

China New Consumption Group Limited 中國新消費集團有限公司

(Formerly known as State Innovation Holdings Limited)

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8275

2023
First Quarterly Report

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This report, for which the directors (the “**Directors**”) of China New Consumption Group Limited (formerly known as State Innovation 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.

FIRST QUARTERLY RESULTS

The board of Directors (the “Board”) of the Company presents the unaudited condensed consolidated results of the Group for the three months ended 30 June 2023, together with the unaudited comparative figures for the corresponding period in 2022 as follows:

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months ended 30 June 2023

	Note	Three months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	3	28,254	25,636
Cost of sales		(22,360)	(34,504)
Gross profit/(loss)		5,894	(8,868)
Other income/gains	5	321	850
Administrative expenses		(5,974)	(7,819)
Change in fair value of financial assets at fair value through profit or loss		504	103
Profit/(loss) from operations		745	(15,734)
Finance costs	6	(130)	(143)
Profit/(loss) before tax		615	(15,877)
Income tax credit	7	344	1,086
Profit/(loss) for the period attributable to:			
Owners of the Company		1,641	(14,791)
Non-controlling interests		(682)	–
		959	(14,791)
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value change of financial assets at fair value through other comprehensive income (“FVTOCI”)		23	–
Other comprehensive income for the period, net of tax		23	–
Total comprehensive income for the period attributable to:			
Owners of the Company		1,664	(14,791)
Non-controlling interests		(682)	–
		982	(14,791)
Earning/(loss) per share			
Basic and diluted (HK cents)	9	1.03	(13.57)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2023

	Attributable to owners of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Financial assets at FVOCI reserve HK\$'000	Retained earnings/ losses (Accumulated) HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
For the three months ended 30 June 2022								
As at 1 April 2022 (audited)	27,000	56,252	22	-	(32,748)	-	-	50,526
Issuance of shares upon rights issue	40,500	4,050	-	-	-	-	-	44,550
Transaction costs on issuance of shares upon rights issue	-	(740)	-	-	-	-	-	(740)
Total comprehensive income for the period (unaudited)	-	-	-	-	(14,791)	-	-	(14,791)
As at 30 June 2022 (unaudited)	67,500	59,562	22	-	(47,539)	-	-	79,545
For the three months ended 30 June 2023								
As at 1 April 2023 (audited)	80,001	52,060	22	44	(59,505)	72,622	(332)	72,290
Total comprehensive income for the period (unaudited)	-	-	-	23	1,641	1,664	(662)	982
As at 30 June 2023 (unaudited)	80,001	52,060	22	67	(57,864)	74,286	(1,014)	73,272

Notes to the Unaudited Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 3 January 2017. The address of its registered office is at P.O. Box 1350, Windward 3, Regatta Office Park, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Room 1204, 12/F, Block 2, Golden Industrial Building, 16–26 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong. The Company's shares were listed on GEM of the Stock Exchange on 16 October 2017.

The Company is an investment holding company. The Group is a foundation contractor primarily specialising in bored piling works as well as other foundation works. The Group is capable of installing bored piles with diameters ranging from 1.5 metres to 3 metres of various pile lengths. The Group has invested considerably in reinforcing its machinery and the Group possesses all necessary standard plant and machinery and equipment for its construction of bored piles. The Group is also engaged in leasing of machinery.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2023 have been prepared in accordance with all Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), the applicable disclosure requirements of the GEM Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 March 2023. The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 March 2023.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. The unaudited condensed consolidated financial statements are presented in Hong Kong Dollars ("**HK\$**"), which is the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands ("**HK\$'000**"), unless otherwise indicated.

The preparation of the unaudited condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group.

The unaudited condensed consolidated financial statements have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee (the "**Audit Committee**").

2. BASIS OF PREPARATION (Continued)

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2023. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations issued by the HKICPA. The adoption of these new and revised HKFRSs did not have any significant effect on the unaudited condensed consolidated financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these unaudited condensed consolidated financial statements.

3. REVENUE

Disaggregation of revenue from contracts with customers by major service lines for the periods is as follows:

	Three months ended 30 June	
	2023	2022
Revenue from contracts with customers within the scope of HKFRS 15	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Construction contract income	25,641	25,426
Rental income from machinery	2,613	210
	28,254	25,636

The Group derives revenue over time from the following major service lines:

For the three months ended 30 June	Construction contract income		Rental income from machinery		Total	
	2023	2022	2023	2022	2023	2022
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Timing of revenue recognition						
– Over time	25,641	25,426	2,613	210	28,254	25,636
Total	25,641	25,426	2,613	210	28,254	25,636

4. SEGMENT INFORMATION

Operating segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the respective segments and to assess their performance.

As the Group principally engages in the provision of foundation work and machinery rental in Hong Kong, which are subject to similar business risks, and resources are allocated based on what is beneficial to the Group in enhancing the value of the Group as a whole, the Group's chief operating decision maker considers the performance assessment of the Group should be based on the profit before tax of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8 "Operating Segments".

No geographical information is presented as all of the group's business is carried out in Hong Kong and the Group's revenue from external customers is generated and non-current assets are located in Hong Kong for the three months ended 30 June 2023.

Revenue from major customers

Customer base for whom transactions have exceeded 10% of the Group's revenue is as below:

	Three months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Customer 1	12,935	N/A ¹
Customer 2	8,967	–
Customer 3	3,739	–
Customer 4	–	15,062
Customer 5	–	6,763

¹ The corresponding revenue did not contribute over 10% of total revenue of the Group.

5. OTHER INCOME/GAINS

	Three months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gain on disposal of right-of-use assets	30	–
Government grants (<i>Note i</i>)	–	708
Interest income from debt investment	100	–
Net realised gain on disposal of financial assets at fair value through profit or loss	190	108
Others	1	34
	321	850

Note:

- (i) For the three months ended 30 June 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government amounted to approximately HK\$708,000. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

6. FINANCE COSTS

	Three months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
– bank and other borrowings	15	40
– lease liabilities	115	103
	130	143

7. INCOME TAX CREDIT

	Three months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax		
– Provision for the period	–	–
Deferred tax	344	1,086
	344	1,086

No provision for Hong Kong Profits Tax is required since the Company has no assessable profits during the three months ended 30 June 2023 and 2022.

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5%.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

8. DIVIDEND

The Board does not recommend the payment of interim dividend for the three months ended 30 June 2023 (for the three months ended 30 June 2022: HK\$Nil).

9. EARNING/(LOSS) PER SHARE

The calculation of the basic and diluted earning/(loss) per share attributable to the owners of the Company are based on the following:

	Three months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit/(loss) for the period attributable to owners of the Company (HK\$'000)	1,641	(14,791)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earning/(loss) per share ('000)	1,600,001	108,977
Earning/(loss) per share		
Basic and diluted (HK cents)	1.03	(13.57)

The calculation of the basic and diluted loss per share is based on the loss for the three months ended 30 June 2022 attributable to owners of the Company and the weighted average number of ordinary shares after adjusting the effect of the rights issue in May 2022.

The effect of all potential ordinary shares is anti-dilutive for the three months ended 30 June 2022 due to loss making for the three months ended 30 June 2022.

The diluted earning/(loss) per share is equal to the basic earning/(loss) per share as there were no dilutive potential ordinary shares in issue for the periods ended 30 June 2023 and 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a foundation contractor primarily specialising in bored piling works as well as other foundation works. The Group is capable of installing bored piles with diameters ranging from 1.5 metres to 3 metres of various pile lengths. The Group has invested considerably in reinforcing its machinery and the Group possesses all standard plant and machinery and equipment necessary for its construction of bored piles. The Group also engaged in leasing of machinery.

For the three months ended 30 June 2023, the Group recorded net profit attributable to owners of the Company of approximately HK\$1.6 million as compared to net loss attributable to owners of the Company of approximately HK\$14.8 million for the same period in 2022. The Board considers that the net profit attributable to owners of the Company was primarily due to (i) increase in revenue due to increase in rental income from machinery; (ii) increase in gross profit due to higher profit margins for newly awarded construction projects and rental of machinery; and (iii) decrease in administrative expenses due to decrease in legal and professional fee and marketing fee.

Outlook

The Directors are of the view that the general outlook of the industry and the business environment in which the Group operates will remain challenging. The outbreak of the COVID-19 throughout the year has created economic uncertainty to Hong Kong and imposed negative impacts on the foundation industry, including supply chain disruptions, workforce shortages due to illness and preventative quarantines, and work stoppages due to measures imposed by the government. The Group will invest in the manpower and information system to enhance its operational capacity and efficiency in foundation and site formation works and bored piling works.

The Group will also proactively seek potential business opportunities that will broaden the sources of income and increase the return of shareholders of the Company. The Directors believe that the finance and fintech industry has a promising prospect and the development of finance and fintech will enable the Group to benefit from diversified revenue streams, as well as market deployment and preparation in advance for its entry into the Hong Kong financial services market which offers growth potential and better capital return. The Directors believe that the new consumption business has bright development prospects and will provide the Group with a diversified source of revenue.

Looking ahead, the Group will adhere to prudent financial management in project selection and cost control. The Group will continue to strive to improve its operational efficiency and profitability of its businesses.

Financial Review

Revenue

The Group's revenue for the three months ended 30 June 2023 was approximately HK\$28.3 million, representing an increase of approximately 10.2% from approximately HK\$25.6 million for the three months ended 30 June 2022, which was primarily due to the increase in rental income from machinery.

Cost of Sales

The Group's cost of sales for the three months ended 30 June 2023 was approximately HK\$22.4 million, representing a decrease of approximately 35.2% from approximately HK\$34.5 million for the three months ended 30 June 2022, which was primarily due to the decrease in labour cost.

Gross Profit and Gross Profit Margin

The Group's gross profit for the three months ended 30 June 2023 was approximately HK\$5.9 million, representing a decrease of approximately 166.5% from gross loss of approximately HK\$8.9 million for the three months ended 30 June 2022. The Group's gross loss margin decreased from approximately 34.6% to gross profit margin of approximately 20.9% for the period of comparison. Such decrease was primarily due to (i) the completion of certain projects which incurred higher construction material and labour costs as a result of delay in progress and (ii) higher profit margins for newly awarded construction projects and rental of machinery.

Administrative Expenses

The Group's administrative expenses for the three months ended 30 June 2023 were approximately HK\$6.0 million, representing a decrease of approximately 23.6% from approximately HK\$7.8 million for the three months ended 30 June 2022. The decrease was mainly attributable to the decrease in legal and professional fees and marketing fee.

Profit for the Period

For the three months ended 30 June 2023, the Group recorded a profit attributable to owners of the Company of approximately HK\$1.6 million as compared to loss attributable to owners of the Company for the three months ended 30 June 2022 of approximately HK\$14.8 million. The Board considers that the net profit attributable to owners of the Company was mainly attributable to (i) increase in revenue due to increase in rental income from machinery; (ii) increase in gross profit due to higher profit margins for newly awarded construction projects and rental of machinery; and (iii) decrease in administrative expenses due to decrease in legal and professional fee and marketing fee.

Dividend

The Board does not recommend the payment of interim dividend for the three months ended 30 June 2023 (for the three months ended 30 June 2022: HK\$Nil).

2022 Rights Issue

On 14 January 2022, to satisfy its funding needs and ease its cash flow pressure, the Company announced a proposed rights issue on the basis of three Rights Shares for every two consolidated shares in issue at a subscription price of HK\$0.55 per Rights Share (the “**2022 Rights Issue**”) to raise approximately HK\$44.55 million by issuing 81,000,000 Rights Shares to the qualifying shareholders. Under the relevant compensatory arrangements, all the unsubscribed Rights Shares were placed by the placing agent to not less than six independent places at the subscription price.

On 3 May 2022, the Company completed the 2022 Rights Issue and issued 81,000,000 Rights Shares with par value of HK\$0.5 each at a subscription price of HK\$0.55 per Rights Shares determined with reference to, among others, the market price of the shares under the prevailing market conditions. The theoretical closing price per Share was HK\$0.725 per share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.145 per Share as quoted on the Stock Exchange on 14 January 2022, being the last trading day). The net proceeds from the 2022 Rights Issue (after deducting the estimated expenses) were approximately HK\$42.3 million, representing a net price of approximately HK\$0.53 per Rights Share, which were used as to (i) approximately HK\$3.1 million for repayment of the principal amount and interest accrued thereon of the Promissory Note to be due six months after the date of issue of the Promissory Note (i.e. 13 June 2022); (ii) approximately HK\$20 million for the acquisition of a new office premise and the relevant renovation cost; (iii) approximately HK\$7 million for recruitment of additional full-time staff who will be responsible for implementing and overseeing quality control to enhance the Group’s operational capacity and efficiency in foundation and site formation works and bored piling works, as well as additional full-time staff who will be responsible for business development to acquire more business opportunities and broaden the sources of income; (iv) approximately HK\$3 million for business development and marketing expenses in order to expand the Group’s customer base and acquire more projects; and (v) the remaining balance of approximately HK\$9.2 million for general working capital due to the tightened cash flow of the Group as a result of the negative impacts of the COVID-19 pandemic on the foundation industry including supply chain disruptions, workforce shortages due to illness and preventative quarantines, and work stoppages due to measures imposed by the government.

Upon the completion of the 2022 Rights Issue in May 2022, the number of shares in issue became 135,000,000 of par value HK\$0.5 each thereafter. Details of the 2022 Rights Issue are set out in the Company’s announcements dated 14 January 2022, 27 January 2022, 19 April 2022, 29 April 2022, 3 May 2022, circular dated 24 February 2022 and prospectus dated 29 March 2022.

As at 30 June 2023, the actual use of the net proceeds of the 2022 Rights Issue was as follows:

	Planned use of net proceeds as stated in the prospectus dated 29 March 2022	Actual use of proceeds up to 30 June 2023	Unutilised net proceeds up to 30 June 2023	Expected timeline for unutilised net proceeds
Repayment of the principal amount and interest accrued thereon of the Promissory Notes	3.1	3.1	–	N/A
Acquisition of a new office premise and the relevant renovation cost	20.0	17.9	2.1	by 31 December 2023
Recruitment of additional full-time staff	7.0	2.2	4.8	by 30 June 2024
Business development and marketing expenses	3.0	1.7	1.3	by 30 June 2024
General working capital	9.2	9.2	–	
Total	42.3	34.1	8.2	N/A

As at 30 June 2023, the net proceeds in the amount of approximately HK\$34.1 million have been utilised and the remaining balance of HK\$8.2 million will be utilised as intended.

2022 Convertible Bonds

On 24 May 2022, to satisfy the acquisition of 100% equity interest of the Tiger Faith Holdings Limited, the Company announced (i) the issue of convertible bond (the “**Convertible Bond (I)**”); and (ii) placing of convertible bond (the “**Convertible Bond (II)**”, together with the Convertible Bond (I), the “**2022 Convertible Bonds**”) to raise approximately HK\$29.4 million.

Convertible Bond (I) represented the 2.5% unsecured redeemable convertible bond in the aggregate principal amount of HK\$10,000,000 to be issued by the Company to the relevant vendor for settlement and discharge of part of the consideration for the above acquisition. The issue of the Convertible Bond (I) has been terminated as the above acquisition has been terminated on 12 December 2022. Convertible Bond (II) represented the 2.5% unsecured redeemable convertible bond in the aggregate principal amount of up to HK\$30,000,000 to be issued by the Company under the placing agreement dated 23 May 2022.

Details of the 2022 Convertible Bond are set out in the Company’s announcements dated 24 May 2022, 13 June 2022, 12 August 2022, 23 September 2022, 11 November 2022, 12 December 2022, 14 December 2022, 17 February 2023, 24 February 2023 and circular dated 2 September 2022.

The placing of Convertible Bond (II) is yet to be completed as at the date of this report. The issue of the Convertible Bond (I) has been terminated as the above acquisition has been terminated on 12 December 2022. Completion of the placing of Convertible Bond (II) is subject to the fulfilment of the conditions set out in the placing agreement. On 24 February 2023, the Company and the placing agent of the Convertible Bond (II) has entered into an extension letter to extend the closing date of the placing of the Convertible Bond (II) to 22 September 2023. It is expected that the net proceeds of the placing of Convertible Bond (II) will be in the amount of HK\$29,400,000. As the acquisition of entire equity interest of the Tiger Faith Holdings Limited has been terminated on 12 December 2022, the Company intended to reallocate all the net proceeds of the placing of the Convertible Bond (II) to develop the financial assistance business. Further announcement(s) in relation to the completion of the placing of Convertible Bond (II) will be made by the Company as and when appropriate in accordance with the requirements under the GEM Listing Rules.

2022 Placing of New Shares

On 11 November 2022 (after trading hours of the Stock Exchange), the Company entered into the placing agreement with Orient Securities Limited (the **"Placing Agent"**), pursuant to which the Placing Agent conditionally agreed, as agent of the Company, to procure on a best effort basis then expected to be not less than six placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 25,001,378 Placing Shares at the placing price of HK\$0.27 per new share to be placed (the **"Placing Share"**) (the **"2022 Placing of New Shares"**). The Company was of the view that the 2022 Placing of New Shares represented an attractive opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company. In addition, the net proceeds of the Placing will strengthen the Group's financial position for its future operation.

On 2 December 2022, the 2022 Placing of New Shares was completed and a total of 25,001,378 Placing Shares were placed by the Placing Agent to not less than six placees at the placing price of HK\$0.27 per Placing Share, representing (i) 18.52% of the issued share capital of the Company immediately before completion of the 2022 Placing of New Shares; and (ii) approximately 15.63% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon completion of the 2022 Placing of New Shares, determined with reference to the prevailing market price. The closing price per share of the Company as quoted on the Stock Exchange on 11 November 2022, being the date of the placing agreement, was HK\$0.295 per share. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) each of the placees is independent of and not connected with the Company, its connected persons and their respective associates, who and whose ultimate beneficial owner(s) (where applicable) are all independent third parties. The net proceeds from the 2022 Placing of New Shares (after deducting the estimated expenses) were approximately HK\$6.5 million, representing a net issue price of approximately HK\$0.26 per Placing Share, which were used as to approximately HK\$6.5 million for general working capital of the Group. Details of the 2022 Placing of New Shares are set out in the Company's announcements dated 11 November 2022, 15 November 2022 and 2 December 2022.

As at 30 June 2023, the actual use of the net proceeds of the 2022 Placing of New Shares was as follows:

	Planned use of net proceeds as stated in the announcement dated 11 November 2022	Actual use of proceeds up to 30 June 2023	Unutilised net proceeds up to 30 June 2023	Expected timeline for unutilised net proceeds
General working capital	6.5	6.5	–	N/A
Total	6.5	6.5	–	N/A

As at 30 June 2023, all the net proceeds in the amount of approximately HK\$6.5 million have been utilised as intended.

2023 Rights Issue

On 17 February 2023, to satisfy its funding needs and ease its cashflow pressure, the Company announced a proposed rights issue on the basis of three Rights Shares for every two shares held on the record date at a subscription price of HK\$0.147 per Rights Share (the "2023 Rights Issue") to raise approximately HK\$33.5 million by issuing 240,002,067 Rights Shares to the qualifying shareholders. Under the relevant compensatory arrangements, all the unsubscribed Rights Shares were placed by the placing agent to no less than six independent places at the subscription price.

On 12 April 2023, the 2023 Rights Issue has been approved by the independent shareholders of the Company. As additional time is required by the Company to prepare and finalise certain information contained in the Prospectus, it is expected that the despatch date of the prospectus documents in relation to the 2023 Rights Issue will be postponed and the expected timetable for the Rights Issue will be revised accordingly. The net proceeds from the 2023 Rights Issue (after deducting the estimated expenses) were approximately HK\$33.5 million, representing a net price of approximately HK\$0.140 per Rights Share, which were used as to (i) approximately HK\$18.5 million will be used for the expansion of the foundation business capacity of the Group; (ii) approximately HK\$7.5 million will be used for the development of the AI business; and (iii) the remaining balance of approximately HK\$7.5 million will be used as the general working capital of the Group.

Upon the completion of the 2023 Rights Issue in August 2023 and the capital reduction of the issued shares and sub-division of unissued shares of the Company in July 2023, the number of shares in issue will be up to 400,003,445 of par value HK\$0.01 each thereafter. Details of the 2023 Rights Issue are set out in the Company's announcements dated 17 February 2023, 24 February 2023, 3 March 2023, 10 March 2023, 25 April 2023, 10 July 2023, 26 July 2023, 2 August 2023 and the circular dated 23 March 2023 and prospectus dated 11 July 2023.

As at 30 June 2023, the actual use of the net proceeds of the 2023 Rights Issue was as follows:

	Planned use of net proceeds as stated in the prospectus dated 11 July 2023	Actual use of proceeds up to 30 June 2023	Unutilised net proceeds up to 30 June 2023	Expected timeline for unutilised net proceeds
Expansion of the foundation business capacity	18.5	–	18.5	by 30 June 2024
Development of AI business	7.5	–	7.5	by 30 June 2025
General working capital	7.5	–	7.5	by 30 June 2024
Total	33.5	–	33.5	N/A

As at 30 June 2023, the 2023 Rights Issue is not completed, all the net proceeds have not been utilised.

OTHER INFORMATION

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 30 June 2023, none of the Directors and chief executives of the Company has any shares 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 Securities and Futures Ordinance (the "SFO")) which are required 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), 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 and Other Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

So far as known to the Directors or chief executives of the Company, as at 30 June 2023, the following persons/entities (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, to be 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 ordinary shares and underlying shares of the Company

Name	Capacity/Nature of interest	Number of shares held/interested	Approximate percentage of shareholding
Goldstone 1 LPF	Beneficial owner	33,098,750 (<i>Note 1</i>)	20.69%
Goldstone Wealth Management Limited (“ Goldstone ”)	Beneficial owner	33,098,750 (<i>Note 1</i>)	20.69%
Mr. Lam Yu Chor Paul (“ Mr. Lam ”)	Beneficial owner	33,098,750 (<i>Note 1</i>)	20.69%
Success Run International Limited (“ Success Run ”)	Interested in controlled corporations	18,350,000 (<i>Note 2</i>)	11.47%
Ms. Wong Fei Heung Terbe (“ Ms. Wong ”)	Interested in controlled corporations	21,790,000 (<i>Note 2</i>)	13.62%
Mr. Tai Pik Yeung Tyler	Beneficial owner	8,934,000	5.52%

Notes:

- Mr. Lam Yu Chor Paul (“**Mr. Lam**”) legally and beneficially owns the entire issued share capital of Goldstone Wealth Management Limited (“**Goldstone**”). Goldstone is the general partner of Goldstone 1 LPF. Therefore, Mr. Lam is deemed, or taken to be, interested in all the Shares held by Goldstone for the purpose of the SFO. Mr. Lam is the director of Goldstone.
- Ms. Wong Fei Heung Terbe (“**Ms. Wong**”) legally and beneficially owns the entire issued share capital of Success Run International Limited (“**Success Run**”) and Lion Spring Enterprises Limited (“**Lion Spring**”), the latter of which hold 3,440,000 Shares, representing approximately 2.15% of the entire issued share capital of the Company. Therefore, Ms. Wong is deemed, or taken to be, interested in all the Shares held by Success Run and Lion Spring for the purpose of the SFO. Ms. Wong is the sole director of Success Run and the director of Lion Spring.

Save as disclosed above, as at 30 June 2023, there was no person or corporation, 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, to be 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.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 June 2023.

Competition and Conflict of Interest

None of the Directors, the controlling shareholders or substantial shareholders of the Company or their respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interest with the Group during the three months ended 30 June 2023.

Directors' Securities Transactions

The Company has adopted Rules 5.48 to 5.68 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company (the "**Required Standard of Dealings**"). Following specific enquiries to all the Directors, each of them has confirmed that he has complied with the Required Standard of Dealing and there was no event of non-compliance during the three months ended 30 June 2023.

Share Option Scheme

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Share Option Scheme became effective on 22 September 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Share Option Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer, when applicable.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

For the three months ended 30 June 2023, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

Corporate Governance Practice

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. For corporate governance purpose, the Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code"), in force for the three months ended 30 June 2023, set out in Appendix 15 of the GEM Listing Rules. During the three months ended 30 June 2023, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

Audit Committee

The Audit Committee was established on 22 September 2017. The chairman of the Audit Committee is Mr. He Dingding, an independent non-executive Director, and other members include Ms. Chan Tsz Hei Sammi and Ms. Liu Ching Man, both an independent non-executive Director. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website 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 in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group's unaudited condensed consolidated financial statements for the three months ended 30 June 2023 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2023 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Publication of First Quarterly Results and First Quarterly Report

The first quarterly results announcement and the first quarterly report are published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.beavergroup.com.hk. The first quarterly report of the Company for the three months ended 30 June 2023 will be despatched to the shareholders of the Company electronically. Should the shareholders of the Company have any difficulties in accessing the corporate communications electronically, please request the printed first quarterly report, free of charge, at any time by writing to the Company or the Company's branch registrar, Tricor Investor Services Limited.

By order of the Board
China New Consumption Group Limited
Tang Kwai Leung Stanley
Chairman and Executive Director

Hong Kong, 8 August 2023

As at the date of this report, the Board comprises Mr. Tang Kwai Leung Stanley as executive Director; and Mr. He Dingding, Ms. Chan Tsz Hei Sammi and Ms. Liu Ching Man as independent non-executive Directors.