

CHINA HONGBAO HOLDINGS LIMITED

中國紅包控股有限公司

(formerly known as Quantong Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8316

INTERIM REPORT
2022

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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 2022, together with the comparative unaudited figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 September 2022

	Notes	Three months ended 30 September		Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	14,301	7,675	30,026	12,631
Cost of services		(15,390)	(10,101)	(28,843)	(17,283)
Gross (loss)/profit		(1,089)	(2,426)	1,183	(4,652)
Other income	4	65	1,291	65	2,949
Administrative expenses		(5,005)	(3,222)	(7,376)	(6,327)
Finance costs	5	(563)	(23)	(1,083)	(48)
Loss before income tax	6	(6,592)	(4,380)	(7,211)	(8,078)
Income tax	7	–	–	–	–
Loss for the period		(6,592)	(4,380)	(7,211)	(8,078)
Other comprehensive income Item that may be reclassified subsequently to profit or loss: Exchange difference arising on translation of foreign operations		–	–	(637)	–
Loss and total comprehensive income for the period attributable to the owners of the Company		(6,592)	(4,380)	(7,848)	(8,078)
Loss per share		HK cents	HK cents	HK cents	HK cents
— Basic and diluted	8	(0.82)	(0.55)	(0.9)	(1.01)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	4,473	–
		4,473	–
Current assets			
Contract assets	11	23,192	16,231
Trade and other receivables	12	26,174	45,754
Cash and cash equivalents		1,421	2,206
		50,787	64,191
Current liabilities			
Trade and other payables	13	38,709	50,675
Other borrowings	14	24,804	24,067
Amount due to a shareholder		19,120	18,151
Loan from a related party		21,550	15,050
Lease liabilities		2,058	–
Provision for taxation		428	460
		106,669	108,403
Net current liabilities		(55,882)	(44,212)
Total assets less current liabilities		(51,409)	(44,212)

	Notes	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Non-current liabilities			
Amount due to a shareholder		7,088	7,627
Lease liabilities		1,190	–
		8,278	7,627
NET LIABILITIES			
		(59,687)	(51,839)
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	8,000	8,000
Reserves		(67,687)	(59,839)
TOTAL DEFICITS			
		(59,687)	(51,839)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	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 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)
As at 1 April 2021 (Audited)	8,000	82,525	(51,705)	3,118	-	-	(86,074)	(44,136)
Loss and total comprehensive expense for the period	-	-	-	-	-	-	(8,078)	(8,078)
As at 30 September 2021 (Unaudited)	8,000	82,525	(51,705)	3,118	-	-	(94,152)	(52,214)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Net cash used in operating activities	(7,071)	(14,209)
Net cash generated from investing activities	7,158	3,000
Net cash (used in)/generated from financing activities	(872)	13,340
Net (decrease)/increase in cash and cash equivalents	(785)	2,131
Cash and cash equivalents at beginning of the period	2,206	1,191
Cash and cash equivalents at end of the period	1,421	3,322

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 Room 502, Tai Tung Building, 8 Fleming Road, Wan Chai, Hong Kong. The Company is an investment holding company and its shares were listed on GEM of the Stock Exchange on 10 August 2015. The Group is principally engaged in foundation and other construction business and supply chain business in Hong Kong and 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 2022 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 read in conjunction with the consolidated financial statements for the year ended 31 March 2022, 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 2022 have not been audited by the Company's independent auditors, but have been reviewed by the audit committee (the "Audit Committee") of the Board.

The unaudited condensed consolidated financial statements 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 2022. 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 2022.

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue during the six months ended 30 September 2022 and 2021 represents the amount received and receivable from contract with customers in the provision of foundation and other construction works 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.

In the current period, the Group commenced the business in the supply chain management 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 supply chain management.

Six months ended 30 September 2022

	Foundation and other construction works HK\$'000	Supply chain management HK\$'000	Total HK\$'000
Revenue	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)

Six months ended 30 September 2021

	Foundation and other construction works HK\$'000	Supply chain management HK\$'000	Total HK\$'000
Revenue	12,631	–	12,631
Cost of services	(17,283)	–	(17,283)
Segment results	(4,652)	–	(4,652)
Unallocated income			2,949
Unallocated corporate expenses			(6,327)
Finance costs			(48)
Loss before income tax			(8,078)
Income tax expense			–
Loss for the period			(8,078)

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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong	–	7,675	14,274	12,631
The PRC	14,301	–	15,752	–
	14,301	7,675	30,026	12,631

4. OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Gain/(loss) on disposal of property, plant and equipment, net	–	(7)	–	1,651
Gain on early termination of lease	–	1,291	–	1,291
Government subsidies	65	–	65	–
Others	–	7	–	7
	65	1,291	65	2,949

5. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on lease liabilities	23	23	23	48
Imputed interest for shareholder loans	383	–	749	–
Interest on loan from other borrowings	157	–	311	–
	563	23	1,083	48

6. LOSS BEFORE INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Loss before income tax is arrived at after charging:				
Employee benefit expense (including Directors' remuneration)	3,807	2,306	5,079	5,139
Depreciation of property, plant and equipment	372	435	372	1,156

7. INCOME TAX

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

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

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

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

8. LOSS PER SHARE

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

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Loss		
Loss for the purpose of calculating basic loss per share	(7,211)	(8,078)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	800,000	800,000

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

9. DIVIDEND

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

10. PROPERTY, PLANT AND EQUIPMENT

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.

During the six months ended 30 September 2021, the Group disposed of plant and machinery and motor vehicles with aggregate net book value of approximately HK\$1,349,000 and a lease agreement for leasing a warehouse was early terminated, and therefore recognised gain on early termination of lease of approximately HK\$1,291,000.

11. CONTRACT ASSETS

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Contract assets arising from:		
Foundation and other construction services	17,133	11,600
Retention receivables from contracts with customers within the scope of HKFRS 15	6,520	5,092
Less: Provision for impairment loss	(461)	(461)
	23,192	16,231

Foundation construction services

As at 30 September 2022, contract assets included retention receivables held by customer for foundation construction works which amounted to approximately HK\$6,520,000 (31 March 2022: HK\$5,092,000). 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 2022 and 31 March 2022 are as follows:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Within one year	23,192	16,231

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

	HK\$'000
At 1 April 2021 (Audited)	7,014
Addition during the year	72,358
Transfer to trade receivables during the year	(62,727)
Provision for impairment loss	(414)
As at 31 March 2022 (Audited)	16,231
Addition during the six months ended 30 September 2022	6,961
Transfer to trade receivables during the six months ended 30 September 2022	-
As at 30 September 2022 (Unaudited)	23,192

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 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Trade receivables (<i>Note (a)</i>)	21,135	40,431
Other receivables	7,887	7,702
Prepayments	4,220	4,493
Deposits	101	297
	33,343	52,923
Less: provision of impairment loss	(7,169)	(7,169)
	26,174	45,754

Note:

(a) Trade receivables

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Trade receivables, for gross (<i>Note</i>)	21,135	40,431
Less: Expected credit loss	(1,357)	(1,357)
Trade receivables, net	19,778	39,074

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 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Current or less than one month	3,811	27,684
One to three months	7,527	9,654
More than three months but less than one year	8,440	1,736
More than one year	-	-
	19,778	39,074

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 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Trade payables	32,659	45,548
Accruals	6,050	5,127
	38,709	50,675

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

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Current or less than one month	3,690	32,035
One to three months	19,674	7,148
More than three months but less than one year	3,202	1,867
More than one year	6,093	4,498
	32,659	45,548

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 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Mr. Zhang Weijie (" Mr. Zhang ") (Note (a))	11,446	11,446
Mr. Wong Chin To (" Mr. Wong ") (Note (b))	8,653	8,018
Mr. Tse Chun Kit (" Mr. Tse ") (Note (c))	4,705	4,603
	24,804	24,067

Notes:

- (a) Mr. Zhang 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 are unsecured, with interest rate at 5% per annum and expired on 30 June 2021. As at 30 September 2022, the accumulated loan interest was approximately HK\$1,488,000 (31 March 2022: HK\$1,488,000). The remaining balance of other borrowings represented other cash advances from Mr. Zhang of HK\$2,694,000 and the cash advance are unsecured, interest-free and repayable on demand.

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 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) Mr. Wong granted several loans to Pak Wing Construction Company Limited ("**Pak Wing Construction**"), a wholly-owned subsidiary of the Company, to support the operation of Pak Wing Construction. The loans are unsecured, with interest rate at 5% per annum and repayable on demand. As at 30 September 2022, the accumulated loan interest was approximately HK\$569,000 (31 March 2022: HK\$360,000) and repayable on demand. The remaining balance of other borrowings represented other cash advances from Mr. Wong of approximately HK\$9,000 and the cash advance are unsecured, interest free and repayable on demand.

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Loan borrowings	8,075	7,649
Interest payable	569	360
Cash advances	9	9
	8,653	8,018

- (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, accumulated interest payable of the loan of approximately HK\$1,824,000 (31 March 2022: HK\$1,722,000) and cash advances to Pak Wing Construction at amount of 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 cash advance from Mr. Tse is unsecured, interest free and repayable on demand.

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Loan borrowings	2,168	2,168
Interest payable	1,824	1,722
Cash advances	713	713
	4,705	4,603

15. SHARE CAPITAL

	Number	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2021, 31 March 2022 (Audited)		
and 30 September 2022 (Unaudited)	1,000,000,000	10,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2021, 31 March 2022 (Audited)		
and 30 September 2022 (Unaudited)	800,000,000	8,000

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 2022 and 2021 are as follows:

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Salaries and benefits	390	550	780	1,110
Pension scheme contributions	–	–	–	–
	390	550	780	1,110

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group has been engaging in foundation works business as a subcontractor and other construction works in Hong Kong for over 10 years. The outbreak of the COVID-19 pandemic has been lasting for over two years and results in serious and unanticipated disruptions in business operation and the Hong Kong economy. Furthermore, the construction industry in Hong Kong is fragmented with increasing number of market players, resulting in keen competitions in the market and lower gross margin of construction projects. Despite the unfavourable conditions in Hong Kong economy and the construction industry which lead to continuous increase in construction costs due to labour shortage, increasingly stringent regulatory controls and rising construction material and operation costs, the Directors are of the view that the market conditions of the construction industry will start to improve and consider that with the Group's business presence and good reputation in the market, the Group is well-positioned to compete with its competitors against such challenges that are commonly faced by all industry players. For the six months ended 30 September 2022, the Group recorded revenue of approximately HK\$30.0 million, representing an increase of approximately 137.7% as compared to the revenue for the six months ended 30 September 2021. The Group recorded overall gross profit margin of approximately 3.9% for the six months ended 30 September 2022 as compared to the gross loss margin of approximately 36.8% for the six months ended 30 September 2021.

In addition to continue the existing foundation works and other construction works business, the Group also explores other suitable business opportunities with a view to diversify its business. Having considered stable economic growth in the PRC and good prospects in the PRC supply chain market, the Company established an indirect wholly-owned subsidiary, Hainan Hongbao Linkage Technology Co. Ltd.* (海南紅包聯動科技有限公司) ("**Hainan Hongbao**"), in Hainan Province, the PRC on 6 July 2022 to start a new line of business in the supply chain industry in the PRC. The Group intends to develop Hainan Hongbao as an integrated supply chain management company that focuses on the livelihood aspects related to the improvement of the quality of life of the citizen, such as fast-moving consumer goods and electronic appliances. Compared to traditional trading and service supply chain management companies, the Group believes that an integrated supply chain management company has a better profit model and can drive the future development of the Company. During the six months ended 30 September 2022, the Group recorded revenue of approximately HK\$14 million from this business segment. The Directors consider the above new business was the first step in the business diversification and expansion of the Group's business portfolio. 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 2022 was approximately HK\$30.0 million, representing an increase of approximately HK\$17.4 million or 137.7% as compared to the revenue for the six months ended 30 September 2021. The increase was mainly attributable to the new line of business in the supply chain industry in the PRC and the new foundation projects undertaken by the Group during the six months ended 30 September 2022.

Cost of Services

The Group's cost of services increased from approximately HK\$17.3 million for the six months ended 30 September 2021 to approximately HK\$28.8 million for the six months ended 30 September 2022, representing an increase of approximately HK\$11.5 million or 66.9%. Such increase was generally consistent with the increase in revenue for the six months ended 30 September 2022.

Gross Profit and Gross Profit Margin

For the six months ended 30 September 2022, the Group recorded a gross profit of approximately HK\$1.2 million (2021: gross loss of approximately HK\$4.7 million) and the gross profit margin was approximately 3.9% (2021: gross loss margin of approximately 36.8%). The change from gross loss of the Group for the six months ended 30 September 2021 to gross profit of the Group for the six months ended 30 September 2022 was due to the gross profit generated from the new line of business.

Administrative Expenses

The administrative expenses increased by approximately HK\$1.1 million or approximately 16.6% from HK\$6.3 million for the six months ended 30 September 2021 to approximately HK\$7.4 million for the six months ended 30 September 2022. The higher administrative expenses was mainly due to an increase in professional fees.

Loss and Total Comprehensive Income Attributable to Owners of the Company

Loss and total comprehensive income for the six months ended 30 September 2022 was approximately HK\$7.8 million (2021: approximately HK\$8.1 million). Such decrease in loss was mainly due to the increase in gross profit during the period.

Liquidity, Financial Resources and Capital Structure

The Company's shares were successfully listed on GEM on 10 August 2015 (the "Listing"). 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.

	As at 30 September 2022 (Unaudited)	As at 31 March 2022 (Audited)
Current assets (HK\$'000)	50,787	64,191
Current liabilities (HK\$'000)	106,669	108,403
Current ratio (times)	0.48	0.59

The current ratio of the Group as at 30 September 2022 was approximately 0.48 times as compared to that of approximately 0.59 times as at 31 March 2022.

As at 30 September 2022, the Group had total cash and cash equivalents of approximately HK\$1.4 million (31 March 2022: approximately HK\$2.2 million).

As at 30 September 2022 and 31 March 2022, the Group had other borrowings, amount due to a shareholder, loans from a related party and leases liabilities in total of approximately HK\$75.8 million and HK\$64.9 million respectively. The scheduled repayment date of the Group were as follows:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Within one year	67,532	57,268
Between one and two years	7,929	7,627
Between two and five years	349	–
	75,810	64,895

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, amount due to shareholder, loans from a related party and other borrowings and less cash and cash equivalents. Capital represents the total of equity and net debts of the Group.

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Total debt	75,810	64,895
Less: Cash and cash equivalents	(1,421)	(2,206)
Net debt	74,389	62,689
Total deficit	(59,687)	(51,839)
Gearing ratio	(124.6%)	(120.9%)

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2022 (2021: Nil).

Contingent Liabilities

As at 30 September 2022, the Group did not have any significant contingent liabilities.

Charge of Assets

As at 30 September 2022, the Group had no assets charged for bank borrowings or for other purpose.

Capital Commitments

As at 30 September 2022, 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 2022, 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 2022, 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 2022.

Foreign Currency Risk

As most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars, the Group's exposure to exchange rate risk is limited.

Employees and Remuneration Policy

As at 30 September 2022, the Group employed a total of 48 staff (31 March 2022: 20 staff). The total employee remuneration, including remuneration of the Directors for the six months ended 30 September 2022, amounted to approximately HK\$5.1 million (for the six months ended 30 September 2021: 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. 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 2022 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 2022, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

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

Long positions in the shares of the Company

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

Notes:

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

Save as disclosed above, as at 30 September 2022, 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 "Other Information — Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above (if any), 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.

COMPETING INTERESTS

During the six months ended 30 September 2022 and up to the date of this report, the Directors, the controlling shareholders of the Company and their respective close associates did not have any business or interest 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 5.68 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the six months ended 30 September 2022.

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

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

CORPORATE GOVERNANCE CODE

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

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, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

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

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

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

Hong Kong, 9 November 2022

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

* *For identification purposes only*