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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)

**INSIDE INFORMATION
ANNOUNCEMENT IN RELATION TO
THE INITIATION OF ARBITRATION BY A SUBSIDIARY**

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 of the Company dated 8 March 2022 (the “**Announcement**”) relating to the acquisition of part of the equity interest of Shanghai Yifang Rural Technology Holdings Co., Ltd.* (上海奕方農業科技股份有限公司) (“**Shanghai Yifang**”) by Huabao Flavours & Fragrances Co., Ltd. (“**Huabao Flavours**”), a non-wholly owned subsidiary of the Company. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, 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 entered into the Shares Transfer Agreement on 8 March 2022, pursuant to which Huabao Flavours shall acquire part of the equity interest of Shanghai Yifang from Keli Enterprise and other related parties for a total consideration of RMB121.5 million in cash. According to the Share Transfer Agreement, 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 and compensation obligations to Huabao Flavours.

As at the date of this announcement, 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. At the same time, taking into account Shanghai Yifang sustained a loss during the Performance Undertaking Period, Huabao Flavours accordingly terminated the rights and obligations pursuant to the provisions of the Share Transfer Agreement and 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 totaling RMB332.03 million, as well as to bear the corresponding legal costs of the Arbitration. At the same time, Huabao Flavours also applied to the Shanghai International Arbitration Center for property security. Huabao Flavours received the “Notice of Acceptance” issued by the Shanghai International Arbitration Center on 9 August 2023.

As per 2022 Annual Report of the Company, the consideration for the acquisition and equity investment of the Group in Shanghai Yifang amounted to RMB301.5 million and the Group indirectly held 67% equity interests in Shanghai Yifang. For the year ended 31 December 2022, Shanghai Yifang’s consolidated revenue and loss before tax accounted for approximately 6.97% and 6.43% of the Group’s consolidated revenue and loss before tax for 2022, respectively. As the results of Shanghai Yifang had been included in the consolidated financial statements of Huabao Flavours, the relevant losses have also been reflected in the Group’s consolidated financial statements for the year ended 31 December 2022.

As of the date of this announcement, as the Arbitration is still in its initial 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.

Shareholders of the Company and the public 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, 9 August 2023

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 and Jonathan Jun YAN and HOU Haitao.

* *For identification purposes only*