PROFIT GUARANTEE IN RELATION TO SHANGHAI YIFANG

This announcement is made by Huabao International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 14.36B(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Reference is made to the Company’s announcement dated 8 March 2022 in relation to the further acquisition of 27% equity interest in Shanghai Yifang Rural Technology Holdings Co. Ltd. (“**Shanghai Yifang**”) by Huabao Flavours & Fragrances Co., Ltd. (“**Huabao Flavours**”), a non-wholly owned subsidiary of the Company and the shares of which are listed on the ChiNext Market of Shenzhen Stock Exchange (Stock Code: 300741). As at the date of this announcement, Huabao Flavours held approximately 67% equity interests in Shanghai Yifang, and the results of Shanghai Yifang have already been consolidated into the financial statements of Huabao Flavours since March 2022.

Pursuant to the share transfer agreement (the “**Share Transfer Agreement**”) entered into between Huabao Flavours, Shanghai Keli Enterprise Management and Consulting Company Limited* (上海克瀝企業管理諮詢有限公司) (“**Keli Enterprise**”), Qian Rong (錢戎) and Wong Kam Wing (黃錦榮) (the beneficial controllers of Keli Enterprise) and other related parties on 8 March 2022, among others, Huabao Flavours, Qian Rong and Wong Kam Wing shall fulfill their capital increase obligations as scheduled in proportion to their respective shareholdings in Shanghai Yifang, and Qian Rong and Wong Kam Wing agreed to undertake the performance undertaking (the “**Performance Undertaking**”) and compensation obligations to Huabao Flavours.

Pursuant to the Performance Undertaking, Qian Rong and Wong Kam Wing undertook to Huabao Flavours that the results of Shanghai Yifang would have a consolidated net profit of not less than RMB41.00 million in 2022, a consolidated net profit of not less than RMB55.00 million in 2023 and a consolidated net profit of not less than RMB74.00 million in 2024. The performance undertaking period would be for a term of three years commencing from 1 January 2022 to 31 December 2024 (the “**Performance Undertaking Period**”). If Shanghai Yifang does not achieve the Performance Undertaking after the expiry of the Performance Undertaking Period, Qian Rong and Wong Kam Wing shall compensate Huabao Flavours in cash within 15 days after Shanghai Yifang’s 2024 annual audit report is issued.

NON-FULFILLMENT OF PERFORMANCE UNDERTAKING

Based on the financial information of Shanghai Yifang, the actual net loss of Shanghai Yifang for the year ended 31 December 2023 amounted to approximately RMB68,925,800 (unaudited) (2022: net loss of approximately RMB41,940,000 (audited)*). The performance shortfall for the year ended 31 December 2023 amounted to approximately RMB123,925,800 (unaudited) subject to audit (2022: approximately RMB82,940,000 (audited)*).

* Audited by the auditor of the financial report of Shanghai Yifang

The actual performance of Shanghai Yifang for the years 2022 and 2023 did not meet the guaranteed profits provided by Qian Rong and Wong Kam Wing.

In addition, as mentioned in the announcement of the Company dated 9 August 2023, Qian Rong and Wong Kam Wing have not yet fulfilled their obligations by paying the second instalment of the capital increase amount (RMB7,095,700 in total) under the Share Transfer Agreement, and have not rectified the same within 15 days after they have received the written notice from Huabao Flavours.

RELATED STATUS

The Share Transfer Agreement did not provide any option for Huabao Flavours to sell the equity interests in Shanghai Yifang or any part thereof back to Qian Rong and Wong Kam Wing. However, the consideration will be adjusted after the expiry of the Performance Undertaking Period in accordance with the Share Transfer Agreement if Shanghai Yifang does not achieve the Performance Undertaking. As the failure of Qian Rong and Wong Kam Wing to fulfil their obligation by paying the second instalment of the capital increase amount in the previous period was already a serious breach of the terms agreed under the Share Transfer Agreement, and taking into account the fact that Shanghai Yifang sustained a loss during the Performance Undertaking Period, Huabao Flavours has applied to the Shanghai International Arbitration Center with Qian Rong and Wong Kam Wing as respondents for arbitration (“**Arbitration**”), requesting Qian Rong and Wong Kam Wing to compensate Huabao Flavours for liquidated damages, loss of expected benefits, and legal fees for totaling RMB332.03 million, and to bear the corresponding legal costs of the Arbitration. Huabao Flavours received the “Notice of Acceptance” issued by the Shanghai International Arbitration Center on 9 August 2023. Please refer to the Company’s announcement dated 9 August 2023 for further details.

As of the date of this announcement, as the Arbitration is still in the hearing stage, the Group is unable to accurately predict the final outcome of the Arbitration or evaluate the impact of the Arbitration on the Group's financial position. Should there be any further information regarding the Arbitration, the Company will make further announcements to inform the shareholders and the public as and when appropriate in accordance with relevant requirements.

Further disclosure will be made by the Company in relation to the above in its 2023 annual report, which will be despatched to the Shareholders in or around April 2024. Saved as disclosed above and to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is no other information relating to the Performance Undertaking which needs to be disclosed by the Company under Rule 14.36B(2) of the Listing Rules.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 11 March 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*