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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)

POSSIBLE DISCLOSEABLE TRANSACTION IN RELATION TO LEASE OF OFFICE PREMISES

The Board announces that on 15 February 2023, the Company (as tenant) signed the Confirmation of Tenancy in respect of the lease of the Premises for a term of three years commencing on 1 March 2023 and ending on 28 February 2026 (both days inclusive). The Confirmation of Tenancy is subject to the execution by the Landlord Agent (as agent for the Landlord).

In accordance with HKFRS 16, following the execution of the Confirmation of Tenancy by both the Company and the Landlord Agent, the Company shall recognise the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of the Premises under the Confirmation of Tenancy. Accordingly, the lease transaction under the Confirmation of Tenancy will be regarded as acquisition of assets by the Company for the purpose of the GEM Listing Rules. The unaudited value of the right-of-use asset to be recognised by the Company under the terms of the Confirmation of Tenancy will amount to approximately HK\$4,322,000.

Given the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the right-of-use asset to be recognised by the Company in connection with the lease of the Premises is more than 5% but less than 25%, the transaction contemplated under the Confirmation of Tenancy will constitute a discloseable transaction for the Company under the GEM Listing Rules and will be subject to reporting and announcement requirements but exempt from shareholders' approval requirement of Chapter 19 of the GEM Listing Rules.

INTRODUCTION

The Board announces that on 15 February 2023, the Company (as tenant) signed the Confirmation of Tenancy in respect of the lease of the Premises for a term of three years commencing on 1 March 2023 and ending on 28 February 2026 (both days inclusive). The Confirmation of Tenancy is subject to the execution by the Landlord Agent (as agent for the Landlord).

THE PRINCIPAL TERMS OF THE CONFIRMATION OF TENANCY

Details of the principal terms of the Confirmation of Tenancy are set out below:

Date of signing by the Company	:	15 February 2023
Parties	:	(1) the Landlord Agent (as agent for the Landlord) (2) the Company (as tenant)
Premises	:	Unit Nos. 1–3 on Level 9 of Tower A of Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong The approximate gross lettable area of the Premises is 4,494 square feet
Use	:	To use the Premises as offices of the Group
Term	:	Three years commencing on 1 March 2023 and ending on 28 February 2026 (both days inclusive)
Rent-free period	:	One month from 1 March 2023 to 31 March 2023 During the rent-free period, the Company shall continue to pay all rates, management and air-conditioning charges and other outgoings
Total lease payments	:	Approximately HK\$4,719,000 in aggregate for a term of three years (monthly rent of HK\$134,820, exclusive of management and air-conditioning charges, rates and other outgoings)
Deposits	:	Approximately HK\$489,000, a sum equivalent to three months' rent and three months' management and air-conditioning charges One month's advance rent, one month's management and air-conditioning charges and one quarter's rates shall be payable by the Company upon the signing of the Confirmation of Tenancy

The Confirmation of Tenancy shall constitute a binding agreement upon execution by both the Company and the Landlord Agent. It is expected that a formal tenancy agreement will be entered into between the Company and the Landlord. In the event that the Company fails to sign and return the formal tenancy agreement within 14 days from the date the Landlord sends out the formal tenancy agreement or before the commencement date of the lease of the Premises (whichever is earlier), the Landlord shall be entitled (but not obliged) to cancel the lease and the deposits shall be forfeited.

RIGHT-OF-USE ASSETS

Pursuant to HKFRS 16, following the execution of the Confirmation of Tenancy by both the Company and the Landlord Agent, the unaudited value of the right-of-use asset to be recognised by the Company under the terms of the Confirmation of Tenancy will amount to approximately HK\$4,322,000, being the net present value of the aggregate rental payment under the Confirmation of Tenancy at the inception of the lease term under the Confirmation of Tenancy in accordance with HKFRS 16. The payments to be made by the Company under the Confirmation of Tenancy will be settled by the internal resources of the Group. Shareholders should note that the above figure is unaudited and may be subject to adjustment in the future.

INFORMATION OF THE PARTIES

The Company

The Company, as tenant, is an investment holding company and its subsidiaries are principally engaged in foundation and other construction business and supply chain business in Hong Kong and the People's Republic of China.

The Landlord and the Landlord Agent

The Landlord is a company incorporated in British Virgin Islands and operating in Hong Kong. The Landlord Agent is a company incorporated in Hong Kong with limited liability.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires and based on publicly available information, (a) the Landlord principally engages in property investment and trading and the Landlord Agent principally engages in real estate and general agencies and both of them are wholly-owned subsidiaries of a company whose shares are listed on the Main Board of the Stock Exchange; and (b) each of the Landlord, the Landlord Agent and their ultimate beneficial owner(s) is an Independent Third Party and not a Shareholder.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONFIRMATION OF TENANCY

Having considered factors such as office space, location, rent and other commercial terms offered by the Landlord, the Directors are of the view that it is in the interests of the Group to enter into the Confirmation of Tenancy and use the Premises as its new head office and principal place of business in Hong Kong. The terms of the Confirmation of Tenancy were arrived at after arm's length negotiations between the Landlord and the Company and the rent was determined with reference to the prevailing market rents of comparable properties in the nearby locations. The Directors consider that the terms of the Confirmation of Tenancy are fair and reasonable, and the entering into of the Confirmation of Tenancy is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16, following the execution of the Confirmation of Tenancy by both the Company and the Landlord Agent, the Company shall recognise the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of the Premises under the Confirmation of Tenancy. Accordingly, the lease transaction under the Confirmation of Tenancy will be regarded as acquisition of assets by the Company for the purpose of the GEM Listing Rules. The unaudited value of the right-of-use asset to be recognised by the Company under the terms of the Confirmation of Tenancy will amount to approximately HK\$4,322,000.

Given the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the right-of-use asset to be recognised by the Company in connection with the lease of the Premises is more than 5% but less than 25%, the transaction contemplated under the Confirmation of Tenancy will constitute a discloseable transaction for the Company under the GEM Listing Rules and will be subject to reporting and announcement requirements but exempt from shareholders' approval requirement of Chapter 19 of the GEM Listing Rules.

GENERAL

Given that the Confirmation of Tenancy is subject to execution by the Landlord Agent, there may be a time gap between the execution of the Confirmation of Tenancy by the Company and its receipt of a fully executed Confirmation of Tenancy. The Company will keep the market updated on this matter and publish an announcement regarding the Confirmation of Tenancy if and when the fully executed Confirmation of Tenancy is received by the Company.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	China Hongbao Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM (stock code: 8316)
“Confirmation of Tenancy”	the confirmation of tenancy signed by the Company as tenant for the lease of the Premises for a term of three years commencing on 1 March 2023 and ending on 28 February 2026 (both days inclusive)
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a third party who is, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of the Company and the connected persons of the Company
“Landlord”	a company incorporated in the British Virgin Islands with limited liability and operating in Hong Kong, being the landlord for the lease of the Premises
“Landlord Agent”	a company incorporated in Hong Kong with limited liability, being the agent for the Landlord
“Premises”	Unit Nos. 1–3 on Level 9 of Tower A of Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 15 February 2023

As at the date of this announcement, 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 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.