

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

2024
INTERIM REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

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

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

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This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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.

UNAUDITED FINANCIAL RESULTS

The Board would like to present the unaudited condensed consolidated results of the Group for the six months ended 30 September 2024, together with the comparative unaudited figures for the corresponding period in 2023 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2024

	Notes	Six months ended 30 September	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	3	33,904	53,642
Cost of services		(25,915)	(36,875)
Gross profit		7,989	16,767
Other income	4	126	73
Administrative expenses		(11,912)	(14,952)
Finance costs	5	(636)	(834)
(Loss)/profit before income tax	6	(4,433)	1,054
Income tax expense	7	–	(2)
(Loss)/profit for the period		(4,433)	1,052
Other comprehensive (expense)/income Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(176)	574
(Loss)/profit and total comprehensive (expense)/income for the period attributable to the owners of the Company		(4,609)	1,626
(Loss)/earnings per share		HK cents	HK cents
— Basic and diluted	8	(0.50)	0.1

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
ASSETS			
Non-current asset			
Property, plant and equipment	10	4,638	6,183
Current assets			
Trade and other receivables	12	13,283	15,432
Contract assets	11	674	529
Cash and cash equivalents		3,023	1,230
		16,980	17,191
Total assets		21,618	23,374
LIABILITIES			
Current liabilities			
Trade and other payables	13	8,548	11,145
Contract liabilities		4,680	4,680
Lease liabilities		2,280	2,875
Amount due to a director		850	–
Amount due to a shareholder		3,755	3,156
Loan from a related party		14,375	14,375
Other borrowings	14	16,978	16,446
		51,466	52,677
Net current liabilities		(34,486)	(35,486)
Total assets less current liabilities		(29,848)	(29,303)
Non-current liabilities			
Lease liabilities		911	1,847
NET LIABILITIES		(30,759)	(31,150)

	<i>Notes</i>	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	9,081	8,664
Reserves		(39,840)	(39,814)
TOTAL DEFICITS		(30,759)	(31,150)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2024

	Share capital	Share premium	Merger reserve	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 2024 (Audited)	8,664	129,601	-	4,759	341	(439)	(174,076)	(31,150)
Loss for the period	-	-	-	-	-	-	(4,433)	(4,433)
Other comprehensive expense: Exchange differences arising on translation of foreign operations	-	-	-	-	-	(176)	-	(176)
Loss and total comprehensive expense for the period	-	-	-	-	-	(176)	(4,433)	(4,609)
Transactions with owners in their capacity as owners: Issue of shares (Note 15)	417	4,583	-	-	-	-	-	5,000
As at 30 September 2024 (Unaudited)	9,081	134,184	-	4,759	341	(615)	(178,509)	(30,759)
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)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2024

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Net cash used in operating activities	(3,048)	(6,190)
Net cash generated from/(used in) investing activities	72	(316)
Net cash generated from/(used in) financing activities	4,724	(11,694)
Net increase/(decrease) in cash and cash equivalents	1,748	(18,200)
Cash and cash equivalents at beginning of the period	1,230	20,574
Effect of foreign exchange rate changes	45	557
Cash and cash equivalents at end of the period	3,023	2,931

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 on the Listing Date. The Group is principally engaged in foundation and other construction business and internet services (including the provision of integrated online-and-offline sales of food, daily necessities and other commodities in the PRC (“O2O commerce”) and supply chain management) in Hong Kong and the PRC.

2. BASIS OF PREPARATION

The Group’s unaudited condensed consolidated financial statements for the six months ended 30 September 2024 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the 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 2024, which have been prepared in accordance with 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 2024 have not been audited by the Company’s independent auditors, but have been reviewed by the Audit Committee.

The unaudited condensed consolidated financial statements are presented in 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 2024. 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 2024.

3. REVENUE AND SEGMENT INFORMATION

The Group’s revenue during the six months ended 30 September 2024 and 2023 represents the amount received and receivable from contract with customers in the provision of foundation and other construction works and internet services (including O2O commerce and supply chain management) in Hong Kong and the PRC. The executive Directors have been identified as the chief operating decision-maker, responsible for making strategic decisions, allocating resources and assessing performance of the operating segments.

The reportable operating segments and their results are as below:

- provision of foundation and other construction works; and
- provision of internet services (including O2O commerce and supply chain management).

Six months ended 30 September 2024

	Foundation and other construction works HK\$'000	Internet services HK\$'000	Total HK\$'000
Revenue	25,127	8,777	33,904
Cost of services	(22,271)	(3,644)	(25,915)
Segment profit	2,856	5,133	7,989
Unallocated income			126
Unallocated corporate expenses			(11,912)
Finance costs			(636)
Loss before income tax			(4,433)
Income tax expense			-
Loss for the period			(4,433)

Six months ended 30 September 2023

	Foundation and other construction works HK\$'000	Internet services HK\$'000	Total HK\$'000
Revenue	24,789	28,853	53,642
Cost of services	(20,795)	(16,080)	(36,875)
Segment profit	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

Geographical information

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

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Hong Kong	25,127	24,789
PRC	8,777	28,853
	33,904	53,642

4. OTHER INCOME

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Bank interest income	2	–
Gain on disposal of subsidiaries (Note 17)	91	–
Others	33	73
	126	73

5. FINANCE COSTS

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Interest on other borrowings	–	327
Interest on lease liabilities	119	182
Imputed interest for shareholder loans	517	325
	636	834

6. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived after charging:

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Employee benefit expense (including Directors' remuneration)	14,870	11,716
Depreciation charge of property, plant and equipment	1,561	639

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Current tax for the period:		
PRC EIT	–	2
Hong Kong profits tax	–	–
Deferred tax	–	–
	–	2

Under the two-tiered Hong Kong profits tax regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25% and profits above HK\$2 million will be subject to the tax rate of 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will be taxed at the rate of 16.5%.

No provision for Hong Kong profits tax has been made for the six months ended 30 September 2024 (2023: Nil) as the group entities which are subject to Hong Kong profits tax either incurred tax losses for the period or had tax losses brought forward to set off with the assessable profit for the period.

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

No provision for PRC EIT has been made for the six months ended 30 September 2024 (2023: approximately HK\$2,000) as the subsidiaries which are subject to PRC EIT either incurred tax losses for the period or had tax losses brought forward to set off with the assessable profit for the period.

8. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
(Loss)/profit		
(Loss)/profit for the purpose of calculating basic (loss)/earnings per share	(4,433)	1,052
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	880,516	866,400

Diluted (loss)/earnings per share was the same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding for the six months ended 30 September 2024 and 2023.

9. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2024 (2023: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2024, the Group acquired plant and machinery amounting to approximately HK\$6,000 (2023: approximately HK\$316,000).

11. CONTRACT ASSETS

	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
Contract assets arising from:		
Foundation and other construction services	6,073	6,246
Retention receivables from contracts with customers within the scope of HKFRS 15	5,517	5,372
Less: provision for impairment loss	(10,916)	(11,089)
	674	529

The expected timing of recovery or settlement for contract assets as at 30 September 2024 and 31 March 2024 are as follows:

	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
Within one year	674	529

The contract assets primarily relate to the Group's right to consideration for construction works completed but not yet billed to customers, and the retention receivables at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional, that is when the Group issue progress billings to customer based on the progress certificate agreed with customer or when the retention receivable become unconditional.

Included within contract assets is an amount of approximately HK\$5,517,000 (31 March 2024: approximately HK\$5,372,000) which relate to amounts withheld up to 5%–10% (31 March 2024: 5%–10%) of the contract sum under contractual terms from trade receivables from customers as the construction work progresses. The monies are generally released from the customers upon the certification of completion of work and/or finalisation of contract accounts, which is typically 12 months after the physical completion of the project. As these amounts are expected to be realised in the normal operating cycle, they are classified as current assets.

An impairment analysis is performed at each reporting date using simplified approach to provide for lifetime ECL, which permits the use of the lifetime ECL for contract assets and assesses the expected losses on contract assets individually. The estimated loss rates are estimated based on various factors including the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, the number of days past due, adjusted for forward-looking factors and specific consideration (such as credit rating and reputation etc.) to the debtors and the economic environment and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

12. TRADE AND OTHER RECEIVABLES

	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
Trade receivables (<i>Note</i>)	10,991	13,766
Other receivables	849	124
Prepayments	6,735	6,856
Deposits	440	469
	19,015	21,215
Less: provision of impairment loss	(5,732)	(5,783)
	13,283	15,432

Note:

	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
Trade receivables, gross	10,991	13,766
Less: provision of impairment loss	(5,730)	(5,779)
Trade receivables, net	5,261	7,987

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 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.

An ageing analysis of trade receivables (net of loss allowance) as at the end of reporting period, based on invoice dates, is as follows:

	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
Current or less than one month	790	1,837
One to three months	–	1,963
More than three months but less than one year	4,471	4,187
	5,261	7,987

The Group periodically measures the loss allowance for trade receivables at an amount equal to lifetime ECL individually. The estimated loss rates are estimated based on various factors including the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, the number of days past due, adjusted for forward-looking factors and specific consideration (such as credit rating and reputation etc.) to the debtors and the economic environment and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

13. TRADE AND OTHER PAYABLES

	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
Trade payables (<i>Note</i>)	4,019	6,485
Accrued charges	1,444	2,797
Deposit received	1,109	1,084
Other payables	1,976	779
	8,548	11,145

Note: An ageing analysis of trade payables as at the end of reporting period, based on invoice dates, is as follows:

	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
Current or less than one month	524	1,008
One to three months	53	–
More than three months but less than one year	45	2,950
More than one year	3,397	2,527
	4,019	6,485

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 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
Amounts due to:		
Mr. Zhang Weijie (" Mr. Zhang ") (Note (a))	11,446	11,446
Ms. Zhang Xiaoping (" Ms. Zhang ") (Note (b))	–	5,000
Ms. Lau Wai Man (Note (c))	5,532	–
	16,978	16,446

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 of 31 March 2024 and 30 September 2024. As at 30 September 2024, the accumulated loan interest payable is approximately HK\$1,488,000 (31 March 2024: approximately HK\$1,488,000). The remaining balance of other borrowings represent cash advances from Mr. Zhang of HK\$2,694,000 (31 March 2024: approximately HK\$2,694,000) and are unsecured, interest-free and repayable on demand.

	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
Loan borrowings	7,264	7,264
Interest payable	1,488	1,488
Cash advances	2,694	2,694
	11,446	11,446

- (b) During the six months ended 30 September 2024, the Company fully settled the loan from Ms. Zhang by subscription of new shares under general mandate (the "**Subscription of New Shares**") (HK\$4,999,920) and cash (HK\$80). Please refer to the announcements of the Company dated 24 April 2024 and 31 July 2024 (the "**Subscription Announcements**"). As at 30 September 2023, the loan from Ms. Zhang was unsecured, interest free and repayable within one year after the end of the reporting period.
- (c) As at 30 September 2024, the loan from Ms. Lau Wai Man is unsecured, interest free and repayable within one year after the end of the reporting period.

15. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK\$'000
Authorised:		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 1 April 2023, 31 March 2024, 1 April 2024 (audited) and 30 September 2024 (unaudited)	1,000,000	10,000
Issued and fully paid:		
<i>Ordinary shares of HK\$0.01 each</i>		
As at 1 April 2023, 31 March 2024 and 1 April 2024 (audited)	866,400	8,664
Issue of shares by share subscription (<i>Note</i>)	41,666	417
As at 30 September 2024 (unaudited)	908,066	9,081

Note: On 31 July 2024, the number of Issued Share Capital increased to 908,066,000 Shares as a result of the completion of the Subscription of New Shares. For details of the Subscription of New Shares, please refer to the Subscription Announcements.

16. RELATED PARTY TRANSACTION

In addition to the transactions and balances disclosed elsewhere in the unaudited condensed consolidated financial statements, the Group did not entered into any significant related party transactions during the six months ended 30 September 2024 and 2023.

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 2024 and 2023 are as follows:

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Salaries and benefits	1,067	600
Pension scheme contributions	45	–
	1,112	600

17. DISPOSAL OF SUBSIDIARIES

Fortune Elite Investments Limited (“Fortune Elite”) and Quantong Globe Limited (collectively “Fortune Elite Group”)

On 23 September 2024, the Group disposed of the entire issued share capital in Fortune Elite, a wholly-owned subsidiary of the Company, at a cash consideration of US\$10,000.

Fortune Elite and its wholly-owned subsidiary, Quantong Globe Limited, were inactive during the six months ended 30 September 2024.

The aggregate net liabilities of Fortune Elite Group at the date of disposal were as follows:

	HK\$'000
Trade and other payables	(13)
Net liabilities	(13)
Gain on disposal	
Net liabilities disposed of	(13)
Less: Consideration for disposal	78
Gain on disposal of subsidiaries	91
Net cash inflow arising on disposal:	
Cash consideration, received	78
Less: bank balances and cash disposed	–
Net cash inflow from disposal of subsidiaries	78

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. During the six months ended 30 September 2024, the overall construction industry in Hong Kong was still facing various challenges. Furthermore, the construction industry in Hong Kong is fragmented with an increasing number of market players, resulting in keen competitions in the market and unstable and uncertain gross margin of construction projects. Despite the uncertain economic and political environment of Hong Kong and around the world, 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 and rising construction material and operational costs, the Directors are of the view that the market conditions of the construction industry will improve and consider that with the Group's business presence and good reputation in the market, the Group is well-positioned to compete with its competitors under the above-mentioned challenges that are commonly faced by all industry players. Revenue from the foundation and other construction works segment remained steady at approximately HK\$25.1 million for the six months ended 30 September 2024 (2023: approximately HK\$24.8 million), while gross profit declined by approximately 28.5% from approximately HK\$4.0 million in the same period of 2023 to approximately HK\$2.9 million in 2024.

On the other hand, the Group engages in the provision of internet services (including supply chain management and O2O commerce). Having considered the stable economic growth in the PRC and good prospects in the PRC e-commerce market, the Group launched a one-stop e-commerce platform (the "**Platform**") and carried out technological innovations and upgrades for the Platform in respect of the merchant-end of "on-demand delivery" in late 2023. Despite facing challenges in the PRC supply chain management business leading to the substantial decrease in demand for integrated digital supply chain solutions during the six months ended 30 September 2024, the Directors remain confident that the performance of the internet services segment will improve, as supported by the growth of O2O commerce in the PRC and recent upgrades to the Platform. For the six months ended 30 September 2024, the Group generated revenue of approximately HK\$8.8 million (2023: approximately HK\$28.9 million) and gross profit of approximately HK\$5.1 million (2023: approximately HK\$12.8 million) from the internet services segment.

Despite the challenges facing both the construction market in Hong Kong and the supply chain market in the PRC, the Group is strategically focusing on expanding its presence in the O2O commerce sector, which offers a higher gross profit margin. This strategic shift aims to offset any potential adverse impacts on the Group stemming from the conditions in the Hong Kong construction and the PRC supply chain markets. Furthermore, the Group remains committed to exploring new business opportunities in the market with the primary goal of delivering increased returns to the Shareholders. By diversifying our business portfolio and capitalizing on emerging sectors, we aim to strengthen our position in the industry and enhance the value of the Shareholders.

FINANCIAL REVIEW

REVENUE

The Group's revenue for the six months ended 30 September 2024 was approximately HK\$33.9 million, representing a decrease of approximately HK\$19.7 million or 36.8% as compared to approximately HK\$53.6 million for the six months ended 30 September 2023. The decrease was attributable to the decline in revenue generated from the internet services segment due to the substantial decrease in demand for the integrated digital supply chain solutions during the period.

COST OF SERVICES

The Group's cost of services decreased from approximately HK\$36.9 million for the six months ended 30 September 2023 to approximately HK\$25.9 million for the six months ended 30 September 2024, representing a decrease of approximately HK\$11.0 million or 29.7%. Such decrease was driven by the decrease in revenue for the six months ended 30 September 2024.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the six months ended 30 September 2024, the Group recorded a gross profit of approximately HK\$8.0 million (2023: approximately HK\$16.8 million) and the gross profit margin was approximately 23.6% (2023: approximately 31.3%). The decrease in gross profit was mainly due to decrease in gross profit generated from the internet services segment.

ADMINISTRATIVE EXPENSES

The administrative expenses decreased by approximately HK\$3.1 million or approximately 20.3% from approximately HK\$15.0 million for the six months ended 30 September 2023 to approximately HK\$11.9 million for the six months ended 30 September 2024. The lower administrative expenses was mainly driven by the decrease in administrative staff cost.

FINANCE COSTS

Finance costs decreased from approximately HK\$0.8 million for the six months ended 30 September 2023 to approximately HK\$0.6 million for the six months ended 30 September 2024. Such decrease was mainly due to the fact that there was no interest on other borrowings incurred during the six months ended 30 September 2024 (2023: approximately HK\$0.3 million). Such other borrowings belonged to a previous subsidiary which had been disposed of by the Group during the year ended 31 March 2024.

(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (EXPENSE)/INCOME ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Loss and total comprehensive expense for the six months ended 30 September 2024 was approximately HK\$4.6 million (2023: profit of approximately HK\$1.6 million). The change from profit of the Group for the six months ended 30 September 2023 to loss of the Group for the six months ended 30 September 2024 was mainly due to the decrease in gross profit (particularly gross profit from the internet services segment) during the period and partially offset by the decrease in administrative expenses.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Shares were successfully listed on GEM on the Listing Date. Save as disclosed in the section headed “Management Discussion and Analysis — Financial Review — Capital Structure” below, there has been no change in the capital structure of the Group since the Listing Date and up to the date of this report.

	As at 30 September 2024 (Unaudited)	As at 31 March 2024 (Audited)
Current assets (HK\$'000)	16,980	17,191
Current liabilities (HK\$'000)	51,466	52,677
Current ratio (times)	0.33	0.33

The current ratio of the Group as at 30 September 2024 remained stable at approximately 0.33 times (31 March 2024: approximately 0.33 times).

As at 30 September 2024, the Group had total cash and cash equivalents of approximately HK\$3.0 million (31 March 2024: approximately HK\$1.2 million).

As at 30 September 2024 and 31 March 2024, the Group had other borrowings, amount due to a shareholder, amount due to a director, loan from a related party and leases liabilities of approximately HK\$39.1 million and HK\$38.7 million in aggregate, respectively. The scheduled repayment date of the Group were as follows:

	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
Within one year	38,238	36,852
Between one and two years	911	1,847
	39,149	38,699

GEARING RATIO

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

	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
Total debt	39,149	38,699
Less: Cash and cash equivalents	(3,023)	(1,230)
Net debt	(36,126)	37,469
Total deficit	(30,759)	(31,150)
Gearing ratio	(117.4%)	(120.3%)

CAPITAL STRUCTURE

The Shares were successfully listed on GEM on the Listing Date. The Issued Share Capital only comprises ordinary shares.

On 16 January 2023, the number of Issued Share Capital increased from 800,000,000 Shares to 828,050,000 Shares as a result of the completion of a subscription of new Shares under general mandate. Please refer to the announcement of the Company dated 5 January 2023 for further details.

On 13 March 2023, the number of Issued Share Capital further increased from 828,050,000 Shares to 866,400,000 Shares as a result of the completion of a subscription of new Shares under general mandate. Please refer to the announcement of the Company dated 27 February 2023 for further details.

With effect from 17 July 2023, the board lot size of the Shares for trading on GEM has been changed from 10,000 Shares to 2,000 Shares. Please refer to the announcements of the Company dated 26 June 2023 and 19 July 2023 for further details.

On 31 July 2024, the number of Issued Share Capital further increased from 866,400,000 Shares to 908,066,000 Shares as a result of the Subscription of New Shares (as defined herein). Please refer to the Subscription Announcements (as defined herein) for further details.

As at 30 September 2024, the Issued Share Capital was approximately HK\$9.1 million, representing 908,066,000 issued ordinary Shares of HK\$0.01 each.

SUBSCRIPTION OF NEW SHARES

On 24 April 2024 (after trading hours), the Company (as issuer) entered into the subscription agreement with Ms. Zhang Xiaoping (the **"Subscriber"**) (an independent third party) (as subscriber), pursuant to which, the Company has conditionally agreed to allot and issue, and Subscriber has conditionally agreed to subscribe for, a total of 41,666,000 subscription Shares at the subscription price of HK\$0.12 per subscription Share (the **"Subscription of New Shares"**). Based on the closing price of the Shares of HK\$0.115 per Share on 24 April 2024, being the date of the subscription agreement, the subscription Shares have a market value of approximately HK\$4.8 million. The aggregate nominal value of such subscription Shares is HK\$416,660. The Subscription of New Shares involved the capitalisation of the Debt into the subscription Shares, and the Company used its internal resources to settle the relevant expenses in connection with the Subscription of New Shares. The Company fully settled the Debt from the Subscriber by the Subscription of New Shares (HK\$4,999,920) and cash (HK\$80). The Directors considered that the Subscription of New Shares would allow the Company to settle a substantial part of the Debt without utilising existing financial resources of the Group thereby strengthening the financial position of the Group. The Directors also considered that the Subscription of New Shares would broaden the Company's capital base and shareholders base without any interest burden. The net issue price, after deduction of relevant expenses, was approximately HK\$0.113 per subscription Share. There were no proceeds arising from the Subscription of New Shares as all the proceeds from the Subscription of New Shares were set-off against the Debt on a dollar-to-dollar basis. Completion of the Subscription of New Shares took place on 31 July 2024. Please refer to the Subscription Announcements for further details.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2024 (2023: Nil).

CONTINGENT LIABILITIES

As at 30 September 2024, the Group did not have any significant contingent liabilities.

CHARGE ON GROUP ASSETS

As at 30 September 2024, the Group had no assets charged for bank borrowings or for other purposes.

CAPITAL COMMITMENTS

As at 30 September 2024, the Group did not have any significant capital commitment.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 23 September 2024, the Company disposed of the entire issued share capital in Fortune Elite Investments Limited, a wholly-owned subsidiary of the Company which had ceased business operation at the time of disposal, to an independent third party at a consideration of US\$10,000. The Company recognised a gain on disposal of subsidiaries of approximately HK\$91,000 during the six months ended 30 September 2024. For further details, please refer to Note 17 to the unaudited condensed consolidated financial statements.

Save as disclosed above, the Group did not have any material acquisitions or disposal of subsidiaries, associates and joint ventures during the six months ended 30 September 2024.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the six months ended 30 September 2024, 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 2024.

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 RMB, 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

As at 30 September 2024, the Group employed a total of 97 staff (31 March 2024: 76 staff). The total employee remuneration, including remuneration of the Directors for the six months ended 30 September 2024, amounted to approximately HK\$14.9 million (for the six months ended 30 September 2023: approximately HK\$11.7 million).

The Group entered into separate labour contracts with each of the 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.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, there is no other material subsequent event undertaken by the Company or by the Group after 30 September 2024 and up to the date of this report.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2024, 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 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	Beneficial owner	180,078,000	19.83%

Save as disclosed above, as at 30 September 2024, 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 2024, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section "Management Discussion and Analysis — Disclosure of Interests — Directors' and Chief Executives' Interest and Short Positions in Shares, Underlying Shares and Debentures" above, 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 remained 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, cancelled, lapsed or forfeited under the Share Option Scheme since its adoption and up to the date of this report. As at 1 April 2024 and 30 September 2024, there was no outstanding share option and the number of options available for grant under the Share Option Scheme was 80,000,000.

As at 30 September 2024, the remaining life of the Share Option Scheme was approximately nine months.

COMPETING INTERESTS

During the six months ended 30 September 2024 and up to the date of this report, the Directors, the Controlling Shareholders 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 interest which any such person has or may have with the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the **"Required Standard of Dealings"**). The Company had also made specific enquiry of all the Directors and each of the Directors confirmed that he/she was in compliance with the Required Standard of Dealings throughout the six months ended 30 September 2024.

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

Save as disclosed in "Management Discussion and Analysis — Subscription of New Shares", during the six months ended 30 September 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including any sale of treasury shares). As at 30 September 2024, there were no treasury shares held by the Company.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and code provisions in the CG Code as set out in Appendix C1 to the GEM Listing Rules as its corporate governance practices. During the six months ended 30 September 2024, to the best knowledge of the Board, the Company has complied with the applicable code provisions set out in Part 2 of the CG Code except for the deviation from code provision D.2.5 of the CG Code regarding internal audit function as set out in the "Corporate Governance Report" in the annual report of the Company dated 28 June 2024. 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 an annual 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 Professor Cheung Ka Yue, the other 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 Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2024 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that such statements comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 8 November 2024

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, Professor Cheung Ka Yue and Ms. Wong Chi Yan as independent non-executive Directors.

DEFINITIONS

In this report, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“CG Code”	Corporate Governance Code as set out in Appendix C1 to the GEM Listing Rules
“Chairman”	the chairman of the Board, as appointed and designated from time to time
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Company”	China Hongbao Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM (Stock Code: 8316)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Debt”	the amount owed by the Company to the Subscriber of HK\$5.0 million as at the date of the subscription agreement dated 24 April 2024 entered into between the Company and the Subscriber
“Director(s)”	the director(s) of the Company
“ECL”	expected credit loss prescribed by HKFRS 9
“EIT”	enterprise income tax of the PRC
“EIT Law”	Law of the PRC on EIT (Order of the President of the PRC Numbered 63) as amended, supplemented or otherwise modified from time to time
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange as amended, supplemented or otherwise modified from time to time

“Group”	the Company and its subsidiaries
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issued Share Capital”	issued share capital of the Company
“Listing Date”	10 August 2015, the date on which the Shares were listed on GEM
“PRC”	the People’s Republic of China, which for the purpose of this report shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the Issued Share Capital
“Shareholder(s)”	holders of the Shares
“Share Option Scheme”	the share option scheme of the Company adopted by the Shareholders on 6 July 2015
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“treasury shares”	has the meaning ascribed to it under the GEM Listing Rules
US\$	the United States dollars, the lawful currency of the United States of America
“%”	per cent