HUABAO INTERNATIONAL HOLDINGS LIMITED

華寶國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00336)

UPDATE ON PROFIT WARNING

This announcement is made by Huabao International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement (the "**Announcement**") of the Company dated 28 June 2022 in relation to the profit warning in respect of the Group's unaudited consolidated management account for the five months ended 31 May 2022. Unless otherwise specified, capitalised terms used herein shall have the same meaning as those defined in the Announcement.

As mentioned in the Announcement, the Company will assess if there are any impairment on goodwill and/or other assets and/or changes in fair value of financial assets as at 30 June 2022 and will make further announcements should there be any further material impact on the estimated profit or loss of the Company.

The Group is expected to record an impairment loss on goodwill of the cash-generating unit ("**CGU**") of Jiahao Foodstuff Limited and its subsidiaries ("**Jiahao Group**"), principally engaged in the production, sales, marketing and distribution of condiment products in the PRC, of approximately RMB600 million to RMB640 million for the six months ended 30 June 2022 (the "**Reporting Period**"). As such, the Board wishes to inform Shareholders and potential investors of the Company further updates on the financial performance of the Group for the Reporting Period. Based on updated information available to the Board including the impairment loss of goodwill of Jiahao Group's CGU currently recognized, the Group is expected to record a loss before tax of approximately RMB64 million to RMB135 million for the Reporting Period, whereas the profit before tax for the six months ended 30 June 2021 (the "**Corresponding Period Last Year**") was approximately RMB753 million.

If, without taking into account the above impairment loss on goodwill of Jiahao Group's CGU, the Group's profit before tax was approximately RMB505 million to RMB536 million, representing a drop of approximately 28.9% to 33.0% as compared with the Corresponding Period Last Year. If, without taking into account both the impairment of goodwill of Jiahao Group's CGU and the changes in the fair value of financial assets at fair value through profit or loss for the Reporting Period and the Corresponding Period Last Year, the Group's profit before tax was approximately RMB483 million to RMB513 million, representing a drop of approximately 21.4% to 26.0% as compared with the Corresponding Period Last Year.

Reasons for the Impairment of Goodwill of Jiahao Group's CGU

Based on the unaudited management accounts of the Group for the Reporting Period, the revenue and operating profit (before any impairment on goodwill of Jiahao Group's CGU) decreased by approximately 9.1% and 49.6% to approximately RMB295 million and RMB31 million, from approximately RMB324 million and RMB62 million, respectively, for the Corresponding Period Last Year. The decrease in revenue and operating profit was mainly attributable to the impact of the resurgence of COVID-19 in the PRC in the first half of 2022, which hindered the logistics and supply chains of raw materials, while various daily consumption activities including those of retail and catering sectors were adversely affected, thereby resulting in decrease in demand and increase in the operating costs. Given that the revenue and the operating profit of Jiahao Group had dropped significantly during the Reporting Period, and there is great uncertainty in the future of the Chinese condiment market due to the COVID-19, an impairment loss on goodwill of Jiahao Group's CGU is expected.

To this, the management of the Group, with the assistance of an independent valuer, has reviewed and reassessed the key assumptions used in determining the recoverable amounts of Jiahao Group's CGU. Based on the preliminary assessment of the Group, an impairment loss on goodwill of Jiahao Group's CGU is expected to be ranging from approximately RMB600 million to RMB640 million. The preliminary goodwill impairment assessment was made based on the applicable accounting principles on a prudent basis.

Impact on the Group

The impairment loss on goodwill is a non-cash item and does not have an impact on the Group's cash flows and operations.

Looking forward to the second half of 2022, as COVID-19 control and prevention measures in the PRC have become normalized, the Group will review its product mix, optimize sales strategies and improve supply chain management in the future to enable the condiment segment to operate efficiently and normally. As COVID-19 is unpredictable and unexpected, the Group expects that it will have a drastic and prolonged negative impact on the catering industry, which will affect the anticipated development pace of the catering industry. The Group will comply with the PRC government's COVID-19 control and prevention measures and will closely monitor the development and changes to the catering market and condiment market, so as to enhance its competitiveness and continue to promote business development.

Interim Results for the six months ended 30 June 2022 to be published by end of August 2022

The Company is still in the process of finalising the consolidated financial statements of the Group for the six months ended 30 June 2022. The information contained in this announcement is only based on a preliminary assessment made by the Board with reference to the Group's unaudited consolidated management accounts for the six months ended 30 June 2022 and other information currently available, which may be subject to change upon further review. Shareholders and potential investors of the Company are advised to refer to the details in the interim results announcement of the Company for the six months ended 30 June 2022 which is expected to be published by end of August 2022.

Shareholders and potential investors of the Company 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, 29 July 2022

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*