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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)

CONNECTED TRANSACTION ACQUISITION OF EQUITY INTERESTS IN THE TARGET COMPANY, TERMINATION OF EXISTING CONTINUING CONNECTED TRANSACTIONS AND ENTERING INTO NEW CONTINUING CONNECTED TRANSACTIONS

ACQUISITION OF EQUITY INTERESTS IN THE TARGET COMPANY

On 25 September 2026, Nocton, World Concept, Broad Far and Broad Far Hong Kong entered into the Share Transfer Agreement. For the purposes of strategic planning and business development, Nocton and World Concept (wholly-owned subsidiaries of the Company, as purchasers) agreed to acquire from Broad Far and Broad Far Hong Kong (as vendors) an aggregate 100% equity interest in the Target Company for a total cash consideration of RMB90 million. Upon Completion of the transaction, Nocton and World Concept will hold 99% and 1% equity interests in the Target Company, respectively. The Target Company will become a wholly-owned subsidiary of the Company. Nocton and World Concept will pay the Consideration in cash.

TERMINATION OF EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 30 January 2026 in relation to the Existing Framework Agreement entered into between Chemactive and Broad Far. On the date of this announcement, Chemactive and Broad Far entered into the Termination Agreement, pursuant to which the parties agreed to terminate the Existing Framework Agreement early with effect from 25 September 2026. The rights and obligations accrued under the Existing Framework Agreement before the effective date of termination will not be affected. No termination fee or other consideration is payable for terminating the Existing Framework Agreement.

CONTINUING CONNECTED TRANSACTIONS

Following Completion, to cater for the Group's ongoing business needs, Dragon Focus, a wholly-owned subsidiary of the Company, entered into the New Framework Agreement with Broad Far, pursuant to which Dragon Focus and other subsidiaries of the Company may, from time to time, provide tobacco processing and related services to Broad Far and/or its associates from 25 September 2026 to 31 December 2028 (both days inclusive). Through the services contemplated under the New Framework Agreement, the Target Company will provide tobacco processing and related services to Broad Far Group. It is expected that the Group can continue to expand its customer base outside the PRC, broaden the applications of its products and increase its sales.

IMPLICATIONS UNDER THE LISTING RULES

Acquisition of Equity Interests in the Target Company

Nocton and World Concept are wholly-owned subsidiaries of the Company. Ms. CHU is an executive Director, the chairlady and a controlling Shareholder of the Company. Broad Far is ultimately controlled and beneficially owned by Ms. CHU and is therefore an associate of Ms. CHU and a connected person of the Company. Broad Far Hong Kong is a non-wholly-owned subsidiary of Broad Far and is therefore also an associate of Ms. CHU and a connected person of the Company. Before Completion of the Acquisition, the Target Company is held as to 99% and 1% by Broad Far Hong Kong and Broad Far, respectively, and is also an associate of Ms. CHU. Accordingly, the acquisition by Nocton and World Concept of a 100% equity interest in the Target Company from Broad Far and Broad Far Hong Kong under the Share Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the Acquisition exceed 0.1% but are less than 5%, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Termination of Existing Continuing Connected Transactions

As the continuing connected transactions under the Existing Framework Agreement will be terminated early before expiry of the original term, pursuant to the note to Rule 14A.35 of the Listing Rules, the Company also makes this announcement in respect of such termination.

Continuing Connected Transactions

Since one or more of the applicable percentage ratios (other than the profits ratio) calculated with reference to the highest Annual Cap under the New Framework Agreement exceed 0.1% and all such ratios are less than 5%, the New Framework Agreement and the continuing connected transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

ACQUISITION OF EQUITY INTERESTS IN THE TARGET COMPANY

(1) OVERVIEW OF THE TRANSACTION

On 25 September 2026, Nocton, World Concept, Broad Far and Broad Far Hong Kong entered into the Share Transfer Agreement. For the purposes of strategic planning and business development, Nocton and World Concept (wholly-owned subsidiaries of the Company, as purchasers) agreed to acquire from Broad Far and Broad Far Hong Kong (as vendors) an aggregate 100% equity interest in the Target Company for a total cash consideration of RMB90 million. Upon Completion of the transaction, Nocton and World Concept will hold 99% and 1% equity interests in the Target Company, respectively. The Target Company will become a wholly-owned subsidiary of the Company. Nocton and World Concept will pay the Consideration in cash, and the total Consideration for the Acquisition will be RMB90 million.

(2) RELATIONSHIP AMONG THE GROUP AND THE PARTIES

The Group is principally engaged in the research and development, production, distribution and sales of flavours and fragrances and food ingredients, tobacco raw materials (comprising the reconstituted tobacco leaves and new material products applicable to tobacco industry), aroma raw materials and condiment products in the PRC.

Nocton and World Concept are both wholly-owned subsidiaries of the Company and are principally engaged in investment holding.

Broad Far is a company established in the British Virgin Islands and as at the date of this announcement, the Group owns an approximately 21.43% interest in Broad Far Hong Kong. Broad Far Hong Kong is a non-wholly owned subsidiary of Broad Far. Broad Far Group is principally engaged in the production and sale of innovative consumer products in markets outside China.

Ms. CHU is an executive Director, the Chairlady and a controlling Shareholder of the Company. Broad Far is ultimately controlled and beneficially owned by Ms. CHU and is therefore an associate of Ms. CHU and a connected person of the Company. Broad Far Hong Kong is a non-wholly-owned subsidiary of Broad Far and is therefore also an associate of Ms. CHU and a connected person of the Company. Accordingly, transactions between the Group and Broad Far Group constitute connected transactions of the Company under the Listing Rules.

The Target Company is held by Broad Far and Broad Far Hong Kong as to 100 Shares (representing 1%) and 9,900 Shares (representing 99%), respectively. The Target Company is principally engaged in the production and sale of heat-not-burn (HNB) tobacco cartridge products in Indonesia.

(3) PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT

Date and Parties

Date: 25 September 2026

Parties: Nocton (as purchaser)

World Concept (as purchaser)

Broad Far (as vendor)

Broad Far Hong Kong (as vendor)

Subject Shares and Consideration

Pursuant to the Share Transfer Agreement:

- (i) Broad Far Hong Kong agreed to sell to Nocton the 9,900 Shares it holds in the Target Company, representing 99% of the issued Shares of the Target Company, at a transfer price of RMB89.10 million; and
- (ii) Broad Far agreed to sell to World Concept the 100 Shares it holds in the Target Company, representing 1% of the issued Shares of the Target Company, at a transfer price of RMB0.90 million.

Accordingly, Nocton and World Concept will acquire from Broad Far Hong Kong and Broad Far an aggregate 100% equity interest in the Target Company for a total consideration of RMB90 million. The Consideration will be paid in cash and funded by the Group's internal resources.

Payment Arrangement

Each purchaser shall pay its respective transfer price within ten (10) Business Days after the Minister of Law of the Republic of Indonesia issues a receipt confirming that the relevant share transfer has been recorded in the Legal Entity Administration System (the “AHU Receipt”), namely, Nocton and World Concept shall respectively pay the respective consideration payable above to Broad Far Hong Kong and Broad Far.

Completion

Pursuant to the Share Transfer Agreement, from the date of execution, the relevant transferred Shares shall become the property of and vest in the respective purchaser, and all benefits relating thereto shall belong to the respective purchaser. The share transfers shall be completed on the date on which Broad Far Hong Kong and Broad Far receive in full their respective transfer prices receivable.

Upon Completion, Nocton and World Concept will hold 99% and 1% equity interests in the Target Company, respectively, and the Target Company will become a wholly-owned subsidiary of the Company.

Non-compete Undertakings

Pursuant to the Share Transfer Agreement, from the date of execution and for so long as Ms. CHU remains the ultimate controlling shareholder of either purchaser, without the prior written consent of the purchasers, each vendor shall not, directly or indirectly:

- (i) manage, participate in or otherwise engage in the production or processing of heat-not-burn tobacco cartridge that competes with the business of the Target Company (the “Restricted Business”);
- (ii) invest in, hold any interest in, or provide financing to, the Restricted Business or any person engaged in the Restricted Business;
- (iii) permit its name, trade name or trademark, or the name of Ms. CHU, to be used in connection with the Restricted Business; or
- (iv) provide advice, assistance, facilities or other support to the Restricted Business or any person engaged in the Restricted Business.

Each vendor shall also take all reasonable measures to ensure that its respective related parties comply with the above non-compete undertakings. If Ms. CHU ceases to control a relevant vendor, directly or indirectly, as a result of the transfer of ownership interests in that vendor to a person who is not a related party of Ms. CHU, the above non-compete undertakings shall automatically terminate in respect of that vendor.

Priority Opportunity to Supply

From the date of execution, if any vendor or any of its related parties proposes to purchase heat-not-burn tobacco cartridge for its operational needs, the relevant vendor undertakes to give the Target Company a priority opportunity to supply such products, provided that the commercial terms offered by the Target Company to the relevant purchaser shall be no less favourable to that purchaser than those offered by other suppliers.

Effective Date

The Share Transfer Agreement shall take effect from the date of execution upon being signed or sealed by each party.

(4) BASIS OF DETERMINATION OF THE CONSIDERATION

The Consideration was determined by Nocton and World Concept (as purchasers) and Broad Far and Broad Far Hong Kong (as vendors) with reference to, among other things: (i) the appraised value of the entire equity interest in the Target Company as at Valuation Date, as assessed by the Independent Valuer, of RMB93.059 million; and (ii) the business development and prospects of the Target Company and the reasons and benefits for the equity transfer as set out in the section headed “Reasons for and Benefits of the Acquisition” in this announcement.

(5) VALUATION

The valuation of the entire shareholders’ equity in the Target Company by the Independent Valuer forms the basis for determining the Consideration for the Acquisition. In preparing the asset valuation report, the Independent Valuer adopted the market approach. According to the valuation report, the appraised value of the entire shareholders’ equity in the Target Company as at 30 June 2026 (the Valuation Date) was approximately RMB93.059 million. A summary of the Valuation of the Target Company (including the valuation approaches, basis for selection of comparable companies, valuation multiples, key adjustments and valuation results) is set out in Appendix I to this announcement.

(6) REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company is principally engaged in the production and sale of heat-not-burn (HNB) cigarette cartridge products in Indonesia and principally provides customers with OEM/ODM services for HNB cigarette cartridge products. With the continued expansion of the global HNB market, the Directors consider that the sector is entering a critical window of strategic development. According to International Market Analysis Research and Consulting Group (“IMARC Group”), the global HNB market size was approximately US\$33.1 billion in 2025 and is expected to reach approximately US\$202.5 billion by 2034,

representing a compound annual growth rate of approximately 21.6%. The Directors consider that the relevant market development trend is aligned with the Group's business direction of further expanding HNB-related products and services, and provides opportunities for the development of the Group's related businesses.

The Group's existing tobacco-related business mainly focuses on upstream tobacco raw materials in the industry chain, such as reconstituted tobacco leaves, flavours and fragrances, flavour capsules and other tobacco raw materials, whereas the Target Company is principally engaged in the OEM/ODM production and processing of HNB cigarette cartridges, which is in the midstream of the relevant industry chain. The Acquisition will effectively supplement the Group's capabilities in the midstream manufacturing segment, facilitate the formation of a vertically integrated structure comprising "upstream raw materials + midstream manufacturing", and promote synergies between the Group and the Target Company in raw material supply, product research and development, production and manufacturing, and market expansion.

The Acquisition will upgrade the existing commercial cooperation between the Group and the Target Company into an integrated management and control system under wholly-owned control, enabling the Group to fully integrate the Target Company's established production capacity, operating experience and supply chain resources. This will not only help eliminate potential decision-making friction and coordination costs arising from different interests under the cooperation model, but will also ensure full alignment of the Group's strategic direction and provide a more flexible and efficient internal decision-making basis for subsequent resource allocation, production line coordination and technological iteration, thereby maximising the synergistic potential of both parties.

The Target Company has obtained the relevant qualifications required to engage in the production and sale of HNB cigarette cartridges where it operates and has established comprehensive production processes, large-scale production lines and stable supply chain systems for raw materials and equipment. Its products have also entered the markets of a number of countries. The Directors consider that the Acquisition will enable the Group to integrate the Target Company's production resources and market access advantages on the basis of the Group's existing tobacco raw materials business, thereby effectively broadening the coverage of the Group's tobacco-related products and services, further strengthening its one-stop service capabilities for customers outside China and enhancing its international competitive position.

In addition, the Acquisition will facilitate the deep integration of the Group's accumulated technological capabilities in tobacco raw materials with the Target Company's capabilities in HNB cigarette cartridge manufacturing, thereby broadening the product lines and service scope of the Group's new tobacco business. The Directors consider that such deep integration will substantially enhance the Group's ability to provide customers with integrated HNB-related solutions covering product design, process optimisation and large-scale delivery, and further enhance the Group's strategic position across the entire new tobacco industry chain.

In addition, the Directors note that, prior to the Acquisition, the connected person already possessed mature HNB tobacco cartridge manufacturing capabilities in Indonesia and had potential business overlap with the Group in the new tobacco-related segment. Given that the Group is actively expanding its business layout in HNB-related products and services, entering the HNB tobacco cartridge manufacturing segment through self-establishment could result in direct competition with the connected person, thereby increasing coordination costs and potential conflicts of interest.

The Acquisition and the non-compete undertakings contained in the Share Transfer Agreement will restrict the seller, during the validity period of such undertakings, from engaging in any HNB tobacco cartridge manufacturing, production or processing business that competes with the Target Company. The seller is also required to take reasonable measures to ensure that its relevant affiliates comply with such undertakings. These arrangements will help reduce potential competitive risks as the Group expands its HNB business. By bringing the Target Company under the Group's full ownership and control, the Group can integrate its existing production capacity, technical know-how and supply-chain resources, thereby promoting consistency in business development direction.

The Directors believe that these arrangements will further enhance the Group's strategic certainty within the new tobacco value chain, enabling the Group to more effectively advance resource deployment, production line coordination and product development as it expands its HNB business, thereby strengthening overall operational efficiency and market responsiveness.

Based on the above factors, the Directors consider that the Acquisition is in line with the Group's long-term development strategy and will not only help materially expand the Group's HNB-related products and services, but also efficiently integrate key industry chain resources, enhance the Group's technological capabilities, manufacturing capabilities and market responsiveness in the new tobacco sector, and create greater value for all Shareholders.

(7) BOARD'S VIEW

Having considered the reasons for and benefits of the Acquisition set out above, the business and financial position of the Target Company, the valuation methods adopted by the Independent Valuer and the valuation results, and the basis of determination of the Consideration, the Directors (including all the independent non-executive Directors) have reviewed the valuation report prepared by the Independent Valuer, including the valuation methods, the selection criteria for comparable companies, valuation multiples, key input parameters and relevant adjustment factors.

The Directors note that the Independent Valuer adopted the market approach to value the entire equity interest of the shareholders of the Target Company, which is based on the existence of comparable companies in the market and the availability of relevant public market information to reflect the market valuation level of investors for companies with similar businesses. The Directors consider that, taking into account the nature of business of the Target Company, the industry in which it operates and the available market information, the market approach better reflects the market value of the Target Company, and the selection criteria for comparable companies, valuation multiples and relevant adjustment factors adopted by the independent valuer are appropriate and reasonable.

The Directors have also considered the professional qualifications and experience of the Independent Valuer, and that the valuation report was prepared in accordance with applicable valuation standards. Based on the above factors, the Directors (including all the independent non-executive Directors) consider that the valuation methods and key assumptions adopted by the Independent Valuer are fair and reasonable, and the valuation results may serve as a reasonable reference for determining the Consideration of the Acquisition.

Although the Acquisition is not conducted in the ordinary and usual course of business of the Group, the Directors (including all the independent non-executive Directors) consider that the terms of the Share Transfer Agreement are on normal commercial terms, fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Ms. CHU, Mr. LAM Ka Yu (son of Ms. CHU) and Ms. LAM Ka Yan (daughter of Ms. CHU) are each deemed to have a material interest in the transactions contemplated under the Share Transfer Agreement and have therefore abstained from voting on the resolution in respect of the Share Transfer Agreement and the transactions contemplated thereunder. Save for Ms. CHU, Mr. LAM Ka Yu and Ms. LAM Ka Yan, none of the other Directors has any material interest in the Share Transfer Agreement that would require abstention from voting on the relevant Board resolution in respect of the Share Transfer Agreement.

(8) INFORMATION ON THE PARTIES

Information on the Group and the Purchasers

The Group is principally engaged in the research and development, production, distribution and sales of flavours and fragrances and food ingredients, tobacco raw materials (comprising the reconstituted tobacco leaves and new material products applicable to tobacco industry), aroma raw materials and condiment products in the PRC. Nocton and World Concept are both limited liability companies incorporated in the British Virgin Islands and wholly-owned subsidiaries of the Company, and are principally engaged in investment holding. The ultimate holding company of each of Nocton and World Concept is the Company.

Information on the Vendors and Their Ultimate Beneficial Owner

Broad Far is a limited liability company incorporated in the British Virgin Islands and is principally engaged in holding company activities. Broad Far Hong Kong is a limited liability company incorporated in Hong Kong and is principally engaged in investment holding and trading. As at the date of this announcement, the Group holds an approximately 21.43% interest in Broad Far Hong Kong, which is a non-wholly-owned subsidiary of Broad Far. Broad Far Group is principally engaged in the production and sale of innovative consumer products in markets outside the PRC.

Ms. CHU is an executive Director, the chairlady and a controlling Shareholder of the Company. Broad Far is ultimately controlled and beneficially owned by Ms. CHU and is therefore an associate of Ms. CHU and a connected person of the Company. Broad Far Hong Kong is a non-wholly-owned subsidiary of Broad Far and is therefore also an associate of Ms. CHU and a connected person of the Company.

Information on the Target Company

The Target Company was incorporated in Indonesia on 27 October 2021 and is principally engaged in the production and sale of heat-not-burn (HNB) cigarette cartridge products in Indonesia and principally provides customers with OEM/ODM services for HNB cigarette cartridge products.

The shareholding structure of the Target Company immediately before and after Completion is as follows:

Shareholder	Immediately before Completion Number of Shares	Immediately before Completion Shareholding percentage	After Completion Number of Shares	After Completion Shareholding percentage
Broad Far Hong Kong	9,900	99%	—	—
Broad Far	100	1%	—	—
Nocton	—	—	9,900	99%
World Concept	—	—	100	1%
Total	10,000	100%	10,000	100%

The audited financial figures of the Target Company prepared in accordance with IFRS are summarised as follows:

Item	As at 30 June 2026 <i>US\$'000</i>	As at 31 December 2025 <i>US\$'000</i>	As at 31 December 2024 <i>US\$'000</i>
Total assets	11,839	4,248	5,527
Total liabilities	11,512	4,099	5,413
Net assets	327	149	114

Note: Total liabilities of the Target Company include, among others:

- (i) a shareholder's loan provided by Broad Far Hong Kong, a connected person of the Company, in the amount of US\$750,000, bearing an annual interest rate of 3.75%, and due on 31 March 2027;
- (ii) a shareholder's loan provided by Broad Far Hong Kong, a connected person of the Company, in the amount of US\$1,100,000, bearing an annual interest rate of 2.59%, and due on 31 December 2026; and
- (iii) an amount of US\$5,967,667 due by the Target Company to Broad Far Hong Kong, a connected person of the Company, arising from the outstanding consideration for the acquisition of machinery equipment by the Target Company from Broad Far Hong Kong for business needs, and such machinery equipment have been put into commercial operation. Such outstanding amount is interest-free, and the machinery equipment currently owned and used by the Target Company are free from any encumbrance, mortgage, pledge or third-party rights.

Upon Completion of the Acquisition, the shareholder's loans referred to in items (i) and (ii) above remain borne by the Target Company, such arrangements will constitute financial assistance provided by connected persons to the Group. The Company confirms that such financial assistance is provided on normal commercial terms or on terms more favourable to the Group and is not secured by assets of the listed group, and is therefore fully exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

The amount referred to in item (iii) above represents payables incurred by the Target Company for the acquisition of machinery equipment from Broad Far Hong Kong prior to Completion of the Acquisition, and does not constitute financial assistance provided by connected persons to the Group after Completion of the Acquisition. The Company confirms that, as of the date of this announcement, such machinery equipment have been put into commercial operation, and the Target Company has not granted any security or entered into any other financing arrangements in respect of such outstanding amounts.

Item	For the six months ended 30 June 2026 US\$'000	For the year ended 31 December 2025 US\$'000	For the year ended 31 December 2024 US\$'000
Revenue	4,366	6,487	7,532
Gross profit	479	998	396
Profit before tax	226	190	396
Profit after tax	177	35	396

As at 30 June 2026, the book value of the net assets of the Target Company was approximately US\$327,000. According to the valuation report prepared by the Independent Valuer, the appraised value of the entire shareholders' equity in the Target Company as at 30 June 2026 was approximately RMB93.059 million. Further details of the Valuation are set out in the section headed "Valuation" in this announcement.

According to the information provided by the vendors, the original costs to Broad Far Hong Kong and Broad Far of acquiring their respective 99% and 1% equity interests in the Target Company were approximately IDR10,890,000,000 (equivalent to approximately US\$767,128) and IDR110,000,000 (equivalent to approximately US\$7,749), respectively.

Financial Effects of the Acquisition of the Target Company

Upon Completion of the Acquisition of the Target Company, the Group will account for the Acquisition using merger accounting in accordance with Accounting Guideline 5 (Revised) Merger Accounting for Common Control Combinations ("AG 5 (Revised)") issued by the Hong Kong Institute of Certified Public Accountants. Under merger accounting, the financial statement items of the Target Company will be incorporated into the consolidated financial statements of the Group as if the Target Company had been combined with the Group from the beginning of the earliest period presented, rather than being consolidated only from the date of Completion of the Acquisition.

Accordingly, the comparative financial information of the Group for the year ended 31 December 2025 will be restated accordingly to reflect the financial performance and financial position of the Target Company for the applicable periods. The relevant adjustments will be reflected in the consolidated financial statements of the Group and will be subject to the final review and confirmation by the Group's Auditor and in accordance with the relevant accounting standards.

Based on the current preliminary assessment, following Completion of the Acquisition and the application of merger accounting, the revenue and net assets of the Group are expected to be affected as follows:

Item	Financial effect (RMB'000)
Revenue for the year ended 31 December 2024	Increase by 45,779
Revenue for the year ended 31 December 2025	Increase by 33,793
Net assets as at 31 December 2025	Decrease by 89,748
Net assets as at 30 June 2026	Decrease by 89,840

The above increases in revenue mainly reflect the incorporation of the revenue of the Target Company during the relevant periods into the consolidated financial statements of the Group. The decreases in net assets mainly reflect the consolidation adjustments arising from the application of merger accounting, including the elimination of the difference between the investment cost and the relevant equity interests or carrying amounts of the Target Company, as well as other accounting adjustments arising from the combination.

The above financial effects have been determined based on the information currently available and the preliminary accounting assessment and are for illustrative and reference purposes only. The actual financial effects may vary depending on the date of Completion of the Acquisition, the final financial information of the Target Company for the relevant periods, the final adjustments made under merger accounting and the results of the review by the Company's Auditor. The final financial effects will be recognised and disclosed in the consolidated financial statements of the Group for the relevant periods.

The Directors consider that the application of merger accounting and the incorporation of the financial information of the Target Company into the consolidated financial statements of the Group on a retrospective basis will more accurately reflect the business scale, operating performance and financial position of the Group for the relevant periods.

(9) IMPLICATIONS UNDER THE LISTING RULES

Nocton and World Concept are wholly-owned subsidiaries of the Company. Ms. CHU is an executive Director, the chairlady and a controlling Shareholder of the Company. Broad Far is ultimately controlled and beneficially owned by Ms. CHU and is therefore an associate of Ms. CHU and a connected person of the Company. Broad Far Hong Kong is a non-wholly-owned subsidiary of Broad Far and is therefore also an associate of Ms. CHU and a connected person of the Company. Before Completion of the Acquisition, the Target Company is held as to 99% and 1% by Broad Far Hong Kong and Broad Far, respectively, and is also an associate of Ms. CHU. Accordingly, the acquisition by Nocton and World Concept of a 100% equity interest in the Target Company from Broad Far and Broad Far Hong Kong under the Share Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the Acquisition exceed 0.1% but are less than 5%, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

TERMINATION OF EXISTING CONTINUING CONNECTED TRANSACTIONS AND ENTERING INTO NEW CONTINUING CONNECTED TRANSACTIONS

(1) BACKGROUND

Reference is made to the announcement of the Company dated 30 January 2026 in relation to the Existing Framework Agreement entered into between the Group and Broad Far Group and the transactions contemplated thereunder.

On 30 January 2026, Chemactive and Broad Far entered into the Existing Framework Agreement, pursuant to which Chemactive and its subsidiaries shall provide tobacco-related raw materials and related services to Broad Far Group (including the Target Company) on an ongoing basis from 1 January 2026 to 31 December 2028 (both days inclusive). As at the date of this announcement, the aggregate actual transaction amount under the Existing Framework Agreement was approximately RMB19.0 million (unaudited), representing approximately 79.2% of the Annual Cap of RMB24.0 million for the year ending 31 December 2026. The amount of such continuing connected transactions has not exceeded the Annual Cap for the financial year ending 31 December 2026. The original term of the Existing Framework Agreement and the Annual Cap for 2026 are consistent with those disclosed in the Company's announcement dated 30 January 2026. Pursuant to the termination arrangements described below, the Existing Framework Agreement will be terminated early before expiry of its original term.

Following Completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company. Accordingly, the Group's provision of tobacco-related raw materials and related services to the Target Company under the Existing Framework Agreement will become intra-group transactions, while the Target Company's provision of tobacco processing and related services to Broad Far and/or its associates will constitute transactions between the Group and connected persons. In view of the above changes in the business arrangements between the Group and Broad Far Group following Completion of the Acquisition, the Group proposes to terminate the Existing Framework Agreement and enter into the New Framework Agreement described below to govern the relevant tobacco processing and related services.

(2) TERMINATION OF THE EXISTING FRAMEWORK AGREEMENT

On the date of this announcement, Chemactive and Broad Far entered into the Termination Agreement, pursuant to which the parties agreed to terminate the Existing Framework Agreement early with effect from 25 September 2026. Before the effective date of termination, the Existing Framework Agreement will remain in full force and effect. The rights and obligations accrued under the Existing Framework Agreement before the effective date of termination will not be affected. No termination fee or other consideration is payable for terminating the Existing Framework Agreement.

Given that the Target Company will become a wholly-owned subsidiary of the Company following Completion of the Acquisition and the continuing transaction arrangements between the Group and Broad Far Group will change accordingly, the Directors consider that the early termination of the Existing Framework Agreement is consistent with the actual business arrangements following Completion of the Acquisition and will not have any material adverse effect on the business operations and financial position of the Group.

(3) ENTERING INTO THE NEW FRAMEWORK AGREEMENT

To cater for the ongoing business arrangements between the Group and Broad Far Group following Completion of the Acquisition and to govern the Group's provision of tobacco processing and related services to Broad Far Group, Dragon Focus and Broad Far entered into the New Framework Agreement.

Pursuant to the New Framework Agreement, Dragon Focus and other subsidiaries of the Company may provide tobacco processing and related services to Broad Far and/or its associates from time to time. Following Completion of the Acquisition, the Target Company will become a subsidiary of the Company and may provide the relevant processing and related services to Broad Far Group pursuant to the New Framework Agreement.

(4) NEW FRAMEWORK AGREEMENT

On 25 September 2026, Dragon Focus and Broad Far entered into a framework agreement, the principal terms of which are set out below:

Date: 25 September 2026

Parties: (i) Dragon Focus

(ii) Broad Far

Subject matter:	Dragon Focus and other subsidiaries of the Company from time to time may provide tobacco processing and related services to Broad Far and/or its associates from time to time. Each specific transaction may be documented by a separate individual agreement or order entered into between the relevant member of the Group and the relevant member of Broad Far Group pursuant to the New Framework Agreement.
Term:	From 25 September 2026 to 31 December 2028 (both days inclusive).
Pricing Basis:	The fees charged by the Group for services under the New Framework Agreement shall be on normal commercial terms or on terms more favourable to the Group and shall be determined in the following order of priority: (i) If the Group provides the same or similar processing services to independent third parties in its ordinary course of business, priority shall be given to the prices charged and profit margins achieved by the Group in respect of at least two comparable transactions (if any) with independent third parties during the same or most recent period, with necessary adjustments made after taking into account the type, specifications, quality, technical requirements and degree of complexity, quantity, delivery arrangements, payment and credit terms, service location and contract term of the services and other factors; (ii) If there are insufficient internal comparable transactions, reference shall, where practicable, be made to market quotations, tender prices or other verifiable market information provided by at least two independent third-party service providers or customers for comparable processing services, with necessary adjustments made for the above comparable factors; and

- (iii) If the above comparable prices or market information are unavailable, pricing shall be determined using the cost-plus method, namely on the basis of the direct costs actually incurred by the Group in providing the relevant services (including labour, utilities, raw materials and depreciation of equipment) and a reasonable allocation of indirect costs, plus a cost mark-up determined by the parties through arm's length negotiations, which shall in no event be less than 10%. The minimum cost mark-up rate shall be determined with reference to the cost mark-up rates adopted by the Group in providing comparable services to independent third parties and the market cost mark-up rates adopted by independent service providers for comparable services, if any.

Payment terms: After the relevant services have been completed and accepted as satisfactory and the Group has issued a legally valid invoice, Broad Far Group shall settle the relevant service fees in full within the period specified in the relevant individual agreement or order.

(5) ANNUAL CAPS AND BASIS OF DETERMINATION

The maximum transaction amounts for the continuing connected transactions contemplated under the New Framework Agreement for the period from 25 September 2026 to 31 December 2026 and the financial years ending 31 December 2027 and 31 December 2028 will be RMB18.04 million, RMB53.73 million and RMB66.15 million, respectively.

As neither the Target Company nor the Group has previously conducted transactions that are the same as, or sufficiently comparable to, the tobacco processing and related services contemplated under the New Framework Agreement, there is no relevant historical transaction amount that can be directly referenced in determining the Annual Caps. The above Annual Caps were determined based on the reasonable assumptions and expected business needs described below. In determining the Annual Caps, the Company has taken into account the following factors:

- (i) the Target Company's sales amounts in previous years include the sales amounts for the two years ended 31 December 2024 and 2025, and the six months ended 30 June 2026, which were approximately RMB52.72 million, RMB45.02 million and RMB26.95 million, respectively;

- (ii) the Target Company has adequate production capacity, and there remains considerable potential for improvement and enhancement in the future, and production volume can be gradually increased in line with the Group's business expansion and market demand;
- (iii) the Group's existing operating scale and future business development plans, including the Group's expected demand for the relevant products and services;
- (iv) the market conditions for the relevant products and services;
- (v) customers' expressed purchase intentions in respect of the relevant products and services; and
- (vi) after considering the above factors, the Company determined the Annual Caps based on the actual average selling prices in 2026 and the expected sales volume growth. The estimated sales volume for the year ending 31 December 2026 is based on the actual sales volume for the period from 1 January 2026 to mid-September 2026, and the expected sales volume from mid-September to December 2026 is estimated based on the quantities covered by the sales intentions already obtained as of mid-September 2026. On this basis, the sales volumes for the two years ending 31 December 2027 and 2028 are expected to increase by approximately 27.6% and 22.8%, respectively, as compared with the year ending 31 December 2026.

(6) REASONS FOR AND BENEFITS OF TERMINATING THE EXISTING FRAMEWORK AGREEMENT AND ENTERING INTO THE NEW FRAMEWORK AGREEMENT

Before Completion of the Acquisition, the Target Company is a member of Broad Far Group, and the Group provides tobacco-related raw materials and related services to Broad Far Group, including the Target Company, under the Existing Framework Agreement. Following Completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company, and transactions between the Group and the Target Company under the Existing Framework Agreement will become intra-group transactions and will no longer constitute continuing connected transactions of the Company. At the same time, the provision of tobacco processing and related services by the Target Company to Broad Far Group will become continuing transactions between the Group and Broad Far Group. Accordingly, to align the ongoing business arrangements between the Group and Broad Far Group with the group structure and actual nature of the transactions following Completion of the Acquisition, Chemactive and Broad Far agreed to terminate the Existing Framework Agreement early, and Dragon Focus and Broad Far entered into the New Framework Agreement to govern the Group's ongoing provision of tobacco processing and related services to Broad Far Group following Completion of the Acquisition.

Broad Far Group is principally engaged in the production and sale of innovative consumer products outside the PRC. To make reasonable use of the Group's resources and fully utilise the production and processing capabilities of the Target Company in respect of tobacco-related products following Completion of the Acquisition, members of the Group (including the Target Company following Completion of the Acquisition) may provide tobacco processing and related services to Broad Far Group pursuant to the New Framework Agreement. Through the transactions contemplated under the New Framework Agreement, the Group expects to further expand its customer base outside the PRC, broaden the application scope of its products and increase revenue from the relevant business.

In addition, the New Framework Agreement specifies the pricing basis and Annual Caps for the relevant transactions, which will help the Group govern the relevant continuing transactions between the Group and Broad Far Group under a unified transaction framework in compliance with the Listing Rules.

Based on the above factors, the Directors consider that the early termination of the Existing Framework Agreement and the entering into of the New Framework Agreement are consistent with the Group's business structure and actual operating arrangements following Completion of the Acquisition and will help the Group make reasonable use of and integrate the relevant resources. The Directors also consider that termination of the Existing Framework Agreement will not have any material adverse effect on the business operations and financial position of the Group.

(7) INTERNAL CONTROL MEASURES

The above continuing connected transactions will be conducted on a non-exclusive basis. The relevant service fees and other commercial terms will be determined in accordance with the pricing basis set out in the New Framework Agreement and with reference to the prevailing market conditions. To ensure that the transactions contemplated under the New Framework Agreement are conducted on normal commercial terms or on terms more favourable to the Group, the Group will conduct enquiry and comparison procedures and, in accordance with the order of priority for pricing set out in the New Framework Agreement, make reference to other transactions between the Group and independent third parties for the same or similar processing services and available independent market information, and compare the prices and terms of the relevant transactions with those of the transactions contemplated under the New Framework Agreement, to ensure that the prices and terms offered by the Group to Broad Far Group are on normal commercial terms, fair and reasonable, and no less favourable than the prices and terms offered by the Group to independent third parties for the same or similar services, if applicable.

Specifically, if the Group provides the same or similar processing services to independent third parties in its ordinary and usual course of business, the Group will first make reference to the prices charged and profit margins achieved in respect of at least two comparable transactions (if any) with independent third parties during the same or most recent period. If there are insufficient internal comparable transactions, the Group will, where practicable, make reference to market quotations, tender prices or other verifiable market information provided by at least two independent third-party service providers or customers for comparable processing services. If the above comparable prices or market information are unavailable, the service fees will be determined using the cost-plus method set out in the New Framework Agreement.

In addition, the Group will adopt the following internal control measures in respect of the continuing connected transactions contemplated under the New Framework Agreement:

- (i) The Group will regularly review and assess whether the relevant transactions are conducted in accordance with the terms and pricing basis of the New Framework Agreement. When entering into a relevant individual agreement or order, the relevant business department and finance department of the Group will review the price and principal commercial terms of the relevant transaction, as well as the comparable transactions, market quotations or cost information supporting the pricing, as the case may be, to ensure that the transaction complies with the pricing basis set out in the New Framework Agreement.
- (ii) The Group will continuously monitor the cumulative transaction amount under the New Framework Agreement to ensure that the relevant transactions do not exceed the applicable Annual Caps. If the Group reasonably expects that any applicable Annual Cap may be exceeded, the Group may reject, suspend or reduce the relevant transactions or orders until the Company has completed the applicable compliance procedures under the Listing Rules.
- (iii) The internal audit department of the Company will regularly organise internal assessments, including reviewing the pricing of transactions under the New Framework Agreement, monitoring of the Annual Caps and implementation of the relevant internal control procedures, to ensure that the internal control measures relating to the continuing connected transactions are properly implemented and remain complete and effective.
- (iv) The independent non-executive Directors of the Company will annually review the continuing connected transactions conducted by the Company under the New Framework Agreement throughout the financial year and the related internal control procedures, and will make the required confirmations in respect of such continuing connected transactions in the annual report of the Company in accordance with the Listing Rules.

- (v) The Company will, in accordance with the Listing Rules, engage the external Auditor to perform the relevant procedures and report annually on the continuing connected transactions under the New Framework Agreement, and to provide the relevant letter to the Board.
- (vi) The Group will maintain complete records relating to transactions under the New Framework Agreement, including the relevant individual agreements or orders and comparable transaction information, market quotations and cost information supporting the relevant pricing, if applicable, and will provide such information at the reasonable request of the independent non-executive Directors, the Auditor and the relevant regulatory authorities for the purpose of conducting the relevant reviews.

(8) BOARD'S VIEW

The Directors (including all the independent non-executive Directors of the Company) consider that (i) the New Framework Agreement and the continuing connected transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group; (ii) such transactions are entered into on normal commercial terms (following arm's length negotiations) or better terms or on terms no less favourable than those offered by the Group to independent third parties for similar services in its ordinary and usual course of business; and (iii) the terms of the New Framework Agreement (including the Annual Caps) are fair and reasonable. The Directors (including all the independent non-executive Directors of the Company) consider that the continuing connected transactions contemplated under the New Framework Agreement are in the interests of the Company and its Shareholders as a whole.

Ms. CHU, Mr. LAM Ka Yu (son of Ms. CHU) and Ms. LAM Ka Yan (daughter of Ms. CHU) are each deemed to have a material interest in the transactions contemplated under the Termination Agreement and the New Framework Agreement and have therefore abstained from voting on the resolutions in respect of the Termination Agreement, the New Framework Agreement and the transactions contemplated under each of them. Save for Ms. CHU, Mr. LAM Ka Yu and Ms. LAM Ka Yan, none of the other Directors has any material interest in the Termination Agreement or the New Framework Agreement that would require abstention from voting on the relevant Board resolutions.

(9) INFORMATION ON THE PARTIES TO THE NEW FRAMEWORK AGREEMENT

Dragon Focus is a limited liability company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, and principally engaged in investment holding.

Broad Far is a limited liability company incorporated in the British Virgin Islands. Its principal business, ultimate beneficial owner and connected relationship with the Company are set out in the section headed "Information on the Parties" in this announcement.

(10) IMPLICATIONS UNDER THE LISTING RULES

Termination of the Existing Framework Agreement

As the continuing connected transactions under the Existing Framework Agreement will be terminated early before expiry of the original term, pursuant to the note to Rule 14A.35 of the Listing Rules, the Company also makes this announcement in respect of such termination.

New Continuing Connected Transactions

Since one or more of the applicable percentage ratios (other than the profits ratio) calculated with reference to the Annual Caps exceed 0.1% and all such ratios are less than 5%, the New Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context otherwise requires:

“Acquisition”	the acquisition by Nocton and World Concept from Broad Far Hong Kong and Broad Far of an aggregate 100% equity interest in the Target Company pursuant to the Share Transfer Agreement
“Annual Cap”	the maximum annual transaction amount of the continuing connected transactions under the New Framework Agreement for the period from 25 September 2026 to 31 December 2026 and each of the years ending 31 December 2027 and 2028
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Auditor”	PricewaterhouseCoopers
“Board”	the board of Directors of the Company
“Broad Far Group”	Broad Far, its subsidiaries and/or its associates
“Broad Far Hong Kong”	Broad Far (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability
“Broad Far”	Broad Far Limited, a company incorporated in the British Virgin Islands with limited liability on 28 April 2011

“Chemactive”	Chemactive Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Company”	Huabao International Holdings Limited, a company incorporated in Bermuda with limited liability on 11 October 1991, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the share transfers under the Share Transfer Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the total consideration of RMB90 million for the Acquisition
“Director(s)”	the director(s) of the Company
“Dragon Focus”	Dragon Focus Holdings Limited, a company incorporated in the British Virgin Islands with limited liability on 23 March 2012, and a wholly-owned subsidiary of the Company
“Existing Framework Agreement”	the framework agreement entered into between Chemactive and Broad Far on 30 January 2026 in relation to the provision of tobacco-related raw materials and related services by Chemactive and its subsidiaries to Broad Far Group
“Group”	the Company and its subsidiaries, as appropriate and regardless of whether directly or indirectly owned
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Valuer”	Hong Kong PG Advisory Company Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Ms. CHU”	Ms. CHU Lam Yiu, an executive Director and the Chairlady of the Company. As at the date of this announcement, Ms. CHU, through companies wholly owned by her, indirectly holds an aggregate of 2,196,511,094 Shares of the Company, representing approximately 68.18% of the total issued Shares of the Company

“New Framework Agreement”	the framework agreement entered into between Dragon Focus and Broad Far on 25 September 2026 in relation to the provision of tobacco processing and related services by Dragon Focus and other subsidiaries of the Company from time to time to Broad Far and/or its associates
“Nocton”	Nocton International Limited, a company incorporated in the British Virgin Islands with limited liability on 12 December 2001 and a wholly-owned subsidiary of the Company
“percentage ratios”	has the meaning ascribed to it in the Listing Rules
“PRC” or “China”	the People’s Republic of China
“related party(ies)”	has the meaning ascribed to it under the Share Transfer Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Share Transfer Agreement”	the share transfer agreement entered into among Broad Far Hong Kong, Broad Far, Nocton and World Concept on 25 September 2026 in relation to the Acquisition
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“Target Company”	PT. Broad Far Indonesia, a limited liability company incorporated in Indonesia
“Termination Agreement”	the termination agreement entered into between Chemactive and Broad Far on 25 September 2026, pursuant to which the parties agreed to terminate the Existing Framework Agreement early
“Valuation Date”	30 June 2026
“Valuation”	the value of the entire shareholders’ equity in the Target Company as at the Valuation Date
“World Concept”	World Concept Global Limited, a company incorporated in the British Virgin Islands with limited liability on 28 July 2026 and a wholly-owned subsidiary of the Company

“%”

per cent

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

Hong Kong, 25 September 2026

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*

Selection of Valuation Approaches

The Independent Valuer considered three generally accepted valuation approaches, namely, the income approach, the cost approach and the market approach, and adopted the market multiples method under the market approach. The income approach was not adopted given that long-term forecasts inherently rely on various subjective assumptions, which may or may not be sustainable. Valuation is highly sensitive to such assumptions, where even minor variations in key inputs like discount rates, growth assumptions or project timelines, could lead to significant fluctuations in the valuation results. The cost approach was not adopted as it fails to fully reflect the value of the Target Company as a going concern, particularly given that a substantial portion of the Target Company's value derives from intangible elements and future earnings potential from its existing business operations. In contrast, the market approach captures market sentiment and yields more objective valuation results due to its lower reliance on subjective inputs. Having considered the three standard valuation approaches, the Independent Valuer adopted the market approach to perform the valuation of the Target Company. The Valuation Date for this valuation is 30 June 2026, and the type of value adopted is market value.

Selection of Market Approach Valuation Multiples

Valuation multiples typically include earnings ratios, asset ratios, revenue ratios and other specific ratios. When selecting, calculating and applying valuation multiples, the Independent Valuer generally considers:

- (1) the selected valuation multiple facilitates a reasonable determination of the subject's value.
- (2) the data scope and calculation methodology for the valuation multiple are consistent.

Based on the Target Company's industry and its own financial condition, and after comprehensive comparative analysis, the Independent Valuer has selected the most appropriate valuation multiple for this valuation. As the Target Company is currently in a business development stage, its historical earnings levels do not provide a representative benchmark for valuation. Considering that the Target Company's historical revenue has remained relatively stable, the price-to-sales ("P/S") ratio was adopted as the ratio for this valuation analysis.

P/S Ratio of the Target Company and Comparable Listed Companies

Based on market information of comparable listed companies, the median P/S ratio of comparable listed companies is approximately 2.87x.

Selection Criteria for Comparable Companies

After extensively researching publicly listed companies with business operations similar to the Target Company and comparing the development stages of the comparable listed companies and the Target Company, the Independent Valuer identified a total of 7 comparable listed companies for this valuation analysis. The selection criteria for the comparable companies include:

- (1) Publicly listed: the primary listing exchange is one of the major global stock exchanges covered by the S&P Capital IQ database, and the company has been listed for no less than three years;
- (2) Operating in the same industry as the Target Company: the company is classified under the Tobacco industry in the S&P Capital IQ industry classification;
- (3) Having principal businesses similar to those of the Target Company: the principal businesses comprise the manufacture and sale of tobacco products (including cigarettes and e-cigarettes), and involve the HNB cigarette business;
- (4) Having a revenue composition similar to that of the Target Company: more than 90% of its revenue is derived from the manufacture and sale of tobacco products; and
- (5) Relevant information being available from public sources: the relevant parameters (including the market capitalization and revenue of the Comparable Companies) have been publicly disclosed.

Based on the above selection criteria, a total of seven Comparable Companies were identified, and there were no comparable companies that met the selection criteria but were ultimately excluded. The P/S Multiples of the Comparable Companies as at 30 June 2026 are set out below:

No.	Comparable companies	Stock code	Currency	Market value (million)	Revenue for the last twelve months (million)	P/S ratio
1	Altria Group, Inc.	NYSE:MO	USD	120,149	20,444	5.88
2	British American Tobacco p.l.c.	LSE:BATS	GBP	100,985	25,776	3.92
3	Imperial Brands PLC	LSE:IMB	GBP	21,383	19,406	1.10
4	Japan Tobacco Inc.	TSE:2914	JPY	10,672,753	3,719,202	2.87
5	Philip Morris International Inc.	NYSE:PM	USD	281,959	42,545	6.63
6	PT Hanjaya Mandala Sampoerna Tbk	IDX:HMSP	IDR	77,933,112	49,161,896	1.59
7	Smoore International Holdings Limited	SEHK:6969	RMB	37,674	15,452	2.44
					Median	2.87

Source: Capital IQ

In the valuation process, the Independent Valuer uses the median as a multiplier instead of the mean because the median is not skewed by exceptionally high or low characteristic values, thereby providing a more reliable measure of data concentration trend.

Adjustments made to the Valuation and the Adjustment Basis

The Independent Valuer has applied a discount for lack of marketability (“DLOM”). The DLOM reflects the fact that there is no existing market for the shares of privately-held companies. Ownership interests in privately-held companies are generally not readily marketable as compared to similar interests in listed companies. As a result, the value of shares in a non-listed company is typically lower than that of listed companies.

In performing the valuation, the Independent Valuer referenced the *2025 Stout Restricted Stock Study Companion Guide* released by Stout Risius Ross, LLC, a global investment bank and advisory firm. The guide analyzes data from 783 private placement transactions of unregistered common stock (with or without registration rights) issued by publicly traded companies between July 1980 and March 2025. According to the guide, the transaction sample is categorized into five quintiles based on the distribution of restricted stock discounts, with high, median and low discounts calculated across all parameters for each quintile group. Based on the Target Company's relevant financial characteristics, its overall profile aligns most closely with the fifth quintile group. Given that the Target Company's profitability metrics (including net profit and net profit margin) outperform the median level of this quintile, the Independent Valuer conservatively adopted the low-end discount of the group, applying a DLOM of 33%.

Valuation Results of the Target Company

The median P/S multiple of the comparable companies (the "Median P/S") was applied to the actual revenue of the Target Company for the past twelve months as at the Valuation Date, and adjusted for the DLOM, to arrive at the Valuation of the Target Company.

The market value of the Target Company's equity as at the Valuation Date is calculated as follows:

Parameters	As at 30 June 2026 <i>Unit: US\$000</i>
Median P/S of the comparable companies	2.87x
Actual revenue of the Target Company for the past 12 months as at the Valuation Date	7,106
Equity value of the Target Company (before taking into account DLOM)	20,393
Equity value of the Target Company (after taking into account the 33% DLOM)	13,663
Exchange rate (USD/CNY)	6.8109
Market value of all equity interests of the Target Company as at the Valuation Date	RMB93.059 million

Key Valuation Assumptions and Limiting Conditions

According to the valuation report, the data on which the valuation is based (including historical financial data) are assumed to be true and accurate; the valuation conclusions and opinions are based on the economic conditions and purchasing power of currency as at the Valuation Date; and the valuation report is prepared solely for the purposes stated therein. The Independent Valuer has not conducted any investigation into legal matters, the ownership of the assets being valued or any liabilities.

Views of the Directors

The Directors have reviewed the Valuation, including the valuation approaches adopted by the Independent Valuer, the selection criteria for comparable companies, the valuation multiples, adjustments and valuation assumptions. The Directors understand that in this Valuation, both the income approach and the cost approach have significant limitations: (1) the income approach relies on various subjective assumptions, which may or may not be sustainable, and the value analysis results are highly sensitive to such subjective assumptions, where even minor variations in key inputs like discount rates, growth assumptions or project timelines, could lead to significant fluctuations in the value analysis results. (2) The cost approach is based on the reconstruction or replacement cost of the relevant assets, which fails to fully reflect the value of the Target Company as a going concern, and a substantial portion of the Target Company's value derives from intangible elements and future earnings potential from its existing business operations, which are not fully reflected under the cost approach.

In view of the above, considering that the market approach captures market sentiment and yields more objective valuation results due to its lower reliance on subjective inputs, the Directors consider that the Independent Valuer's adoption of the market multiples method under the market approach is appropriate, and consider that the key inputs and adjustments adopted, including the selection criteria for comparable companies, the Median P/S of 2.87x and the 33% DLOM, are reasonable. According to the valuation report, the market value of all equity interests of the Target Company as at 30 June 2026 is RMB93.059 million.

The Directors (including the independent non-executive Directors) consider that, with reference to the above valuation and the basis for determining the consideration as set out elsewhere in this announcement, the Consideration for the Acquisition of RMB90 million is fair and reasonable and in the interests of the Company and its shareholders as a whole.

IDENTITY AND INDEPENDENCE OF THE VALUER

1. Identity

Hong Kong PG Advisory Company Limited (PG Advisory) is the Hong Kong company of the PG Advisory group and a leading financial consultancy focusing on cross-border transactions and value-driven solutions for the Chinese market. Since its establishment in 2014, the PG Advisory group has served more than 500 financing and investment, M&A and IPO cases. Its well-known clients include more than 100 Hong Kong and US-listed companies, nearly 100 private equity/venture capital funds, as well as multinational corporations across major industries.

PG Advisory provides a full range of advisory services, including Transaction Advisory & Due Diligence, Valuation & Capital Market Solutions and Financial & Tax Consulting, with a focus on new economy sectors such as Technology, Media & Telecom (TMT), Consumer & Retail, Healthcare & Life Sciences, Education & EdTech, and Entertainment & Digital Economy. PG Advisory's professional service network covers major cities including Beijing, Shanghai, Shenzhen, Hangzhou, Suzhou, Wuhan and Hong Kong, and its relevant professional teams possess both local market experience and experience in global transaction projects.

2. Independence

The Independent Valuer confirmed that it has neither any present nor prospective interest in the Target Company or the relevant parties. In the course of conducting the valuation and preparing the relevant report, the Independent Valuer did not encounter any limitations or restrictions imposed by personnel of the Company. The fees of the Independent Valuer are not contingent on the result of the valuation report.