

# 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

2023  
INTERIM REPORT

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

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**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 China Hongbao 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 six months ended 30 September 2023, together with the comparative unaudited figures for the corresponding period in 2022 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 September 2023

	Notes	Three months ended 30 September		Six months ended 30 September	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	24,374	14,301	53,642	30,026
Cost of services		(14,820)	(15,390)	(36,875)	(28,843)
Gross (loss)/profit		9,554	(1,089)	16,767	1,183
Other income	4	73	65	73	65
Administrative expenses		(8,251)	(5,005)	(14,952)	(7,376)
Finance costs	5	(416)	(563)	(834)	(1,083)
Profit/(Loss) before income tax	6	960	(6,592)	1,054	(7,211)
Income tax expense	7	–	–	(2)	–
Profit/(Loss) for the period		960	(6,592)	1,052	(7,211)
Other comprehensive income Item that may be reclassified subsequently to profit or loss: Exchange difference arising on translation of foreign operations		506	–	574	(637)
Profit/(loss) and total comprehensive income for the period attributable to the owners of the Company		1,466	(6,592)	1,626	(7,848)
Earnings/(loss) per share		HK cents	HK cents	HK cents	HK cents
— Basic and diluted	8	0.1	(0.82)	0.1	(0.9)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	10,330	12,259
<b>Current assets</b>			
Trade and other receivables	12	45,970	65,347
Contract assets	11	5,269	7,537
Cash and cash equivalents		2,931	20,574
		54,170	93,458
<b>Current liabilities</b>			
Trade and other payables	13	22,029	28,224
Contract liabilities		13,018	38,806
Lease liabilities		2,780	2,785
Amount due to a shareholder		11,158	21,168
Loan from a related party		14,375	14,375
Other borrowings	14	21,341	21,014
		84,701	126,372
<b>Net current liabilities</b>		<b>(30,531)</b>	<b>(32,914)</b>
<b>Total assets less current liabilities</b>		<b>(20,201)</b>	<b>(20,655)</b>

	Notes	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
<b>Non-current liability</b>			
Lease liabilities		2,587	3,759
<b>NET LIABILITIES</b>		<b>(22,788)</b>	<b>(24,414)</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	15	8,664	8,664
Reserves		<b>(31,452)</b>	<b>(33,078)</b>
<b>TOTAL DEFICITS</b>		<b>(22,788)</b>	<b>(24,414)</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Share capital	Share premium	Merger reserves	Capital reserve	Statutory reserve	Exchange reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2023 (Audited)	8,664	129,601	(51,705)	5,741	341	(1,181)	(115,875)	(24,414)
Profit for the period	-	-	-	-	-	-	1,052	1,052
Other comprehensive income:								
Exchange differences arising on translation of foreign operations	-	-	-	-	-	574	-	574
Profit and total comprehensive income for the period	-	-	-	-	-	574	1,052	1,626
As at 30 September 2023 (Unaudited)	8,664	129,601	(51,705)	5,741	341	(607)	(114,823)	(22,788)
As at 1 April 2022 (Audited)	8,000	82,525	(51,705)	5,741	341	93	(96,834)	(51,839)
Loss for the period	-	-	-	-	-	-	(7,211)	(7,211)
Other comprehensive income:								
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(637)	-	(637)
Loss and total comprehensive income for the period	-	-	-	-	-	(637)	(7,211)	(7,848)
As at 30 September 2022 (Unaudited)	8,000	82,525	(51,705)	5,741	341	(544)	(104,045)	(59,687)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net cash used in operating activities	(6,190)	(7,071)
Net cash (used in)/generated from investing activities	(316)	7,158
Net cash used in financing activities	(11,694)	(872)
Net decrease in cash and cash equivalents	(18,200)	(785)
Cash and cash equivalents at beginning of the period	20,574	2,206
Effect of foreign exchange rate changes	557	–
Cash and cash equivalents at end of the period	2,931	1,421

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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 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 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 in Hong Kong and internet services in the People's Republic of China (the "PRC").

## 2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2023 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 March 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements for the six months ended 30 September 2023 have not been audited by the Company's independent auditors, but have been reviewed by the audit committee of the Board (the "Audit Committee").

The unaudited condensed consolidated financial statements are 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 condensed consolidated financial statements, the Group has consistently adopted HKFRS issued by HKICPA which are effective for the Group's financial year beginning on 1 April 2023. The Group has not early applied the new and revised HKFRS that have been issued by HKICPA but are yet to be effective.

The preparation of condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2023.

## 3. REVENUE AND SEGMENT INFORMATION

The Group's revenue during the six months ended 30 September 2023 and 2022 represents the amount received and receivable from contract with customers in the provision of foundation and other construction works in Hong Kong and supply chain management and internet services in 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.

During the six months ended 30 September 2023, the Group commenced the business in internet services in the PRC and the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments.



The reportable operating segments and their results are as below:

- provision of foundation and other construction works; and
- provision of internet services (including provision of supply chain management).

**Six months ended 30 September 2023**

	Foundation and other construction works HK\$'000	Internet services HK\$'000	Total HK\$'000
<b>Revenue</b>	24,789	28,853	53,642
Cost of services	(20,795)	(16,080)	(36,875)
Segment results	3,994	12,773	16,767
Unallocated income			73
Unallocated corporate expenses			(14,952)
Finance costs			(834)
Profit before income tax			1,054
Income tax expense			(2)
Profit for the period			1,052

**Six months ended 30 September 2022**

	Foundation and other construction works HK\$'000	Internet services HK\$'000	Total HK\$'000
<b>Revenue</b>	15,558	14,468	30,026
Cost of services	(15,939)	(12,904)	(28,843)
Segment results	(381)	1,564	1,183
Unallocated income			65
Unallocated corporate expenses			(7,376)
Finance costs			(1,083)
Loss before income tax			(7,211)
Income tax expense			-
Loss for the period			(7,211)

## 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 September		Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Hong Kong	10,882	–	24,789	14,274
The PRC	13,492	14,301	28,853	15,752
	24,374	14,301	53,642	30,026

## 4. OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Government subsidies	–	65	–	65
Others	73	–	73	–
	73	65	73	65

## 5. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest on lease liabilities	85	23	182	23
Imputed interest for shareholder loans	166	383	325	749
Interest on loan from other borrowings	165	157	327	311
	416	563	834	1,083

## 6. PROFIT/(LOSS) BEFORE INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Profit/(loss) before income tax is arrived at after charging:				
Employee benefit expense (including Directors' remuneration)	1,540	3,807	11,716	5,079
Depreciation of property, plant and equipment	327	372	639	372

## 7. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current tax for the period:				
PRC Enterprise Income Tax	–	–	2	–
Hong Kong profits tax	–	–	–	–
Deferred tax	–	–	–	–
	–	–	2	–

Hong Kong profits tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the six months ended 30 September 2023 and 2022. 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%.

No provision for Hong Kong profits tax has been made for the current and prior periods as the group companies which are subject to Hong Kong profits tax either incurred tax losses for the six months ended 30 September 2023 or have tax losses brought forward to set off with the assessable profit for the six months ended 30 September 2023.

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%.

## 8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share attributable to the ordinary equity holders of the Group is based on the following data:

	<b>Six months ended 30 September</b>	
	<b>2023 HK\$'000 (Unaudited)</b>	2022 HK\$'000 (Unaudited)
<b>Profit/(Loss)</b>		
Profit/(Loss) for the purpose of calculating basic earnings/(loss) per share	<b>1,052</b>	(7,211)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<b>866,400</b>	800,000

Diluted earnings/(loss) per share was the same as basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding for the six months ended 30 September 2023 and 2022.

## 9. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2023 (2022: nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group acquire plant and machinery amounting to approximately HK\$316,000.

During the six months ended 30 September 2022, the Group acquired plant and machinery and motor vehicle amounting to approximately HK\$872,000 and the Group entered into various lease agreements for leasing office and warehouse, and therefore recognised addition to right-of-use asset of approximately HK\$3,973,000.

## 11. CONTRACT ASSETS

	<b>As at 30 September 2023 HK\$'000 (Unaudited)</b>	As at 31 March 2023 HK\$'000 (Audited)
<b>Contract assets arising from:</b>		
Foundation and other construction services	<b>3,466</b>	6,246
Retention receivables from contracts with customers within the scope of HKFRS 15	<b>7,785</b>	7,273
Less: Provision for impairment loss	<b>(5,982)</b>	(5,982)
	<b>5,269</b>	7,537

## Foundation construction services

As at 30 September 2023, contract assets included retention receivables held by customer for foundation construction works which amounted to approximately HK\$7,785,000 (31 March 2023: approximately HK\$7,273,000). The Group typically agrees a 1-year retention period for 5% to 10% of the contract sum, which is kept in contract assets until the end of the retention period as the Group's entitlement to it is conditional on the Group's work having satisfactorily passed inspection.

The expected timing of recovery or settlement for contract assets as at 30 September 2023 and 31 March 2023 are as follows:

	<b>As at 30 September 2023 HK\$'000 (Unaudited)</b>	As at 31 March 2023 HK\$'000 (Audited)
Within one year	<b>5,269</b>	7,537

The movements in contract assets during the period/year are as follows:

	HK\$'000
At 1 April 2022 (Audited)	16,231
Addition during the year	60,692
Transfer to trade receivables during the year	(63,865)
Provision for impairment loss	(5,521)
<b>As at 31 March 2023 (Audited)</b>	<b>7,537</b>
Addition during the six months ended 30 September 2023	<b>24,789</b>
Transfer to trade receivables during the six months ended 30 September 2023	<b>(27,057)</b>
<b>As at 30 September 2023 (Unaudited)</b>	<b>5,269</b>

An impairment analysis is performed at each reporting date using an individual customer basis to measure expected credit losses ("ECLs"). The provision rates for the measurement of the ECLs of the contract assets are with reference to those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The loss rates of contract assets are with reference to days past due of each individual customer in trade receivables, i.e. under "current not yet due". The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

## 12. TRADE AND OTHER RECEIVABLES

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Trade receivables ( <i>Note (a)</i> )	37,827	60,764
Other receivables	13,308	7,048
Prepayments	4,084	4,227
Deposits	242	2,799
	<b>55,461</b>	74,838
Less: provision of impairment loss	<b>(9,491)</b>	<b>(9,491)</b>
	<b>45,970</b>	65,347

*Note:*

### (a) Trade receivables

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Trade receivables, for gross ( <i>Note</i> )	37,827	60,764
Less: Expected credit loss	<b>(2,495)</b>	<b>(2,495)</b>
Trade receivables, net	<b>35,332</b>	58,269

*Note:*

Trade receivables were mainly derived from provision of foundation works and non-interesting bearing. The Group does not hold any collateral or other credit enhancements over these balances.

The following is an analysis of trade receivables by age, net of loss allowance, presented based on the invoice dates:

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Current or less than one month	10,498	10,097
One to three months	1,555	32,763
More than three months but less than one year	23,279	15,409
	<b>35,332</b>	58,269

The Group grants an average credit period of 30 days to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

### 13. TRADE AND OTHER PAYABLES

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Trade payables	14,517	23,695
Accruals	7,512	4,529
	<b>22,029</b>	28,224

The following sets out the ageing analysis of trade payables presented based on the invoice dates:

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Current or less than one month	2,226	11,522
One to three months	697	483
More than three months but less than one year	2,950	7,299
More than one year	8,644	4,391
	<b>14,517</b>	23,695

The Group's trade payables are non-interest bearing and generally have payment terms of 0 to 45 days.

### 14. OTHER BORROWINGS

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Mr. Zhang Weijie ("Mr. Zhang") (Note (a))	11,446	11,446
Mr. Wong Chin To ("Mr. Wong") (Note (b))	4,980	4,760
Mr. Tse Chun Kit ("Mr. Tse") (Note (c))	4,915	4,808
	<b>21,341</b>	21,014

Notes:

- (a) Mr. Zhang, a former director of the Company, granted two loans to the Company at principal amount of HK\$3,477,000 and HK\$3,787,000, respectively, on 31 March 2018. The loans which are unsecured, with interest rate at 5% per annum and repayable on demand remained outstanding as at 31 March 2023 and 30 September 2023. As at 30 September 2023, the accumulated loan interest payable was approximately HK\$1,488,000 (31 March 2023: approximately HK\$1,488,000). The remaining balance of other borrowings represented cash advances from Mr. Zhang of HK\$2,694,000 (31 March 2023: approximately HK\$2,694,000) and are unsecured, interest-free and repayable on demand.

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Loan borrowings	7,264	7,264
Interest payable	1,488	1,488
Cash advances	2,694	2,694
	<b>11,446</b>	11,446

- (b) Mr. Wong, a director of Pak Wing Construction Company Limited ("**Pak Wing Construction**"), a wholly-owned subsidiary of the Company, granted several loans to Pak Wing Construction to support its operation. The loans are unsecured, with interest rate at 5% per annum and repayable on demand. As at 30 September 2023, the accumulated loan interest was approximately HK\$1,003,000 (31 March 2023: approximately HK\$783,000) and repayable on demand. The remaining balance of other borrowings represented cash advances from Mr. Wong of approximately HK\$9,000 (31 March 2023: approximately HK\$9,000) and are unsecured, interest free and repayable on demand.

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Loan borrowings	3,968	3,968
Interest payable	1,003	783
Cash advances	9	9
	<b>4,980</b>	4,760

- (c) The amount due to Mr. Tse, a former director of Pak Wing Construction, comprised the remaining loan balance of approximately HK\$2,168,000 (31 March 2023: approximately HK\$2,168,000), accumulated interest payable of the loan of approximately HK\$2,034,000 (31 March 2023: approximately HK\$1,927,000) and cash advances to Pak Wing Construction at amount of approximately HK\$713,000 (31 March 2023: approximately HK\$713,000).



The loan from Mr. Tse is unsecured, with fixed interest rate at 5% per annum, and repayable in March 2023. The corresponding loan interest are repayable on demand. The cash advance from Mr. Tse is unsecured, interest free and repayable on demand.

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Loan borrowings	2,168	2,168
Interest payable	2,034	1,927
Cash advances	713	713
	<b>4,915</b>	4,808

## 15. SHARE CAPITAL

	Number	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
As at 1 April 2022, 31 March 2023 (Audited)		
and 30 September 2023 (Unaudited)	1,000,000,000	10,000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each		
As at 1 April 2022 (Audited)	800,000,000	8,000
Issue of shares by share subscription (Note (a))	28,050,000	280
Issue of shares by share subscription (Note (b))	38,350,000	384
As at 31 March 2023 (Audited)		
and 30 September 2023 (Unaudited)	866,400,000	8,664

Notes:

- (a) On 16 January 2023, the number of issued share capital of the Company increased to 828,050,000 shares of the Company (the "**Shares**") as a result of the completion of the subscription of new shares under general mandate (the "**Subscription of New Shares A**"). For details of the Subscription of New Shares A, please refer to the announcement of the Company dated 5 January 2023 (the "**Subscription Announcement A**").
- (b) On 13 March 2023, the number of issued share capital of the Company increased to 866,400,000 Shares as a result of the completion of the subscription of new shares under general mandate (the "**Subscription of New Shares B**", together with Subscription of New Shares A, collectively as "**Subscriptions of New Shares**"). For details of the Subscription of New Shares B, please refer to the announcement of the Company dated 27 February 2023 (the "**Subscription Announcement B**").

## 16. RELATED PARTY TRANSACTION

In addition to the transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following transactions with related parties.

### Key management compensation

The key management personnel of the Group are the Directors. Details of the remuneration paid to them during the six months ended 30 September 2023 and 2022 are as follows:

	Three months ended 30 September		Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Salaries and benefits	300	390	600	780
Pension scheme contributions	–	–	–	–
	300	390	600	780

## 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. Despite the COVID-19 pandemic has gradually subsided, the Hong Kong economy, including the construction industry, has not fully recovered from the pandemic. During the six months ended 30 September 2023, the overall construction industry in Hong Kong was still facing various challenges. Despite the uncertain economic and political environment of Hong Kong and around the world under the continuing impact of the COVID-19 pandemic and the unfavourable conditions in the construction industry such as keen competition due to the growing number of market players, continuously increasing construction costs due to labour shortage, increasingly stringent regulatory controls, rising construction material and operation costs and uncertain gross margin of construction projects, the Directors are of the view that the market conditions of the construction industry are improving 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 under the above-mentioned challenges that are commonly faced by all industry players. During the six months ended 30 September 2023, the Group recorded revenue of approximately HK\$24.8 million from this business segment.

In addition to continuing the existing foundation works and other construction works business, the Group also explores other suitable business opportunities with a view to diversifying its business. Having considered the 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 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 general public. Going beyond traditional model of supply chain management, the Group aims to effectively integrate and empower different subjects in the industry chain and strives to realise multi-channel supplier input, such as franchisees, agents, merchants, etc., involving various services covering the day-to-day needs of the general public. Hainan Hongbao has accumulated expertise and network of channels since the commencement of its supply chain management services in 2022 and has been looking to broaden the services provided.

\* For identification purpose only

Meanwhile, the e-commerce market in the PRC has been growing rapidly in recent years. As disclosed in the announcements of the Company dated 1 June 2023 and 1 November 2023, Hainan Hongbao develops a one-stop e-commerce platform with diversified service offerings provided by merchants from different industries, including but not limited to transportation, domestic services, recreation and entertainment, culture and media, property leasing, beauty and wellness, network industry, consultancy and agency, renovation works, education and training, electronics and furniture maintenance and repair. During the six months ended 30 September 2023, the Group recorded revenue of approximately HK\$28.9 million from this business segment of internet services (including supply chain management business). Having considered the growth potential of the e-commerce market in the PRC, the Board believes that the Group's new business presence in the e-commerce market will enable the Group to capture the opportunities from the continuing expanding e-commerce market in the PRC, diversify its existing business portfolio and broaden its revenue stream.

With the enhancement of cost control measures adopted by the Group in its foundation and other construction works business and the development of internet services (including supply chain management business), the Group recorded overall gross profit margin of approximately 31.3% for the six months ended 30 September 2023 as compared to the gross profit margin of approximately 3.9% for the six months ended 30 September 2022. The Directors consider the above new business was a successful step in the business diversification and expansion of the Group's business portfolio. The Group will proactively explore new opportunities to benefit the Company and its shareholders as a whole in long run.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the six months ended 30 September 2023 was approximately HK\$53.6 million, representing an increase of approximately HK\$23.6 million or 78.7% as compared to approximately HK\$30.0 million for the six months ended 30 September 2022. The increase was mainly attributable to the new line of business in the internet services industry in the PRC and the new foundation projects undertaken by the Group during the six months ended 30 September 2023.

### Cost of Services

The Group's cost of services increased from approximately HK\$28.8 million for the six months ended 30 September 2022 to approximately HK\$36.9 million for the six months ended 30 September 2023, representing an increase of approximately HK\$8.1 million or 28.1%. Such increase was driven by the increase in revenue for the six months ended 30 September 2023.

### Gross Profit and Gross Profit Margin

For the six months ended 30 September 2023, the Group recorded a gross profit of approximately HK\$16.8 million (2022: gross profit of approximately HK\$1.2 million) and the gross profit margin was approximately 31.3% (2022: gross profit margin of approximately 3.9%). The increase in gross profit was mainly due to the gross profit generated from the new line of business.

### Administrative Expenses

The administrative expenses increased by approximately HK\$7.6 million or approximately 102.7% from approximately HK\$7.4 million for the six months ended 30 September 2022 to approximately HK\$15.0 million for the six months ended 30 September 2023. The higher administrative expenses was mainly due to an increase in the cost of Hong Kong operation and business expansion of the Group.

### Profit and Total Comprehensive Income Attributable to Owners of the Company

Profit and total comprehensive income for the six months ended 30 September 2023 was approximately HK\$1.6 million (2022: loss of approximately HK\$7.8 million). The change from loss of the Group for the six months ended 30 September 2022 to profit of the Group for the six months ended 30 September 2023 was mainly due to the increase in gross profit (particularly gross profit from the internet services segment) during the period.

## Liquidity, Financial Resources and Capital Structure

The Company's shares were successfully listed on GEM on 10 August 2015 (the "Listing"). Save as disclosed in the section headed "Financial Review — Capital Structure" below, there has been no change in the capital structure of the Group since the date of the Listing and up to the date of this report.

	<b>As at 30 September 2023 (Unaudited)</b>	As at 31 March 2023 (Audited)
Current assets (HK\$'000)	<b>54,170</b>	93,458
Current liabilities (HK\$'000)	<b>84,701</b>	126,372
Current ratio (times)	<b>0.64</b>	0.74

The current ratio of the Group as at 30 September 2023 was approximately 0.64 times as compared to that of approximately 0.74 times as at 31 March 2023.

As at 30 September 2023, the Group had total cash and cash equivalents of approximately HK\$2.9 million (31 March 2023: approximately HK\$20.6 million).

As at 30 September 2023 and 31 March 2023, the Group had other borrowings, amount due to a shareholder, loan from a related party and leases liabilities in total of approximately HK\$52.2 million and HK\$63.1 million respectively. The scheduled repayment date of the Group were as follows:

	<b>As at 30 September 2023 HK\$'000 (Unaudited)</b>	As at 31 March 2023 HK\$'000 (Audited)
Within one year	<b>49,654</b>	59,342
Between one and two years	<b>2,587</b>	3,759
	<b>52,241</b>	63,101

## Gearing Ratio

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. Net debts are calculated as the total of lease liabilities, loans from a related party, amount due to a shareholder and other borrowings and less cash and cash equivalents. Capital represents the total of equity and net debts of the Group.

	<b>As at 30 September 2023 HK\$'000 (Unaudited)</b>	As at 31 March 2023 HK\$'000 (Audited)
Total debt	<b>52,241</b>	63,101
Less: Cash and cash equivalents	<b>(2,931)</b>	(20,574)
Net debt	<b>49,310</b>	42,527
Total deficit	<b>(22,788)</b>	(24,414)
Gearing ratio	<b>(216.39%)</b>	(174.19%)

## Capital Structure

The Shares were successfully listed on GEM of the Stock Exchange on 10 August 2015. The share capital of the Group only comprises ordinary shares.

On 16 January 2023, the number of issued share capital of the Company increased from 800,000,000 Shares to 828,050,000 Shares as a result of the completion of the Subscription of New Shares A. For details of the Subscription of New Shares A, please refer to Subscription Announcement A.

On 13 March 2023, the number of issued share capital of the Company further increased from 828,050,000 Shares to 866,400,000 Shares as a result of the completion of the Subscription of New Shares B. For details of the Subscription of New Shares B, please refer to Subscription Announcement B.

As at 30 September 2023, the Company's issued share capital was approximately HK\$8.7 million, representing 866,400,000 issued ordinary shares of HK\$0.01 each.

## SUBSCRIPTION OF NEW SHARES AND USE OF NET PROCEEDS

### Subscription of New Shares A

On 5 January 2023 (after trading hours), the Company (as issuer) entered into the subscription agreement with Hong Kong HaoXingShun Trading Co., Limited (香港豪興順貿易有限公司) ("**Subscriber A**") (an independent third party) (as subscriber), pursuant to which, the Company has conditionally agreed to allot and issue, and Subscriber A has conditionally agreed to subscribe for, a total of 28,050,000 subscription Shares at the subscription price of HK\$0.713 per subscription Share. Based on the closing price of the Shares of HK\$0.890 per Share on 5 January 2023, being the date of the subscription agreement, the subscription Shares have a market value of approximately HK\$25.0 million. The aggregate nominal value of such subscription Shares is HK\$280,500. The gross proceeds of the Subscription of New Shares A were approximately HK\$20.0 million. After taking into account the expenses related to the Subscription of New Shares A, the net proceeds of the Subscription of New Shares A were approximately HK\$19.8 million, representing the net price of approximately HK\$0.706 per subscription Share. The Company intended to use the net proceeds of the Subscription of New Shares A of approximately HK\$19.8 million as the general working capital of the Group. Completion of the Subscription of New Shares A took place on 16 January 2023.

### Subscription of New Shares B

On 27 February 2023 (after trading hours), the Company (as issuer) entered into another subscription agreement with Ms. Chen Chunyu (陳春宇) ("**Subscriber B**") (an independent third party) (as subscriber), pursuant to which, the Company has conditionally agreed to allot and issue, and Subscriber B has conditionally agreed to subscribe for, a total of 38,350,000 subscription Shares at the subscription price of HK\$0.730 per subscription Share. Based on the closing price of the Shares of HK\$0.900 per Share on 27 February 2023, being the date of the subscription agreement, the subscription Shares have a market value of approximately HK\$34.5 million. The aggregate nominal value of such subscription Shares is HK\$383,500. The gross proceeds of the Subscription of New Shares B were approximately HK\$28.0 million. After taking into account the expenses related to the Subscription of New Shares B, the net proceeds of the Subscription of New Shares B were approximately HK\$27.9 million, representing the net price of approximately HK\$0.728 per subscription Share. The Company intended to use the net proceeds of the Subscription of New Shares B of approximately HK\$27.9 million as the general working capital of the Group (including for the repayment of indebtedness). Completion of the Subscription of New Shares B took place on 13 March 2023.



## Use of Net Proceeds

The Directors considered that the Subscriptions represented an opportunity to raise capital for the business operations of the Group while broadening the shareholder base of the Company.

From the completion of the Subscriptions of New Shares to 30 September 2023, the net proceeds from the Subscriptions of New Shares had been applied as follows:

Planned and actual usage of the net proceeds	Planned use of proceeds as stated in the Subscription	Unutilised proceeds as at	Actual use of proceeds during the six months ended	Unutilised proceeds as at	Expected timeline for utilisation of the unutilised proceeds as at
	Announcement A/ Announcement B HK\$ million	1 April 2023 HK\$ million	30 September 2023 HK\$ million	30 September 2023 HK\$ million	30 September 2023
<b>Subscription of New Shares A:</b>					
General working capital of the Group (including for the repayment of indebtedness)	19.8	Nil	Nil	Nil	N/A
<b>Subscription of New Shares B:</b>					
General working capital of the Group (including for the repayment of indebtedness)	27.9	14.1	12.8	1.3	31 December 2023

During the six months ended 30 September 2023, the net proceeds from the Subscriptions of New Shares B have been applied in the manner set out in the disclosure in the Subscription Announcement B. The Group has utilised approximately HK\$12.8 million as general working capital of the Group (including approximately HK\$10.3 million used for repayment of indebtedness). The remaining balance of net proceeds of approximately HK\$1.3 million from the Subscription of New Shares B are expected to be fully utilised by 31 December 2023.

## Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2023 (2022: Nil).

## Contingent Liabilities

As at 30 September 2023, the Group did not have any significant contingent liabilities.

## Charge on Group Assets

As at 30 September 2023, the Group had no assets charged for bank borrowings or for other purpose.

## Capital Commitments

As at 30 September 2023, the Group did not have any significant capital commitment.

## Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the six months ended 30 September 2023, the Group did not have any material acquisitions and disposal of subsidiaries, associates and joint ventures.

## Significant Investments Held by the Group

During the six months ended 30 September 2023, there was no significant investment held by the Group.

## Future Plan for Material Investments and Capital Assets

The Group did not have any concrete plan for material investments or capital assets as at 30 September 2023.

## Foreign Currency Risk

For the Group's operation in Hong Kong, the major revenue and expenses are denominated in Hong Kong dollars. For the Group's operation in the PRC, the major revenue and expenses are denominated in Renminbi, which would expose the Group to foreign exchange risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

## Employees and Remuneration Policy

As at 30 September 2023, the Group employed a total of 112 staff (31 March 2023: 74 staff). The total employee remuneration, including remuneration of the Directors for the six months ended 30 September 2023, amounted to approximately HK\$11.7 million (for the six months ended 30 September 2022: approximately HK\$5.1 million).

The Group entered into separate labour contracts with each of the Group's employees in accordance with the applicable labour laws in Hong Kong and the PRC. Employees are remunerated according to their performance and working experience. The Group provides its staff with various benefits including discretionary bonus, contributory provident fund and medical insurance. The Group also provides and sponsors various types of training to employees and offers options that may be granted to employees under the share option scheme adopted by the Company (the "**Share Option Scheme**").

## EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, there is no other important event affecting the Group since 30 September 2023 and up to the date of this report.

## OTHER INFORMATION

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

As at 30 September 2023, the interests and short positions of the Directors and chief executives of the Company in the 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 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 are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, are as follows:

#### Long positions in the ordinary shares of the Company

Name	Capacity/Nature of interest	Number of shares held/interested	Percentage of shareholding
Mr. Cheng Jun ( <i>Note</i> )	Beneficial owner	180,204,000	20.80%

*Note:*

As at the date of this report, Mr. Cheng Jun beneficially owns 180,078,000 Shares, which represents approximately 20.78% of the issued Shares.

Save as disclosed above, as at 30 September 2023, 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 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 5.48 to 5.67 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 September 2023, 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 ordinary shares of the Company

Name	Capacity/Nature of interest	Number of Shares held/interested	Percentage of shareholding
QUANTONG GROUP HOLDINGS LIMITED (" <b>Quantong</b> ")	Beneficial owner	150,040,000	17.32%
Mr. Xing Yuan ( <i>Note 1</i> )	Interest in a controlled corporation	150,040,000	17.32%
Mr. Ji Zhiwei ( <i>Note 2</i> )	Person having a security interest in shares	150,040,000	17.32%

*Notes:*

1. Mr. Xing Yuan beneficially owns the entire issued share capital of Quantong. Mr. Xing Yuan is deemed, or taken to be interested in all the shares of the Company held by Quantong for the purpose of the SFO.
2. Pursuant to a deed of assignment dated 3 March 2023 executed by Mr. Fu Yik Lung in favour of Mr. Ji Zhiwei, shares of the Company held by Quantong were pledged by Quantong in favour of Mr. Ji Zhiwei.

Save as disclosed above, as at 30 September 2023, 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 has adopted the Share Option Scheme on 6 July 2015. No share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme since its adoption and up to the date of this report. As at 1 April 2023 and 30 September 2023, there was no outstanding share option and the number of options available for grant under the Share Option Scheme was 80,000,000.

## **COMPETING INTERESTS**

During the six months ended 30 September 2023 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 in a business 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 interests 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 no less exacting than the required standard of dealings under Rules 5.48 to 5.67 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 six months ended 30 September 2023.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 September 2023, 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 six months ended 30 September 2023 except for the deviation from code provision D.2.5 of the Code regarding internal audit function as set out in the “Corporate Governance Report” in the annual report of the Company dated 26 June 2023. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. The Audit Committee and the Board will continue to review the need for an internal audit function on a regular basis.

## 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 include 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, oversee the financial controls, internal control procedures and risk management system, effectiveness of the Company’s internal audit function, audit plan and relationship with external auditors and review 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 six months ended 30 September 2023 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  
**China Hongbao Holdings Limited**  
**Cheng Jun**  
*Chairman and Executive Director*

Hong Kong, 3 November 2023

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