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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)

FURTHER ANNOUNCEMENT REGARDING THE ENTRUSTED MANAGEMENT AGREEMENT

Reference is made to the announcement (the “**Announcement**”) published by Huabao International Holdings Limited (the “**Company**”) in relation to the Entrusted Management Agreement entered into between Guangdong Jiahao and Weizhijia. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meaning as those defined in the Announcement.

According to the Performance Indicator in 2019 and subject to the adjustment mechanism, the Sales Network Construction Fee for 2019 is estimated to be RMB10.5 million. Guangdong Jiahao will pay Weizhijia the sum of RMB10.5 million prior to commencement of the term of the Entrusted Management Agreement as upfront payment of the Sales Network Construction Fee for 2019. The Sales Network Construction Fee for each of 2020 and 2021 shall be devised by the parties to the Entrusted Management Agreement and on terms similar to the determination of the Sales Network Construction Fee for 2019, which will payable in advance by Guangdong Jiahao to Weizhijia prior to the 1st January of each of 2020 and 2021.

Guangdong Jiahao will review the results of the growth in the sales income every six months to assess whether and how far the Performance Indicator has been achieved. The assessment will take into account the actual growth in the sales income after deduction of the historical net growth rate of 7.87%. Accordingly, if the annual actual sales growth of Jiahao Products for any particular year is lower than the Performance Indicator for that year, the Sales Network Construction Fee for that year shall be subject to a downward adjustment. The adjustment mechanism of the Sales Network Construction Fee will involve the review of the status of the construction and integration of the sale network relating to the Services as procured by Weizhijia prior to the adjustment (including the amount incurred by Weizhijia). In this regards, Weizhijia shall cooperate with Guangdong Jiahao to ensure that the periodic review (at the interval of every three months) of the status of the construction and integration of the sales network as procured by Weizhijia is carried out. The review will enable Guangdong Jiahao to determine the ultimate amount of the Sales Network Construction Fee payable to Weizhijia for that particular year. Any difference in the amount of the Sales Network Construction Fee paid for that year and the amount incurred in the construction and integration of the sales network by Weizhijia shall either be refunded to Guangdong Jiahao (where Guangdong Jiahao chooses to unilaterally terminate the Entrusted Management Agreement) or be used to offset part of the Sales Network Construction Fee payable to Weizhijia for the next year (where Guangdong Jiahao chooses to continue the cooperation with Weizhijia for the next year).

Whether or not the adjustment is made, the maximum exposure of the service fee paid to Weizhijia for any particular year shall be the higher of the Sales Network Construction Fee or the Performance Fee set for that particular year and in any event the payment of the service fee to Weizhijia shall not exceed the Annual Cap for the particular year. The service fee (comprising the Sales Network Construction Fee and the Performance Fee) represented approximately 1.38% of the average annual net sales amount of Guangdong Jiahao (assuming that (a) the Performance Indicators for each of the three years ending 31 December 2021 have been fulfilled and (b) on achieving the Performance Indicator, the maximum amount of the Performance Fee will be payable (collectively, the “**Assumptions**”)).

The Directors considered that the 1.38% of the average annual net sales amount of Guangdong Jiahao (basing on the Assumptions) for calculating the maximum amount of the service fee is normal commercial terms or better (i.e. on terms no less favourable than terms available from independent third parties) since:

- on comparing the charging standards for providing services regarding technical services and online sales platforms by other providers, the charging rate ranges from 2% to 5% of the sales amount. The benchmark rate of 1.38% or thereabout represented the lowest charging rate; and
- the service fee calculated by using the formula (which is at 1.38% or thereabout of the average annual net sales amount) by Weizhijia is an all inclusive amount, i.e. it embraces all of the Services to be provided by Weizhijia as well as the commitment to achieve the visualisation of the Performance Indicators.

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

Hong Kong, 7 December 2018

As at the date of this announcement, the Board comprises five executive directors, namely Ms. CHU Lam Yiu (Chairwoman and CEO), Messrs. XIA Liqun, POON Chiu Kwok, XIONG Qing and LAM Ka Yu and four independent non-executive directors, namely Dr. DING Ningning, Mr. LEE Luk Shiu, Ms. MA Yun Yan and Mr. WU Chi Keung.

* *For identification purpose only*