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CHINA HONGBAO HOLDINGS LIMITED

中國紅包控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8316)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 27 February 2023 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, a total of 38,350,000 Subscription Shares at the Subscription Price of HK\$0.730 per Subscription Share.

The total number of 38,350,000 Subscription Shares to be issued and allotted under the Subscription Agreement represents (i) approximately 4.63% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.43% of the issued share capital of the Company immediately upon Completion (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to the Completion Date save for the issue of the Subscription Shares) as enlarged by the issue and allotment of the Subscription Shares.

The Directors considered that the Subscription represents an opportunity to raise capital for the business operations of the Group while broadening the Shareholder base of the Company. The gross proceeds of the Subscription will be approximately HK\$28.0 million. After taking into account the estimated expenses related to the Subscription, the estimated net proceeds of the Subscription will be approximately HK\$27.9 million, representing the net price of approximately HK\$0.728 per Subscription Share. The Company intends to use the net proceeds of approximately HK\$27.9 million from the issue of the Subscription Shares as the general working capital of the Group (including for the repayment of indebtedness).

Shareholders and potential investors of the Company should note that the Subscription is subject to the fulfilment of the conditions under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

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THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are set out as follows:

Date: 27 February 2023 (after trading hours)

Parties: (1) the Company (as issuer); and
(2) the Subscriber (as subscriber)

The Subscriber is a PRC resident and a businessman with extensive experience in investment based on information provided to the Company. The Subscriber does not hold any Share as at the date of this announcement. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber is an Independent Third Party.

Subscription Shares

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, a total of 38,350,000 Subscription Shares, representing (i) approximately 4.63% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.43% of the issued share capital of the Company immediately upon Completion (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to the Completion Date save for the issue of the Subscription Shares) as enlarged by the issue and allotment of the Subscription Shares.

Based on the closing price of the Shares of HK\$0.900 per Share on 27 February 2023, being the date of the Subscription Agreement, the Subscription Shares have a market value of approximately HK\$34.5 million. The aggregate nominal value of the Subscription Shares is HK\$383,500.

Subscription Price

The Subscription Price is HK\$0.730 per Subscription Share, representing:

- (i) a discount of approximately 18.89% to the closing price per Share of HK\$0.900 as quoted on the Stock Exchange on 27 February 2023, being the date of the Subscription Agreement; and
- (ii) a discount of approximately 19.43% to the average closing price per Share of HK\$0.906 for the last five (5) consecutive trading days immediately preceding the date of the Subscription Agreement.

The total Subscription Price for the Subscription (i.e. HK\$27,995,500) is/shall be paid by the Subscriber to the Company in cash in the following manner:

- (a) the Subscriber has paid deposit (the “**Deposit**”) in the amount of HK\$10,000,000 as of 27 February 2023; and
- (b) the Subscriber shall pay the outstanding amount of the total Subscription Price (i.e. HK\$17,995,500, being the total Subscription Price less the Deposit) at Completion.

The Deposit is only refundable (without interest) by the Company to the Subscriber in full if the conditions precedent to Completion are not fulfilled or waived (as the case may be) on the Long Stop Date or if there is a material breach of the Subscription Agreement by the Company.

The Subscription Price was determined after arm’s length negotiation between the Company and the Subscriber with reference to the prevailing market price of the Shares and the market condition. The Board considers that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent to Completion

Completion is conditional upon the fulfilment of the following conditions:

- (i) the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares; and
- (ii) the representation and warranties of the Company and the Subscriber remaining true and accurate in all material respects and are not misleading as of the date of the Subscription Agreement and the Completion Date.

The Subscriber shall be entitled in her absolute discretion, by written notice to the Company, to waive the condition relating to the obligations of the Company under the Subscription Agreement in condition (ii) as disclosed above in whole or in part. The Company shall be entitled in its absolute discretion, by written notice to the Subscriber, to waive the condition relating to the obligations of the Subscriber under the Subscription Agreement in condition (ii) as disclosed above in whole or in part. Neither party to the Subscription Agreement shall be entitled to waive compliance with condition (i) as disclosed above.

In the event that any of the conditions precedent shall not have been fulfilled (or waived) prior to the Long Stop Date, the Subscription Agreement shall terminate and cease to be of any effect, (i) except for certain provisions relating to representation and warranties, confidentiality and certain miscellaneous matters shall remain applicable after termination and such provisions shall remain in full force and effect, and (ii) neither party shall (save to such extent and to the extent of obligations or rights of any of the parties which have accrued prior to such termination) have any claim against the other party for costs, damages, compensation or otherwise.

Completion

Completion shall take place on the Completion Date in accordance with the terms of the Subscription Agreement.

Ranking

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with the Shares in issue at the time of issue and allotment of the Subscription Shares.

General mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued under the General Mandate, which has been granted to the Directors at the AGM to allot, issue and deal with up to 160,000,000 Shares, representing 20% of the total number of issued Shares as at the date of the AGM.

Since the date of the AGM and up to the date of this announcement, 28,050,000 new Shares have been allotted and issued by the Company under the General Mandate and the remaining new Shares that can be allotted and issued by the Company under the General Mandate are 131,950,000 new Shares. The General Mandate is sufficient for the allotment and issue of the Subscription Shares and the issue of the Subscription Shares is not subject to the approval by the Shareholders.

APPLICATION FOR LISTING

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

EFFECT ON THE SHAREHOLDING OF THE COMPANY

As at the date of this announcement, the Company has 828,050,000 Shares in issue.

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to the Completion Date save for the issue of the Subscription Shares):

Shareholders	Immediately before Completion		Immediately after Completion	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Quantong Group Holdings Limited (“Quantong”) (Note 1)	599,100,000	72.35	599,100,000	69.15
The Subscriber (Ms. Chen Chunyu) (Note 2)	—	—	38,350,000	4.43
Cheng Jun (Note 3)	890,000	0.11	890,000	0.10
Other Public Shareholders	<u>228,060,000</u>	<u>27.54</u>	<u>228,060,000</u>	<u>26.32</u>
Total	<u><u>828,050,000</u></u>	<u><u>100.00</u></u>	<u><u>866,400,000</u></u>	<u><u>100.00</u></u>

Notes:

1. The 599,100,000 Shares are held by Quantong as beneficial owner. Mr. Xing Yuan beneficially owns 100% of the issued share capital of Quantong. Mr. Xing Yuan is deemed, or taken to be, interested in all the Shares held by Quantong for the purpose of the SFO.
2. The 38,350,000 Shares will be held by the Subscriber as beneficial owner upon Completion. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Subscriber is an Independent Third Party and is a public shareholder of the Company.
3. Mr. Cheng Jun is the chairman of the Board and an executive Director.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Company is an investment holding company. The Group is principally engaged in foundation and other construction business and supply chain business in Hong Kong and the PRC.

The Directors considered that the Subscription represents an opportunity to raise capital for the business operations of the Group while broadening the Shareholder base of the Company. The gross proceeds of the Subscription will be approximately HK\$28.0 million. After taking into account the estimated expenses related to the Subscription, the estimated net proceeds of the Subscription will be approximately HK\$27.9 million, representing the net price of approximately HK\$0.728 per Subscription Share. The Company intends to use the net proceeds of approximately HK\$27.9 million from the issue of the Subscription Shares as the general working capital of the Group (including for the repayment of indebtedness).

The Board considers the terms of the Subscription Agreement to be on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITY OVER THE PAST 12 MONTHS

Save as disclosed below, the Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the date of this announcement:

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of the net proceeds	Actual use of the net proceeds as at the date of this announcement
5 January 2023	Subscription of 28,050,000 new Shares at the subscription price of HK\$0.713 per Share under the General Mandate, which was completed on 16 January 2023	Approximately HK\$19.8 million	Approximately HK\$19.8 million as general working capital of the Group	Approximately HK\$19.1 million used as general working capital of the Group (including approximately HK\$10.0 million used for repayment of indebtedness). The remaining balance of approximately HK\$0.7 million is expected to be fully utilised as intended within 12 months from the date of this announcement

Shareholders and potential investors of the Company should note that the Subscription is subject to the fulfilment of the conditions under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 16 September 2022
“Board”	the board of Directors

“Business Day”	any day (excluding a Saturday, Sunday, public holiday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licenced banks are generally open for business in Hong Kong during normal working hours
“Company”	China Hongbao Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM (Stock Code: 8316)
“Completion”	completion of the Subscription in accordance with the terms of the Subscription Agreement
“Completion Date”	the date on which Completion takes place in accordance with the terms of the Subscription Agreement, which is no later than the seventh (7th) Business Day following the fulfillment or waiver (as the case may be) of all the conditions precedent to Completion in accordance with the terms of the Subscription Agreement, or such other place, time and/or date as the parties to the Subscription Agreement shall otherwise agree
“Director(s)”	the director(s) of the Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 160,000,000 Shares, representing 20% of the total number of issued Shares as at the date of the passing of such resolution
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	party(ies) who is/are not connected person (as defined in the GEM Listing Rules) of the Company and who together with its/their ultimate beneficial owner(s) are independent of the Company and of the connected persons (as defined in the GEM Listing Rules) of the Company
“Long Stop Date”	10 March 2023, or such later date as the parties to the Subscription Agreement may agree
“PRC”	the People’s Republic of China, which shall, for the purpose of this announcement, exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Ms. Chen Chunyu (陳春宇), being the subscriber of the Subscription
“Subscription”	the subscription of 38,350,000 Subscription Shares at the Subscription Price by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement entered into between the Company and the Subscriber dated 27 February 2023 in relation to the Subscription
“Subscription Price”	HK\$0.730 per Subscription Share
“Subscription Shares”	38,350,000 new Shares to be issued by the Company to the Subscriber pursuant to the terms of the Subscription Agreement
“%”	per cent

By order of the Board
China Hongbao Holdings Limited
Cheng Jun
Chairman and Executive Director

Hong Kong, 27 February 2023

As at the date of this announcement, the Board comprises Mr. Cheng Jun, Mr. Ji Zhendong and Mr. Yu Hua as executive Directors; and Mr. Chow Chun To, Dr. Kung Wai Chiu Marco and Ms. Wong Chi Yan as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the website of the Stock Exchange at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and will be published on the Company’s website at www.quantongkonggu.com.