

QUANTONG HOLDINGS LIMITED

全通控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8316

FIRST
QUARTERLY
REPORT
2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “**Directors**”) of Quantong Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 report 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 report misleading.*

FINANCIAL RESULTS

The board of Directors (the "Board") would like to present the unaudited condensed consolidated results of the Group for the three months ended 30 June 2022, together with the comparative unaudited figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2022

	Notes	Three months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	15,725	4,956
Cost of sales		(13,453)	(7,182)
Gross profit/(loss)		2,272	(2,226)
Other income	4	–	1,658
Administrative expenses		(2,371)	(3,105)
Finance costs	5	(520)	(25)
Loss before income tax	6	(619)	(3,698)
Income tax expense	7	–	–
Loss and total comprehensive expense for the period attributable to the owners of the Company		(619)	(3,698)
		HK cents	HK cents
Loss per share			
— Basic and diluted	8	(0.08)	(0.46)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2022

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Capital reserve HK\$'000	Total HK\$'000
As at 1 April 2022 (Audited)	8,000	82,525	(51,705)	341	93	(96,834)	5,741	(51,839)
Loss and total comprehensive expense for the period	-	-	-	-	-	(619)	-	(619)
As at 30 June 2022 (Unaudited)	8,000	82,525	(51,705)	341	93	(97,453)	5,741	(52,458)
As at 1 April 2021 (Audited)	8,000	82,525	(51,705)	-	-	(86,074)	3,118	(44,136)
Loss and total comprehensive expense for the period	-	-	-	-	-	(3,698)	-	(3,698)
As at 30 June 2021 (Unaudited)	8,000	82,525	(51,705)	-	-	(89,772)	3,118	(47,834)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENT

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 July 2014, as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands. The registered office of the Company is located at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and the head office and principal place of business of the Company is located at Room 502, Tai Tung Building, 8 Fleming Road, Wan Chai, Hong Kong. The Company is an investment holding company and its shares were listed on GEM of the Stock Exchange on 10 August 2015. The Group is principally engaged in foundation and other construction business and supply and installation of new energy charging piles in Hong Kong and the People's Republic of China ("PRC").

2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial statements for the three months ended 30 June 2022 has been prepared in accordance with the accounting policies, which conforms with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the applicable disclosure provisions of the GEM Listing Rules.

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in a full set of financial statements prepared in accordance with HKFRSs, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2022.

The preparation of financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgements in the process of applying the Group's accounting policies.

The unaudited condensed consolidated financial statements for the three months ended 30 June 2022 have not been audited by the Company's independent auditors, but have been reviewed by the audit committee (the "**Audit Committee**") of the Board.

The unaudited condensed consolidated financial statements for the three months ended 30 June 2022 have been prepared under the historical cost convention. The unaudited condensed consolidated financial statements is presented in Hong Kong dollars (HK\$), which is also the functional currency of the Company. All values are rounded to the nearest thousands except when otherwise indicated.

For the purpose of preparing and presenting the financial information of the unaudited condensed consolidated financial statements, the Group has consistently adopted HKFRSs issued by HKICPA which are effective for the Group's financial year beginning on 1 April 2022. The Group has not early applied the new and revised HKFRSs that have been issued by HKICPA but are yet to be effective.

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue during the three months ended 30 June 2022 and 2021 represents the amount received and receivable from contract with customers in the provision of foundation and other construction works in Hong Kong and the PRC. The executive Directors have been identified as the chief operating decision-maker, responsible for making strategic decisions, allocating resources and assessing performance of the operating segments.

Geographical information

The Group's revenue was principally derived from Hong Kong and the PRC, based on the location of the customers.

	Three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong	14,274	4,956
The PRC	1,451	–
	15,725	4,956

4. OTHER INCOME

	Three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Gain on disposal of property, plant and equipment	–	1,658
	–	1,658

5. FINANCE COSTS

	Three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on lease liabilities/finance leases	–	25
Interest on loan from other borrowings	154	–
Imputed interest for shareholder loans	366	–
	520	25

6. LOSS BEFORE INCOME TAX

	Three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Loss before income tax is arrived at after charging:		
Employee benefit expense (including Directors' remuneration)	1,272	2,833
Depreciation of property, plant and equipment	–	414
Depreciation of right-of-use assets	–	307

7. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of comprehensive income represents:

	Three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax for the period:		
Hong Kong profits tax	–	–
PRC Enterprise Income Tax	–	–
	–	–

Hong Kong profits tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the three months ended 30 June 2022 and 2021. According to the Inland Revenue (Amendment) Bill 2017, profits tax rate for the first HK\$2 million of assessable profits of corporations is lowered to 8.25% with the excess assessable profits continue to be taxed at 16.5%.

The basic tax rate of the Group's PRC subsidiaries is 25% under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law. For the current period, certain subsidiaries of the Group qualified as small and micro enterprises and enjoy the reduction of the applicable tax rate to 10%.

No provision for Hong Kong profits tax or PRC Enterprise Income Tax has been made for the current and prior periods as the group entities either incurred losses for the three months ended 30 June 2022 or have tax losses brought forward to set off with the assessable profit for the three months ended 30 June 2022.

8. LOSS PER SHARE

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	Three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Loss		
Loss for the purpose of calculating basic loss per share	(619)	(3,698)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	800,000	800,000

Diluted loss per share was the same as basic loss per share as there were no potential dilutive ordinary shares outstanding for the three months ended 30 June 2022 and 2021.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 30 June 2022 (2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group has been engaging in foundation works business as a subcontractor and other construction works in Hong Kong for over 10 years. The outbreak of the COVID-19 pandemic has been lasting for over two years and results in serious and unanticipated disruptions in business operation and the Hong Kong economy. Furthermore, the construction industry in Hong Kong is fragmented with increasing number of market players, resulting in keen competitions in the market and lower gross margin of construction projects. Despite the unfavourable conditions in Hong Kong economy and the construction industry which lead to continuous increase in construction costs due to labour shortage, increasingly stringent regulatory controls and rising construction material and operation costs, the Directors are of the view that the market conditions of the construction industry will start to improve and consider that with the Group's business presence and good reputation in the market, the Group is well-positioned to compete with its competitors against such challenges that are commonly faced by all industry players. For the three months ended 30 June 2022, followed by the new foundation projects undertaken by the Group, the Group recorded revenue of approximately HK\$15.7 million, representing an increase of approximately 217.3% as compared to the revenue for the three months ended 30 June 2021, which were entirely derived from provision of foundation and other construction works. As a result, the Group recorded overall gross profit margin of approximately 14.4% for the three months ended 30 June 2022 as compared to the gross loss margin of approximately 44.9% for the three months ended 30 June 2021.

In addition to continue the existing foundation works and other construction works business, the Group also explores other suitable business opportunities with a view to diversify its business. During the year ended 31 March 2022, the Group started to engage in provision of supply and installation of new energy charging piles in the PRC and recorded revenue of approximately HK\$4.5 million. For the three months ended 30 June 2022, the Group did not record revenue from this business segment. The Directors consider the above new business was the first step in the business diversification and expansion of the Group's business portfolio. Having considered stable economic growth in the PRC and good prospects in the PRC supply chain market, the Company established an indirect wholly-owned subsidiary, Hainan Hongbao Linkage Technology Co. Ltd.* (海南紅包聯動科技有限公司) ("**Hainan Hongbao**"), in Hainan Province, the PRC on 6 July 2022 to support the Group's intention to start a new line of business in the supply chain industry in the PRC. The Group intends to develop Hainan Hongbao as an integrated supply chain management company that focuses on the livelihood aspects related to the improvement of the quality of life of the citizen, such as fast-moving consumer goods and electronic appliances. Compared to traditional trading and service supply chain management companies, the Group believes that an integrated supply chain management company has a better profit model and can drive the future development of the Company. The Group will proactively explore new opportunities to benefit the Company and its shareholders as a whole in long run.

* For identification purpose only

FINANCIAL REVIEW

Revenue

The Group's revenue for the three months ended 30 June 2022 was approximately HK\$15.7 million, representing an increase of approximately HK\$10.8 million or 217.3% as compared to the revenue for the three months ended 30 June 2021. The increase was mainly attributable to revenue generated from new foundation projects undertaken by the Group during the three months ended 30 June 2022.

Cost of Sales

The Group's cost of sales increased from approximately HK\$7.2 million for the three months ended 30 June 2021 to approximately HK\$13.5 million for the three months ended 30 June 2022, representing an increase of approximately HK\$6.3 million or 87.3%. The increase in cost of sales of the Group was generally consistent with the increase in revenue for the three months ended 30 June 2022.

Gross Profit/Loss and Gross Profit/Loss Margin

For the three months ended 30 June 2022, the Group recorded a gross profit of approximately HK\$2.3 million (2021: gross loss of approximately HK\$2.2 million) and the gross profit margin was approximately 14.4% (2021: gross loss margin of approximately 44.9%). The change from gross loss of the Group for the three months ended 30 June 2021 to gross profit of the Group for the three months ended 30 June 2022 was due to the increase in revenue as explained above.

Administrative Expenses

The administrative expenses decreased by approximately HK\$0.7 million or 23.6%, from approximately HK\$3.1 million for the three months ended 30 June 2021 to approximately HK\$2.4 million for the three months ended 30 June 2022. The decrease was mainly due to the decrease in the staff costs in head office.

Loss and Total Comprehensive Expense Attributable to the Owners of the Company

As a result of the foregoing factors, the loss and total comprehensive expense attributable to the owners of the Company decreased from approximately HK\$3.7 million for the three months ended 30 June 2021 to approximately HK\$0.6 million for the three months ended 30 June 2022.

Dividend

The Board does not recommend the payment of dividend for the three months ended 30 June 2022 (2021: nil).

EVENT AFTER THE REPORTING PERIOD

On 12 July 2022, the Board proposed to make certain amendments (the **“Proposed Amendments”**) to the existing memorandum of association and articles of association of the Company (the **“Memorandum and Articles of Association”**) and to adopt the second amended and restated Memorandum and Articles of Association incorporating and consolidating all the Proposed Amendments (the **“Second Amended and Restated Memorandum and Articles”**), in order to, among other things, (i) conform to the amended Appendix 3 to the GEM Listing Rules which came into effect on 1 January 2022 and applicable laws of the Cayman Islands; and (ii) replace all references to the existing name of the Company with “China Hongbao Holdings Limited” and “中國紅包控股有限公司” to reflect the changes subsequent to the proposed change of the English name and Chinese name of the Company from “Quantong Holdings Limited” and “全通控股有限公司” to “China Hongbao Holdings Limited” and “中國紅包控股有限公司”, respectively (the **“Proposed Change of Company Name”**) as detailed in the announcements of the Company dated 2 June 2022 and 12 July 2022 and the circular of the Company dated 19 July 2022.

The Board considers that the Proposed Amendments and the adoption of the Second Amended and Restated Memorandum and Articles are in the interests of the Company and the shareholders of the Company as a whole. The Proposed Amendments and the adoption of the Second Amended and Restated Memorandum and Articles are subject to the consideration and approval by the shareholders of the Company by way of a special resolution at the extraordinary general meeting of the Company held on 10 August 2022, and are conditional upon the Proposed Change of Company Name becoming effective.

At the extraordinary general meeting of the Company held on 10 August 2022, the resolutions in respect of (i) the Proposed Change of Company Name and (ii) the Proposed Amendments to the existing Memorandum and Articles of Association and the adoption of the Second Amended and Restated Memorandum and Articles were passed as special resolutions by the shareholders of the Company. The Proposed Change of Company Name and the adoption of the Second Amended and Restated Memorandum and Articles take effect from 10 August 2022, the date on which the Registrar of Companies in the Cayman Islands issues a Certificate of Incorporation on Change of Name confirming that the new names of the Company have been registered.

OTHER INFORMATION

Directors' and chief executives' interest and short positions in shares, underlying shares and debentures

As at 30 June 2022, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 30 June 2022, the following person/entity (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in the shares of the Company

Name	Capacity/Nature of interest	Number of Shares held/ interested	Percentage of shareholding
QUANTONG GROUP HOLDINGS LIMITED ("Quantong")	Beneficial owner	600,000,000	75%
Mr. Xing Yuan (Note 1)	Interest in a controlled corporation	600,000,000	75%
Mr. Fu Yik Lung (Note 2)	Person having a security interest in shares	600,000,000	75%
	Beneficial owner	200,000	0.025%

Notes:

1. Mr. Xing Yuan, who resigned as an executive Director on 19 May 2022, beneficially owns the entire issued share capital of Quantong. Mr. Xing is deemed, or taken to be interested in all the shares of the Company held by Quantong for the purpose of the SFO. Mr. Xing is a director of Quantong.
2. Pursuant to a share charge dated 11 December 2020 executed by Quantong in favour of Mr. Fu Yik Lung, 600,000,000 shares of the Company were pledged by Quantong in favour of Mr. Fu Yik Lung.

Save as disclosed above, as at 30 June 2022, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 6 July 2015. No share option has been granted under the Share Option Scheme since its adoption.

COMPETING INTERESTS

During the three months ended 30 June 2022 and up to the date of this report, the Directors, the controlling shareholders of the Company and their respective close associates did not have any business or interest apart from the business of the Group which competes or may compete, directly or indirectly, with the business of the Group, or any other conflicts of interest which any such person has or may have with the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors on terms not less exacting than the required standard of dealings set out in Rules 5.48 to 5.68 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the three months ended 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the three months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices. To the best knowledge of the Board, the Company had complied with all applicable code provisions as set out in the Code during the three months ended 30 June 2022.

AUDIT COMMITTEE

The Audit Committee was established on 6 July 2015. The chairman of the Audit Committee is Mr. Chow Chun To, an independent non-executive Director, and other members included Ms. Wong Chi Yan and Dr. Kung Wai Chiu Marco, independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the website of the Stock Exchange and on the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.



The Company has complied with Rule 5.28 of the GEM Listing Rules with three members comprising independent non-executive Directors only and at least one of the members of the Audit Committee is an independent non-executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise.

The Audit Committee had reviewed the unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2022 with the management and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Hong Kong, 12 August 2022

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