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*This announcement does not constitute an offer or an invitation to purchase any securities. The Offers will be made solely by means of the Composite Document and the acceptance forms accompanying the Composite Document, which will contain the full terms and conditions of the Offers including details of how it may be accepted.*

**Raise Sino Investments Limited**

*(incorporated in the British Virgin Islands with limited liability)*

**Resourceful Link International Limited**

*(incorporated in the British Virgin Islands with limited liability)*



**HUABAO INTERNATIONAL HOLDINGS LIMITED**

**華寶國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00336)**

**JOINT ANNOUNCEMENT**

**VOLUNTARY CONDITIONAL CASH OFFER  
BY BNP PARIBAS SECURITIES (ASIA) LIMITED  
ON BEHALF OF THE JOINT OFFERORS  
TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF  
HUABAO INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY HELD BY THE JOINT OFFERORS AND  
PARTIES ACTING IN CONCERT WITH ANY OF THEM),  
TO CANCEL ALL THE OUTSTANDING OPTIONS OF HUABAO  
INTERNATIONAL HOLDINGS LIMITED  
AND  
RESUMPTION OF TRADING**

**Financial Adviser to the Joint Offerors**



**BNP PARIBAS**

\* For identification purposes only

## Introduction

The Joint Offerors and the Company jointly announce that BNPP Securities will, on behalf of the Joint Offerors, make a voluntary conditional cash offer to acquire all of the issued shares in the share capital of the Company (other than those already held by the Joint Offerors and the Concert Parties) and pursuant to Rule 13 of the Takeovers Code, extend appropriate offers to cancel all outstanding Options (whether vested or not) in exchange for cash.

## Principal terms of the Offers

### *Share Offer:*

**For each Offer Share. . . . .HK\$3.30 in cash**

As at the date of this announcement, there are 3,106,657,961 Shares in issue, of which 1,279,262,415 Shares (representing approximately 41.18% of the issued Shares as at the date of this announcement) are held by the Joint Offerors and their respective Concert Parties.

### *Option Offer:*

**For outstanding Options with an exercise price of HK\$6.65 each**

**For the cancellation of each Option . . . . .HK\$0.0001 in cash**

**For outstanding Options with an exercise price of HK\$2.75 each**

**For the cancellation of each Option . . . . .HK\$0.55 in cash**

As at the date of this announcement, there are 7,754,915 outstanding Options granted under the Share Option Scheme, entitling the Optionholders to subscribe for an aggregate of 6,450,000 Shares at an exercise price of HK\$6.65 per Share and 1,304,915 Shares at an exercise price of HK\$2.75 per Share.

The respective exercise periods in which the Options are exercisable are as follows:

Number of Options	Exercise price	Exercise period
6,450,000	HK\$6.65	17/4/2008 – 16/10/2017
1,304,915	HK\$2.75	1/12/2016 – 31/12/2016

As the exercise price for the Options with an exercise price of HK\$6.65 each is above the Share Offer Price so that all such Options are out-of-money, the Option Offer will be a nominal cash offer for the cancellation of such outstanding Options (whether such Options are exercisable or not).

The Joint Offerors will offer the Optionholders with an exercise price of HK\$2.75 each cash equal to the “see-through” price (being the Offer Price minus the relevant exercise price of Options) for each Option that they hold.

The Option Offer will be extended to all Optionholders in accordance with the Takeovers Code.

**Total consideration**

As at the date of this announcement, there are 3,106,657,961 Shares in issue, 6,450,000 outstanding Options with an exercise price of HK\$6.65 each in respect of 6,450,000 Shares, and 1,304,915 outstanding Options with an exercise price of HK\$2.75 each in respect of 1,304,915 Shares.

On the basis of the consideration of HK\$3.30 per Offer Share under the Share Offer, the entire issued share capital of the Company as at the date of this announcement is valued at approximately HK\$10,251,971,271.30.

On the assumption that:

- (i) the Share Offer is accepted in full by the holders of the Offer Shares and on the basis that there will be 1,827,395,546 Offer Shares; and
- (ii) no Option is exercised prior to the close of the Offers,

the value of the Share Offer is approximately HK\$6,030,405,301.80 and the total amounts required to satisfy the cancellation of all the outstanding Options are approximately HK\$718,348.25. In aggregate, the Offers are valued at approximately HK\$6,031,123,650.05.

If all of the outstanding Options are exercised in full by the Optionholders prior to the close of the Offers, the Company will have to issue 7,754,915 new Shares, representing approximately 0.25% of the enlarged total issued Shares. On the assumption that the Share Offer is accepted in full by the holders of the Offer Shares and on the basis that there will be 1,835,150,461 Offer Shares (including all Shares allotted and issued as a result of the exercise of the Options), the value of the Share Offer is approximately HK\$6,055,996,521.30. In this case, no amount will be payable by the Joint Offerors under the Option Offer.

**Confirmation of financial resources**

The Joint Offerors intend to finance the cash required for the Offers from a combination of (i) debt financing to be provided by Minsheng Bank to Mogul Enterprises, Jumbo Elite, Real Elite, Power Nation and the Joint Offerors; and (ii) internal cash resources of the Joint Offerors. To ensure that the Joint Offerors will be able to satisfy their payment obligations under the Offers, the Joint Offerors have also arranged for Minsheng Bank to issue and Minsheng Bank has issued the irrevocable standby Letters of Credit in favour of BNPP Securities.

BNPP Securities, being the financial adviser to the Joint Offerors in respect of the Offers, is satisfied that sufficient financial resources are, and will remain, available to the Joint Offerors to satisfy full acceptance of the Offers.

**Condition to the Offers**

The Share Offer is conditional upon valid acceptances of the Share Offer having been received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Joint Offerors may, subject to the rules of the Takeovers Code, decide) in respect of such number of Shares which will result in the Joint Offerors and the Concert Parties holding at least 50% of the voting rights of the Company.

The Option Offer will be subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects.

**Warning: Shareholders, Optionholders and potential investors of the Company should be aware that the Share Offer is subject to the satisfaction of the Condition and the Option Offer is subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects. Accordingly, the Offers may or may not be made or, if made, become unconditional. Shareholders, Optionholders and potential investors should therefore exercise caution when dealing in the Shares and/or Options (as applicable) or exercising the rights in respect of any of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

## **General information**

### ***Independent Board Committee and independent financial adviser to the Independent Board Committee***

An Independent Board Committee, which comprises Dr. DING Ningning, Mr. LEE Luk Shiu, Ms. MA Yun Yan and Mr. WU Chi Keung (each being an independent non-executive Director), has been established by the Board to make a recommendation to the Shareholders and Optionholders as to whether the Offers are, or are not, fair and reasonable and as to acceptance.

An independent financial adviser will be appointed (with the approval of the Independent Board Committee) to advise the Independent Board Committee in connection with the Offers. An announcement will be made by the Company as soon as possible after an independent financial adviser has been appointed.

### ***Listing status of the Company and compulsory acquisition***

The Stock Exchange has stated that if, at the close of the Offers, less than 25% of the issue Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

Subject to the Joint Offerors acquiring less than 90% of the disinterested Shares (as defined in the Takeovers Code) within the period of four months after posting the Composite Document as required by Rule 2.11 of the Takeovers Code, the Joint Offerors intend the Company to remain listed on the Stock Exchange after closing of the Offers. The directors of the Joint Offerors will take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offers.

Subject to compliance with the relevant requirements under the Companies Act and the Joint Offerors acquiring not less than 90% of the disinterested Shares (as defined in the Takeovers Code) within the period of four months after posting the Composite Document as required by Rule 2.11 of the Takeovers Code (in any event no later than 16 April 2017), the Joint Offerors intend to exercise their rights under Section 102 or Section 103 of the Companies Act to compulsorily acquire those Offer Shares not acquired by the Joint Offerors pursuant to the Share Offer, and following which an application will be made for the withdrawal of the listing of the Shares on the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

Written notice of the Joint Offerors' exercise of their rights of compulsory acquisition as described above will be provided by the Joint Offerors to those Shareholders who do not accept the Share Offer.

The Joint Offerors' ability to exercise rights of compulsory acquisition is dependent on the level of acceptances of the Share Offer reaching the prescribed level under the Companies Act and on the requirements of Rule 2.11 of the Takeovers Code being satisfied. If the Joint Offerors are unable to effect the compulsory acquisition set out above, the Joint Offerors will take steps (as and when appropriate) to ensure that there is sufficient public float. In the event that the compulsory acquisition and withdrawal of listing of the Company do not take place, there can be no assurance that the Shares will trade at or above the Offer Price in future.

### ***Composite Document***

It is the intention of the respective boards of directors of the Joint Offerors and the Company to combine the offer document and the offeree board circular into a composite offer document. The Composite Document will contain, among other things, the detailed terms of the Offers (including the expected timetable relating to the Offers), a letter from the Independent Board Committee in relation to the Offers and a letter from the independent financial adviser to the Independent Board Committee in respect of the Offers. It is expected that the Composite Document will be despatched to the Shareholders and the Optionholders, together with the respective forms of acceptance for the Share Offer and Option Offer, within 21 days after the date of this announcement.

### **Resumption of Trading**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:00 a.m. on 21 November 2016 (Hong Kong time), pending the issue of this announcement.

Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 24 November 2016 (Hong Kong time).

## **1. INTRODUCTION**

Reference is made to the announcement of the Company dated 21 November 2016 regarding the trading halt of the Shares. The Joint Offerors and the Company jointly announce that BNPP Securities will, on behalf of the Joint Offerors, make a voluntary conditional cash offer to acquire all of the issued shares in the share capital of the Company (other than those already held by the Joint Offerors and the Concert Parties) and, pursuant to Rule 13 of the Takeovers Code, extend appropriate offers to cancel all outstanding Options.

## **2. THE OFFERS**

### **2.1 Principal terms of the Offers**

#### ***Share Offer:***

**For each Offer Share . . . . . HK\$3.30 in cash**

As at the date of this announcement, there are 3,106,657,961 Shares in issue, of which 1,279,262,415 Shares (representing approximately 41.18% of the issued share capital of the Company as at the date of this announcement) are held by the Joint Offerors and their respective Concert Parties.

***Option Offer:***

**For outstanding Options with an exercise price of HK\$6.65 each**

**For the cancellation of each Option. . . . . HK\$0.0001 in cash**

**For outstanding Options with an exercise price of HK\$2.75 each**

**For the cancellation of each Option. . . . . HK\$0.55 in cash**

As at the date of this announcement, there are 7,754,915 outstanding Options granted under the Share Option Scheme, entitling the Optionholders to subscribe for an aggregate of 6,450,000 Shares at an exercise price of HK\$6.65 per Share and 1,304,915 Shares at an exercise price of HK\$2.75 per Share.

The respective exercise periods in which the Options are exercisable are as follows:

<b>Number of Options</b>	<b>Exercise price</b>	<b>Exercise period</b>
6,450,000	HK\$6.65	17/4/2008 – 16/10/2017
1,304,915	HK\$2.75	1/12/2016 – 31/12/2016

As the exercise price for the Options with an exercise price of HK\$6.65 each is above the Share Offer Price so that all such Options are out-of-money, the Option Offer will be a nominal cash offer for the cancellation of such outstanding Options (whether such Options are exercisable or not).

Under Rule 13 of the Takeovers Code, the Joint Offerors will offer the Optionholders with an exercise price of HK\$2.75 each cash equal to the “see-through” price (being the Offer Price minus the relevant exercise price of Options) for each Option that they hold.

The Option Offer will be extended to all Optionholders in accordance with the Takeovers Code.

## **2.2 Comparison of value**

The Share Offer Price of HK\$3.30 represents:

- (a) a premium of approximately 9.27% over the closing price of HK\$3.020 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 11.00% over the average closing price of approximately HK\$2.973 per Share as quoted on the Stock Exchange for the 7 consecutive trading days up to and including the Last Trading Date;
- (c) a premium of approximately 12.59% over the average closing price of approximately HK\$2.931 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Date;



- (d) a premium of approximately 11.64% over the average closing price of approximately HK\$2.956 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Date;
- (e) a premium of approximately 11.90% over the average closing price of approximately HK\$2.949 per Share as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Date;
- (f) a premium of approximately 12.44% over the average closing price of approximately HK\$2.935 per Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Date; and
- (g) a premium of approximately 0.61% to the Company's audited consolidated net asset value attributable to the Shareholders of approximately HK\$3.28 per Share, calculated based on the Company's audited consolidated net asset value attributable to the Shareholders of approximately HK\$10,187.24 million as at 31 March 2016 as shown in the audited consolidated financial statements of the Company as at 31 March 2016 and 3,106,657,961 Shares in issue as at the date of this announcement.

### **2.3 Highest and lowest Share prices**

During the six-month period preceding and including the date of this announcement, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$3.20 on 9 September 2016 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$2.71 on 24 June 2016.

### **2.4 Total consideration**

As at the date of this announcement, there were 3,106,657,961 Shares in issue and 6,450,000 outstanding Options with an exercise price of HK\$6.65 each in respect of 6,450,000 Shares, and 1,304,915 outstanding Options with an exercise price of HK\$2.75 each in respect of 1,304,915 Shares. On the basis of the Share Offer Price of HK\$3.30 per Offer Share under the Share Offer, the entire issued share capital of the Company as at the date of this announcement is valued at approximately HK\$10,251,971,271.30.

On the assumption that:

- (i) the Share Offer is accepted in full by the holders of the Offer Shares and on the basis that there will be 1,827,395,546 Offer Shares; and
- (ii) no Option is exercised prior to the close of the Offers,

the value of the Share Offer is approximately HK\$6,030,405,301.80 and the total amounts required to satisfy the cancellation of all the outstanding Options are approximately HK\$718,348.25. In aggregate, the Offers are valued at approximately HK\$6,031,123,650.05.

If all of the outstanding Options are exercised in full by the Optionholders prior to the close of the Offers, the Company will have to issue 7,754,915 new Shares, representing approximately 0.25% of the enlarged total issued Shares. On the assumption that the Share Offer is accepted in full by the holders of the Offer Shares and on the basis that there will be 1,835,150,461 Offer Shares (including all Shares allotted and issued as a result of the exercise of the Options), the value of the Share Offer is approximately HK\$6,055,996,521.30. In this case, no amount will be payable by the Joint Offerors under the Option Offer.

## **2.5 Settlement of consideration**

Settlement of the consideration payable by the Joint Offerors in respect of acceptances of each of the Offers will be made as soon as possible but in any event within seven Business Days of the later of (i) the date of receipt of a completed and valid acceptance in respect of the Share Offer or Option Offer (as applicable) or (ii) the date on which the Share Offer becomes or is declared unconditional in all respects.

No fraction of a cent will be payable and the amount of cash consideration payable to a Shareholder or Optionholder (as the case may be) who accepts the Share Offer or Option Offer (as applicable) will be rounded up to the nearest cent.

## **2.6 Confirmation of financial resources**

Each of the Joint Offerors will acquire the Offer Shares tendered for acceptance by the Independent Shareholders pursuant to and in accordance with the terms of the Share Offer and will pay for the Offer Shares tendered under the Share Offer.

The Joint Offerors intend to finance the cash required for the Offers from a combination of (i) debt financing to be provided by Minsheng Bank to Mogul Enterprises, Jumbo Elite, Real Elite, Power Nation and the Joint Offerors and (ii) internal cash resources of the Joint Offerors.

As part of the security package for the respective financing arrangements with Minsheng Bank, each of Mogul Enterprises, Jumbo Elite, Real Elite, and Power Nation and the Joint Offerors has granted a share mortgage over all the Shares it held in favour of Minsheng Bank. In addition, Minsheng Bank has required that any Offer Shares purchased with its financing be charged to it for securing the obligations of the Joint Offerors under the respective loan facilities.

To ensure that the Joint Offerors will be able to satisfy their payment obligations under the Offers, the Joint Offerors have also arranged for Minsheng Bank to issue and Minsheng Bank has issued irrevocable standby Letters of Credit in favour of BNPP Securities.

BNPP Securities, being the financial adviser to the Joint Offerors in respect of the Offers, is satisfied that sufficient financial resources are, and will remain, available to the Joint Offerors to satisfy full acceptance of the Offers.



## 2.7 Condition to the Offers

The Share Offer is conditional upon valid acceptances of the Share Offer having been received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Joint Offerors may, subject to the rules of the Takeovers Code, decide) in respect of such number of Shares which will result in the Joint Offerors holding at least 50% of the voting rights of the Company. The Condition is not waivable.

The Option Offer will be subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects.

The Offers will be made in compliance with the Takeovers Code, which is administered by the Executive.

In accordance with Rule 15.3 of the Takeovers Code, the Joint Offerors must publish an announcement when the Offers become unconditional as to acceptances or when the Offers become unconditional in all respects. The Offers must also remain open for acceptance for at least 14 days after the Offers become unconditional. Shareholders and Optionholders are reminded that the Joint Offerors do not have any obligation to keep the Offers open for acceptance beyond this 14-day period.

**Warning: Shareholders, Optionholders and potential investors of the Company should be aware that the Share Offer is subject to the satisfaction of the Condition and the Option Offer is subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects. Accordingly, the Offers may or may not be made or, if made, become unconditional. Shareholders, Optionholders and potential investors should therefore exercise caution when dealing in the Shares and/or Options (as applicable) or exercising the rights in respect of any of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

## 3. GENERAL INFORMATION

### 3.1 Information on the Joint Offerors

Raise Sino is a company incorporated in the British Virgin Islands with limited liability on 8 October 2003. Its principal activity is investment holding. Raise Sino is wholly-owned by Ms. Chu.

Resourceful Link is a company incorporated in the British Virgin Islands with limited liability on 27 April 2006. Its principal activity is investment holding. Resourceful Link is wholly-owned by Ms. Chu.

### 3.2 Information on the Group

The Company is incorporated in Bermuda with limited liability and whose Shares are listed on the Main Board of the Stock Exchange. It is an investment holding company. The Group is principally engaged in the research and development, production and sale of flavours and fragrances, tobacco raw materials, aroma raw materials and innovative tobacco products.

Set out below is a summary of the audited consolidated financial information of the Company for the financial year ended 31 March 2016 as extracted from the annual report of the Company for the year ended 31 March 2016 and the unaudited consolidated financial information of the Company for the six months ended 30 September 2016 as extracted from the interim results announcement of the Company dated 17 November 2016.

	For the financial year ended 31 March 2016 (HK\$'000) (audited)	For the six months ended 30 September 2016 (HK\$'000) (unaudited)
Sales	3,928,217	1,859,477
Profit before income tax	1,832,915	686,497
Profit attributable to the owners of the Company	1,450,250	557,753
Net assets value attributable to the Shareholders	10,187,240	10,737,165

Further financial information of the Company will be set forth in the Composite Document to be despatched to the Shareholders and Optionholders.

In addition, Shareholders and the Optionholders should also note that the Company has proposed a spin-off (the “**Proposed Spin-off**”) and listing of Huabao Flavours & Fragrances Co., Ltd. (華寶香精股份有限公司) (formerly known as Huabao Food Flavours & Fragrances (Shanghai) Co., Ltd. (華寶食用香精香料(上海)有限公司) (the “**Spin-off Company**”) by way of separate A shares listing (the “**Proposed A Share Listing**”) of the Spin-off Company on a stock exchange in the PRC. The Spin-off Company is a non wholly-owned subsidiary of the Company and, together with its subsidiaries, is principally engaged in the flavours and fragrances business in the PRC.

On 19 August 2016, the Company submitted a proposal on the Proposed Spin-off to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules. On 27 October 2016, the Stock Exchange confirmed that the Company may proceed with the Proposed Spin-off.

However, it should be noted that the Proposed Spin-off and the Proposed A Share Listing will be subject to, among other things, obtaining approvals from the relevant PRC regulators in accordance with all applicable regulations and suitable market conditions, thus may or may not materialise.

Please refer to the Company’s announcements dated 19 August 2016 and 31 October 2016 for details of the Proposed Spin-off. The Company will make further announcement(s) in relation to the Proposed Spin-off and the Proposed A Share Listing in accordance with the requirements of the Listing Rules as and when appropriate.

### 3.3 Shareholding structure of the Company

As at the date of this announcement, there are 3,106,657,961 Shares and 6,450,000 outstanding Options with an exercise price of HK\$6.65 each in respect of 6,450,000 Shares, and 1,304,915 outstanding Options with an exercise price of HK\$2.75 each in respect of 1,304,915 Shares.

The table below sets out the shareholding structure of the Company (based on the information received by the Company and notified pursuant to Part XV of the SFO as at the date of this announcement) (a) as at the date of this announcement and (b) immediately after the completion of the Offers, assuming that (i) holders of at least 90% of the disinterested shares (as referred to under Rule 2.11 of the Takeovers Code) tender their acceptances for the Share Offer and that the Joint Offerors have exercised their rights of compulsory acquisition; (ii) no additional securities will be issued or repurchased by the Company and there is no other change in shareholding from the date of this announcement up to and including the date of close of the Offers; and (iii) none of the outstanding Options is exercised prior to the completion of the Offers:

Name of Shareholder	As at the date of this announcement		Immediately after completion of the Offers	
	No. of Shares held	Approx. % of issued Shares	No. of Shares held	Approx. % of issued Shares
Raise Sino	32,134,000	1.04	945,831,773	30.45
Resourceful Link	627,180,526	20.19	1,540,878,299	49.60
Mogul Enterprises (Note 1)	131,367,889	4.23	131,367,889	4.23
Jumbo Elite (Note 1)	149,000,000	4.79	149,000,000	4.79
Real Elite (Note 1)	149,000,000	4.79	149,000,000	4.79
Power Nation (Note 1)	190,580,000	6.14	190,580,000	6.14
<b>Aggregate number of Shares held by Joint Offerors and Concert Parties</b>	<b>1,279,262,415</b>	<b>41.18</b>	<b>3,106,657,961</b>	<b>100</b>
<i>Shares held subject to the Share Offer:</i>				
XIA Li Qun (Note 2)	5,250,000	0.17	0	0
POON Chiu Kwok (Note 2)	3,000,000	0.10	0	0
LEE Luk Shiu (Note 3)	100,000	0.00	0	0
Lazard Asset Management LLC	270,538,341	8.71	0	0
Other Independent Shareholders	1,548,507,205	49.84	0	0
<b>Aggregate number of Shares held by Independent Shareholders</b>	<b>1,827,395,546</b>	<b>58.82</b>	<b>0</b>	<b>0</b>
<b>Total:</b>	<b>3,106,657,961</b>	<b>100</b>	<b>3,106,657,961</b>	<b>100</b>

*Note:*

1. Mogul Enterprises, Jumbo Elite, Real Elite and Power Nation are wholly-owned by Ms. CHU, the sole shareholder of the Joint Offerors, and they are therefore deemed Concert Parties.
2. Mr. XIA Li Qun and Mr. POON Chiu Kwok are executive Directors.
3. Mr. LEE Luk Shiu is an independent non-executive Director.

The Joint Offerors and the Concert Parties hold 1,279,262,415 Shares in aggregate (representing approximately 41.18% of the issued Shares) as at the date of this announcement. Save as disclosed above, as at the date of this announcement, the Offerors and the Concert Parties do not hold or control any convertible securities, warrants, options or derivatives in respect of the Shares.

Save as disclosed above, there are no outstanding convertible securities, warrants, options or derivatives in respect of the Shares or other relevant securities (as defined in Note 4 of Rule 22 of the Takeovers Code) which have been entered into by the Joint Offerors or the Concert Parties as at the date of this announcement. The Joint Offerors or the Concert Parties have not dealt in any Shares, options, derivatives, warrants or other securities convertible into Shares during the period beginning six months prior to the date of this announcement.

As at the date of this announcement and save as disclosed above, the Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares, has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

### **3.4 Independent Board Committee and independent financial adviser to the Independent Board Committee**

The Board comprises eight Directors, four of whom (namely, Ms. CHU Lam Yiu, Mr. XIA Li Qun, Mr. POON Chiu Kwok and Mr. LAM Ka Yu) are executive Directors and the remaining four of whom (namely, Dr. DING Ningning, Mr. LEE Luk Shiu, Ms. MA Yun Yan and Mr. WU Chi Keung) are independent non-executive Directors.

An Independent Board Committee, which comprises Dr. DING Ningning, Mr. LEE Luk Shiu, Ms. MA Yun Yan and Mr. WU Chi Keung (each being an independent non-executive Director), has been established by the Board to make a recommendation to the Independent Shareholders and the Optionholders as to whether the Offers are, or are not, fair and reasonable and as to acceptance.

An independent financial adviser will be appointed (with the approval of the Independent Board Committee) to advise the Independent Board Committee in connection with the Offers. An announcement will be made by the Company as soon as possible after an independent financial adviser has been appointed.

### **3.5 Reasons for and benefits of the Offers**

The Offers are aimed to generate the following expected benefits:

- (i) The Offerors take the view that the price of the Shares has not been satisfactory since mid-2015. The price of the Shares may continue to be affected by the slowdown of macroeconomic growth and stringent control on the cigarette consumption. As such, the Offers present an immediate opportunity for holders of the Offer Shares to realise their investments in the Offer Shares for cash and redeploy the cash received from accepting the Offers into other investment opportunities.

- (ii) In addition, the average daily trading volume of the Shares for the 24 months up to and including the Last Trading Day was approximately 8.54 million Shares per day, representing only approximately 0.28% of the issued Shares as at the date of this announcement. The low trading liquidity of the Shares could make it difficult for Shareholders to divest scalable on-market disposals without adversely affecting the price of the Shares.
- (iii) Since the Joint Offerors (together with the Concert Parties) hold approximately 41.18% of the issued Shares, it is unlikely that the holders of the Offer Shares will receive any alternative general offers from third parties to acquire the Offer Shares without the acceptance of such general offers by the Joint Offerors and their Concert Parties, which hold the Shares as a long-term investment.

### **3.6 Intentions of the Joint Offerors**

The Joint Offerors intend to continue with the existing business of the Group and do not intend to introduce significant changes to the existing operations. It is also the intention of the Joint Offerors that there will not be significant changes in the management and employees of the Group as a result of the Offers.

### **3.7 Listing status of the Company and compulsory acquisition**

The Stock Exchange has stated that if, at the close of the Offers, less than 25% of the issue Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

Subject to the Joint Offerors acquiring less than 90% of the disinterested Shares (as defined in the Takeovers Code) within the period of four months after posting the Composite Documents as required by Rule 2.11 of the Takeovers Code, the Joint Offerors intend the Company to remain listed on the Stock Exchange after closing of the Offers. The directors of the Joint Offerors will take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offers.

Subject to compliance with the relevant requirements under the Companies Act and the Joint Offerors acquiring not less than 90% of the disinterested Shares (as defined in the Takeovers Code) within the period of four months after posting the Composite Document as required by Rule 2.11 of the Takeovers Code (in any event no later than 16 April 2017), the Joint Offerors intend to exercise its rights under Section 102 or Section 103 of the Companies Act to compulsorily acquire those Offer Shares not acquired by the Joint Offerors pursuant to the Share Offer, and following which an application will be made for the withdrawal of the listing of the Shares on the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

Written notice of the Joint Offerors' exercise of their rights of compulsory acquisition as described above will be provided by the Joint Offerors to those Shareholders who do not accept the Share Offer.

The Joint Offerors' ability to exercise rights of compulsory acquisition is dependent on the level of acceptances of the Share Offer reaching the prescribed level under the Companies Act and on the requirements of Rule 2.11 of the Takeovers Code being satisfied. If the Joint

Offerors are unable to effect the compulsory acquisition set out above, the Joint Offerors will take steps (as and when appropriate) to ensure that there is sufficient public float. In the event that the compulsory acquisition and withdrawal of listing of the Company do not take place, there can be no assurance that the Shares will trade at or above the Offer Price in future.

### **3.8 Further terms of the Offers**

#### ***(a) Offer Shares and Options***

Subject to the Share Offer becoming unconditional, by accepting the Share Offer, an accepting Shareholder will sell its Offer Shares to the Joint Offerors free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them from the date on which the Share Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Share Offer is made.

Subject to the Share Offer becoming unconditional, the acceptance of the Option Offer by an Optionholder will result in the cancellation of those relevant Options, together with all rights attaching thereto.

#### ***(b) Hong Kong stamp duty***

Seller's ad valorem stamp duty arising in connection with acceptance of the Share Offer will be payable by each Shareholder at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable by the Joint Offerors for such person's Shares and will be deducted from the cash amount due to such accepting Shareholder. The Joint Offerors will pay the buyer's ad valorem stamp duty on its own behalf and, subject to such deduction aforesaid, will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Share Offer.

No stamp duty is payable in connection with the cancellation of the Options.

### **3.9 General matters relating to the Offers**

#### ***(a) Availability of the Offers***

The Joint Offerors intend to make the Offers available to all Shareholders and Optionholders including those who are not resident in Hong Kong. The respective Offers made to the Shareholders and/or the Optionholders (as the case may be) who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions where such persons are located. Such persons should inform themselves about and observe any applicable legal and regulatory requirements of their own jurisdictions. It is the responsibility of any overseas Shareholders and Optionholders wishing to accept the Share Offer and/or the Option Offer (as applicable) to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.



In the event that the receipt of the Composite Document by overseas Shareholders and Optionholders is prohibited by any applicable laws and regulations or may only be effected upon compliance with conditions or requirements that the directors of the Joint Offerors regard as unduly onerous or burdensome or otherwise not in the best interests of the Joint Offerors or the shareholders of the Joint Offerors as a whole, the Composite Document, subject to the Executive's consent, will not be despatched to such overseas Shareholders or Optionholders. The Joint Offerors will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time.

Shareholders and Optionholders are recommended to consult their own professional advisors if they are in any doubt as to the taxation implications of accepting the Offers (as applicable). It is emphasised that none of the Joint Offerors, BNPP Securities, any of their respective directors, officers or associates and any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of any of the Offers (as applicable).

**Any acceptance by any Shareholder and Optionholder will be deemed to constitute a representation and warranty from such Shareholder and Optionholder to the Joint Offerors that the local laws and requirements have been complied with. Shareholders and Optionholders who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.**

Any arrangements for overseas Shareholders and Optionholders to collect the Composite Document will be set out in a further announcement.

Further announcement(s) regarding the despatch of the Composite Document will be jointly made by the Joint Offerors and the Company in due course.

**(b) *Composite Document***

It is the intention of the respective boards of directors of the Joint Offerors and the Company to combine the offer document and the offeree board circular into a composite offer document. The Composite Document will contain, among other things, the detailed terms of the Offers (including the expected timetable relating to the Offers), a letter from the Independent Board Committee in relation to the Offers and a letter from the independent financial adviser to the Independent Board Committee in respect of the Offers. It is expected that the Composite Document will be despatched to the Shareholders and the Optionholders, together with the respective forms of acceptance for the Share Offer and the Option Offer, within 21 days after the date of this announcement.

**(c) *Further agreements or arrangements***

As at the date of this announcement:

- (i) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of the Joint Offerors and which might be material to the Offers;
- (ii) there are no agreements or arrangements to which the Joint Offerors are parties which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offers;
- (iii) none of the Joint Offerors nor any of the Concert Parties has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and
- (iv) no irrevocable commitment to accept the Share Offer or the Option Offer has been received by the Joint Offerors or any of the Concert Parties.

**(d) *Completion of the Offers***

If the Condition is not satisfied on or before the Closing Date, the Offers will lapse. In that case, the Joint Offerors will issue an announcement in relation to the revision, extension, expiry or unconditionally of the Offers in accordance with the Takeovers Code and Listing Rules by 7:00 p.m. on the Closing Date. The latest time on which the Joint Offerors can declare the Offers unconditional as to acceptances is 7:00 p.m. on the 60th day after the posting of the Composite Document (or such later date to which the Executive may consent).

If the condition to the Share Offer and the condition to the Option Offer are satisfied, the Shareholders and the Optionholders will be notified by way of an announcement in accordance with the Takeovers Code and the Listing Rules as soon as practicable thereafter.

Under the Takeovers Code, the first Closing Date of the Share Offer will fall on or after the 21st day from the date the Composite Document is posted. As the Joint Offerors will state in the Composite Document its intention to avail itself of any powers of compulsory acquisition, the Offers may not remain open for acceptance for more than four months from the posting of the Composite Document, unless the Joint Offerors have by that time become entitled to exercise such powers of compulsory acquisition, in which event, they must do so without delay.

**(e) *Disclosure of dealings***

Associates of the Company or the Joint Offerors (as defined in the Takeovers Code, including persons who own or control 5% or more of the relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Joint Offerors) are hereby reminded to disclose their dealings in any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company under Rule 22 of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

***“Responsibilities of stockbrokers, banks and other intermediaries***

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that cooperation.”*

The Joint Offerors, its nominees or brokers or associates may from time to time make certain purchases of, or arrangements to purchase Shares other than pursuant to the Share Offer, before or during the period in which the Share Offer remains open for acceptance in compliance with the Takeovers Code. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be reported to the SFC and will be available on the SFC website at <http://www.sfc.hk/>.

#### **4. RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:00 a.m. on 21 November 2016 (Hong Kong time), pending the issue of this announcement.

Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 24 November 2016 (Hong Kong time).

#### **5. DEFINITIONS**

In this announcement, save as the context otherwise requires, the defined terms have the following meanings:

“acting in concert” has the meaning ascribed to that term in the Takeovers Code;

“associates” has the meaning ascribed to that term in the Takeovers Code;

“BNPP Securities”	means BNP Paribas Securities (Asia) Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Joint Offerors in respect of the Offers;
“Business Days”	means a day on which securities listed on the Stock Exchange are traded;
“Closing Date”	means the date to be stated in the Composite Document as the first closing date of the Share Offer or any subsequent closing date as may be announced by the Joint Offerors in compliance with the Takeovers Code or with the approval of the Executive;
“Companies Act”	means the Companies Act 1981 of Bermuda;
“Company”	means Huabao International Holdings Limited, a company incorporated in Bermuda with limited liability and whose Shares are listed on the Stock Exchange;
“Composite Document”	means the composite offer and response document to be issued jointly by the Joint Offerors and the Company to all holders of Shares and/or Options in accordance with the Takeovers Code containing, inter alia, details of the Offers and the terms and conditions of the Offers;
“Concert Party(ies)”	means Mogul Enterprises, Jumbo Elite, Real Elite, Power Nation and any other parties acting in concert with the Joint Offerors and/or Ms. CHU, as determined in accordance with the Takeovers Code (other than those members of the group of companies of BNPP Securities that are conducting exempt principal trading activities or exempt fund manager activities);
“Condition”	means the condition to the Offers as set forth in the section headed “2.7 Condition to the Offers” of this announcement;
“Directors”	means the directors of the Company;
“Executive”	means the Executive Director of the Corporate Finance Division of the SFC and any of his delegates;
“Group”	means the Company and its subsidiaries;
“HK\$”	means Hong Kong Dollars, the lawful currency of Hong Kong;
“Hong Kong”	means The Hong Kong Special Administrative Region of the People’s Republic of China;

“Independent Board Committee”	means the independent committee of the Board established pursuant to Rule 2.1 of the Takeovers Code, as described in the section headed “3.4 Independent Board Committee and independent financial adviser to the Independent Board Committee” of this announcement;
“Independent Shareholder(s)”	means the Shareholder(s) other than the Joint Offerors and the Concert Parties;
“Joint Offerors”	means Raise Sino and Resourceful Link;
“Joint Offerors Group”	means the Joint Offerors and its subsidiaries;
“Jumbo Elite”	means Jumbo Elite Limited, one of the Concert Parties and a company incorporated in the British Virgin Islands and wholly-owned by Ms. CHU;
“Last Trading Date”	means 18 November 2016, being the final day of trading prior to suspension of trading in the Shares and the last trading day for the Shares before the date of this announcement;
“Letters of Credit”	means the two irrevocable standby letters of credit dated 18 November 2016 issued by Minsheng Bank in favour of BNPP Securities;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“Minsheng Bank”	means the Shanghai branch of China Minsheng Banking Corp., Ltd;
“Mogul Enterprises”	means Mogul Enterprises Limited, one of the Concert Parties and a company incorporated in the British Virgin Islands and wholly-owned by Ms. CHU;
“Ms. CHU”	means Ms. CHU Lam Yiu, an executive Director, Chairwoman and Chief Executive Officer of the Company, a director of the Joint Offerors and the sole shareholder of the Joint Offerors, and the sole director and sole shareholder of Mogul Enterprises, Jumbo Elite, Real Elite and Power Nation respectively;
“Offer Period”	has the meaning ascribed to it under the Takeovers Code;
“Offer Share(s)”	means any and all of the Shares, other than those already held by the Joint Offerors and the Concert Parties;
“Offers”	means, collectively, the Share Offer and the Option Offer;
“Option Offer”	means the proposal to be made by the Joint Offerors in compliance with Rule 13 of the Takeovers Code to cancel all the outstanding Options in accordance with the terms and conditions set forth in this announcement;

“Optionholder(s)”	means the registered holder(s) of the Options;
“Options”	means the outstanding options granted by the Company pursuant to the Share Option Scheme;
“Power Nation”	means Power Nation International Limited, one of the Concert Parties and a company incorporated in the British Virgin Islands and wholly-owned by Ms. CHU;
“PRC”	means The People’s Republic of China (excluding for this purpose Hong Kong, the Macau Special Administrative Region and Taiwan);
“Public Shareholders”	means the Shareholders who are part of the public as defined in Rule 8.24 of the Listing Rules;
“Raise Sino”	means Raise Sino Investments Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Ms. CHU;
“Real Elite”	means Real Elite Investments Limited, one of the Concert Parties and a company incorporated in the British Virgin Islands and wholly-owned by Ms. CHU;
“Resourceful Link”	means Resourceful Link International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Ms. CHU;
“SFC”	means the Securities and Futures Commission of Hong Kong;
“SFO”	means the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“Share Offer Price”	means HK\$3.30 for each Offer Share;
“Share Offer”	means the voluntary conditional cash offer to be made by BNPP Securities on behalf of the Joint Offerors to acquire all the Offer Shares for a consideration of HK\$3.30 in cash per Offer Share in accordance with the terms and conditions set forth in this announcement;
“Share Option Scheme”	means the share option scheme adopted by the Company on 22 September 2006, as amended from time to time, which is valid and effective for a period of 10 years from 22 September 2006;
“Shareholder(s)”	means the holder(s) of the Shares;
“Shares”	means the ordinary shares of HK\$0.10 each in the issued share capital of the Company;



“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to that term in the Listing Rules;
“Takeovers Code”	means the Code on Takeovers and Mergers published by the SFC; and
“%”	per cent. or percentage.

*Certain amounts and percentage figures in this announcement have been subject to rounding adjustments.*

By order of the board of  
**Raise Sino Investments Limited**  
**CHU Lam Yiu**  
*Director*

By order of the board of  
**Huabao International Holdings Limited**  
**XIA Li Qun**  
*Executive Director*

By order of the board of  
**Resourceful Link International Limited**  
**CHU Lam Yiu**  
*Director*

Hong Kong, 23 November 2016

### **Raise Sino**

*As at the date of this announcement, the board of directors of Raise Sino comprises Ms. CHU Lam Yiu and Ms. MO Shu Zhen.*

*The directors of Raise Sino jointly and severally accept full responsibility for the accuracy of the information contained in this announcement in relation to Raise Sino and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by Resourceful Link and/or the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.*

### **Resourceful Link**

*As at the date of this announcement, Ms. CHU Lam Yiu is the sole director of Resourceful Link.*

*The sole director of Resourceful Link accepts full responsibility for the accuracy of the information contained in this announcement in relation to Resourceful Link and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this announcement (other than those expressed by Raise Sino and/or the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.*

## **The Company**

*As at the date of this announcement, the board of directors of the Company comprises Ms. CHU Lam Yiu (Chairwoman and CEO), Mr. XIA Li Qun, Mr. POON Chiu Kwok and Mr. LAM Ka Yu as executive directors; and Dr. DING Ningning, Mr. LEE Luk Shiu, Ms. MA Yun Yan and Mr. WU Chi Keung as independent non-executive directors.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Joint Offerors, the Joint Offerors Group, the Concert Parties and BNPP Securities) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Joint Offerors, the Joint Offerors Group, the Concert Parties and BNPP Securities) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.*