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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)**

### **LOAN CAPITALISATION THROUGH SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE**

#### **LOAN CAPITALISATION THROUGH THE SUBSCRIPTION**

On 24 April 2024 (after the trading hours of the Stock Exchange), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK\$0.12 per Subscription Share. The total Subscription amount payable by the Subscriber of HK\$4,999,920 under the Subscription Agreement shall be satisfied by way of capitalisation of part of the Debt already due by the Company to the Subscriber. The allotment and issue of the Subscription Shares to the Subscriber shall be full and final settlement of such portion of the Debt. The outstanding balance of the Debt shall be settled by the Company by cash within three months after Completion.

Assuming that there will be no change in the number of issued Shares between the date of this announcement and Completion, the 41,666,000 Subscription Shares represent approximately 4.81% of the existing issued share capital of the Company as at the date of this announcement and approximately 4.59% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

**Completion of the Subscription is subject to the fulfillment of the conditions under the Subscription Agreement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the Shares.**

## **LOAN CAPITALISATION THROUGH THE SUBSCRIPTION**

The Company had obtained borrowings from the Subscriber for the Group's general working capital purposes. As at the date of the Subscription Agreement, the Company was indebted to the Subscriber the Debt of HK\$5.0 million, which is interest-free and repayable on demand by the Subscriber.

On 24 April 2024 (after the trading hours of the Stock Exchange), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK\$0.12 per Subscription Share. The total Subscription amount payable by the Subscriber of HK\$4,999,920 under the Subscription Agreement shall be satisfied by way of capitalisation of part of the Debt already due by the Company to the Subscriber. The allotment and issue of the Subscription Shares to the Subscriber shall be full and final settlement of such portion of the Debt. The outstanding balance of the Debt shall be settled by the Company by cash within three months after Completion.

## **THE SUBSCRIPTION AGREEMENT**

Details of the terms of the Subscription Agreement are summarised below:

### **Date**

24 April 2024

### **Parties**

- (1) The Company (as issuer); and
- (2) The Subscriber (as subscriber)

As at the date of this announcement, the Subscriber beneficially holds 50,000 Shares, representing approximately 0.01% of the issued share capital of the Company. 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 41,666,000 Subscription Shares at the Subscription Price of HK\$0.12 per Subscription Share. The total Subscription amount payable by the Subscriber of HK\$4,999,920 under the Subscription Agreement shall be satisfied by way of capitalisation of part of the Debt already due from the Company to the Subscriber.

As at the date of this announcement, the Company has 866,400,000 Shares in issue. Assuming that there will be no change in the number of issued Shares between the date of this announcement and Completion, the 41,666,000 Subscription Shares represent approximately 4.81% of the existing issued share capital of the Company as at the date of

this announcement and approximately 4.59% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The aggregate nominal value of the 41,666,000 Subscription Shares is HK\$416,660.

### **Subscription Price**

The Subscription Price of HK\$0.12 per Subscription Share represents:

- (i) a premium of approximately 4.3% over the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on 24 April 2024 (being the date of the Subscription Agreement); and
- (ii) the average closing price of HK\$0.12 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to 24 April 2024 (being the date of the Subscription Agreement).

Based on the closing price of HK\$0.115 per Share on 24 April 2024 (being the date of the Subscription Agreement), the Subscription Shares have a market value of HK\$4,791,590.

The Subscription Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Subscriber. The Directors consider that the terms and conditions of the Subscription Agreement (including the Subscription Price) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Subscription involves the capitalisation of the Debt into the Subscription Shares, and the Company will use its internal resources to settle the relevant expenses in connection with the Subscription. The net issue price, after deduction of relevant expenses, is estimated to be approximately HK\$0.113 per Subscription Share.

There will be no proceeds arising from the Subscription as all the proceeds from the Subscription will be set-off against the Debt on a dollar-to-dollar basis.

### **Ranking of the Subscription Shares**

The Subscription Shares shall rank *pari passu* in all respects among themselves and with the existing Shares in issue on the date of allotment and issue of the Subscription Shares.

### **Conditions precedent**

Completion of the Subscription is conditional upon the satisfaction of the following conditions:

- (i) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares;
- (ii) all necessary consents and approvals required to be obtained by the Company in respect of the Subscription Agreement and the transaction contemplated thereunder having been obtained;

- (iii) the warranties given by the Company under the Subscription Agreement remaining true, complete, accurate in all respects and not misleading in any respect; and
- (iv) the warranties given by the Subscriber under the Subscription Agreement remaining true, complete, accurate in all respects and not misleading in any respect.

Save that the condition set out in paragraph (iii) can be waived by the Subscriber and the condition set out in paragraph (iv) can be waived by the Company, the above conditions are non-waivable. In the event the above conditions are not satisfied (or waived, as the case may be) on or before the Long Stop Date, the Subscription Agreement shall cease and terminate and all obligations and liabilities of the parties to the Subscription Agreement shall cease and terminate save for any antecedent breach under the Subscription Agreement prior to such termination.

### **Completion**

Completion of the Subscription shall take place within one (1) month following the day on which the conditions set out above are satisfied (or waived, as the case may be) (or on such other date as may be agreed between the Company and the Subscriber in writing).

### **Application for Listing**

The Company will apply to the GEM Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, the Subscription Shares.

### **GENERAL MANDATE TO ALLOT AND ISSUE THE SUBSCRIPTION SHARES**

The allotment and issue of the Subscription Shares is not subject to further approval by the Shareholders. The Subscription Shares will be issued under the General Mandate, which was granted to the Directors pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 14 September 2023. Pursuant to the General Mandate, the Company was authorised to issue and allot up to 173,280,000 Shares, representing 20% of the total number of Shares in issue on the date of passing such resolution.

As at the date of this announcement, no Shares have been issued under the General Mandate and the total number of new Shares that can be allotted and issued under the General Mandate is therefore 173,280,000 Shares. The General Mandate is sufficient for the allotment and issue of the Subscription Shares.

### **FUND RAISING EXERCISE DURING THE PAST TWELVE MONTHS**

The Company has not conducted any equity fund raising exercise during the past twelve months immediately preceding the date of this announcement.

## REASONS FOR AND BENEFITS OF THE LOAN CAPITALISATION THROUGH SUBSCRIPTION

The Company is an investment holding company. The Group is principally engaged in foundation and other construction business in Hong Kong and internet services in the People's Republic of China.

The Company had obtained borrowings from the Subscriber for the Group's general working capital purposes. As at the date of the Subscription Agreement, the Company was indebted to the Subscriber the Debt of HK\$5.0 million, which is interest-free and repayable on demand.

The Directors consider that the Subscription would allow the Company to settle a substantial part of the Debt without utilising existing financial resources of the Group thereby strengthening the financial position of the Group. The Directors also consider that the Subscription will broaden the Company's capital base and shareholders base without any interest burden. It is expected that the Subscription through loan capitalisation will not have any material impact on the business operation and financial position of the Group.

Based on the above, the Directors consider that the terms of the Subscription Agreement are fair and reasonable, on normal commercial terms and that the entering into of the Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

## EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion are as follows (assuming that there is no change in the number of issued Shares between the date of this announcement and Completion):

	As at the date of this announcement		Immediately after Completion	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Mr. Cheng Jun ( <i>Note 1</i> )	180,078,000	20.78	180,078,000	19.83
Subscriber	50,000	0.01	41,716,000	4.59
Other public Shareholders	<u>686,272,000</u>	<u>79.21</u>	<u>686,272,000</u>	<u>75.58</u>
<b>Total</b>	<u>866,400,000</u>	<u>100.00</u>	<u>908,066,000</u>	<u>100.00</u>

*Notes:*

1. Mr. Cheng Jun is the chairman of the Board and an executive Director.
2. The percentages are subject to rounding difference, if any. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

**Completion of the Subscription is subject to the fulfillment of the conditions under the Subscription Agreement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for business
“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 and condition set out in the Subscription Agreement
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Debt”	the amount owed by the Company to the Subscriber of HK\$5.0 million as at the date of the Subscription Agreement
“Director(s)”	the director(s) of the Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed to it under the GEM Listing Rules
“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 by the Shareholders to the Directors at the annual general meeting of the Company held on 14 September 2023 to allot, issue and deal with up to 173,280,000 Shares, being 20% of the total number of Shares in issue on the date of passing such resolution
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person or company and their respective beneficial owners (if applicable) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected persons

“Long Stop Date”	31 July 2024, or such later date as the Company and the Subscriber may agree in writing
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholders”	holders of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Ms. Zhang Xiaoping (張小萍女士)
“Subscription”	the subscription of the Subscription Shares by the Subscriber on and subject to the terms and condition set out in the Subscription Agreement
“Subscription Agreement”	the conditional subscription and loan capitalisation agreement dated 24 April 2024 entered into between the Company and the Subscriber
“Subscription Price”	HK\$0.12 per Subscription Share
“Subscription Share(s)”	41,666,000 new Shares to be allotted and issued to the Subscriber by the Company pursuant to the Subscription Agreement
“%”	per cent.

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

Hong Kong, 24 April 2024

*As at the date of this announcement, the Board comprises Mr. Cheng Jun and Mr. Yu Hua as executive Directors; and Mr. Chow Chun To, Dr. Cheung Ka Yue 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](http://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](http://www.quantongkonggu.com).*