

RI YING HOLDINGS LIMITED

日赢控股有限公司

(Formerly known as “Shing Chi Holdings Limited”)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1741)

INTERIM REPORT
2022





Contents

Corporate Information	2
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Interim Condensed Consolidated Statement of Financial Position	6
Interim Condensed Consolidated Statement of Changes in Equity	8
Interim Condensed Consolidated Statement of Cash Flows	10
Notes to Interim Condensed Consolidated Financial Statements	11
Management Discussion and Analysis	26
Other Information	40

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Lau Chi Wang (*Chairman*)
Mr. Lau Chi Ming
Dr. Lau Chi Keung (*Chief Executive Officer*)
Mr. Sun Wei

Independent Non-executive Directors

Mr. Leung Bing Kwong Edward
Mr. Pang Ka Hang
Mr. Wong Chun Nam

BOARD COMMITTEES

Audit Committee

Mr. Pang Ka Hang (*Chairman*)
Mr. Leung Bing Kwong Edward
Mr. Wong Chun Nam

Remuneration Committee

Mr. Wong Chun Nam (*Chairman*)
Mr. Lau Chi Ming
Mr. Leung Bing Kwong Edward
Mr. Pang Ka Hang

Nomination Committee

Mr. Leung Bing Kwong Edward (*Chairman*)
Dr. Lau Chi Keung
Mr. Pang Ka Hang
Mr. Wong Chun Nam

COMPANY SECRETARY

Ms. Yim Sau Ping

AUTHORISED REPRESENTATIVES

Mr. Lau Chi Ming
Ms. Yim Sau Ping

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

COMPLIANCE ADVISER

Frontpage Capital Limited
26/F, Siu On Centre
188 Lockhart Road
Wan Chai, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

CFN Lawyers in association with Broad
and Bright
Units 4101-04, 41/F
Sun Hung Kai Centre
30 Harbour Road
Wan Chai, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6/F, Kai Tak Commercial Building
Nos. 317-319 Des Voeux Road Central
Sheung Wan
Hong Kong



Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

COMPANY'S WEBSITE

www.riyingholding.com

STOCK CODE

1741

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

For the six months ended 31 March 2022

	Notes	Six months ended 31 March	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	4	89,138	77,567
Cost of sales		(101,046)	(109,252)
Gross loss		(11,908)	(31,685)
Other income, gains and losses	4	2,562	2,096
Administrative and other operating expenses		(28,439)	(24,269)
Net reversal of impairment losses on financial assets and contract assets		588	947
Operating loss		(37,197)	(52,911)
Finance costs	5	(244)	(414)
Loss before tax	6	(37,441)	(53,325)
Income tax (expense)/credit	7	(12)	66
Loss for the period		(37,453)	(53,259)
Other comprehensive income			
<i>Item that maybe reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(85)	(12)
Total comprehensive expense for the period		(37,538)	(53,271)

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

For the six months ended 31 March 2022

	Six months ended 31 March	
	2022	2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Loss for the period attributable to:		
Owners of the Company	(36,505)	(51,660)
Non-controlling interests	(948)	(1,599)
	<u>(37,453)</u>	<u>(53,259)</u>
Total comprehensive expense for the period attributable to:		
Owners of the Company	(36,642)	(51,660)
Non-controlling interests	(896)	(1,611)
	<u>(37,538)</u>	<u>(53,271)</u>
Basic and diluted loss per share (HK cents)	8	
	<u>(4.56)</u>	<u>(6.46)</u>

Interim Condensed Consolidated Statement of Financial Position

As at 31 March 2022

		31 March 2022	30 September 2021
	<i>Notes</i>	HK\$'000 <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	10	5,787	6,484
Right-of-use assets	10	<u>3,746</u>	<u>6,205</u>
		<u>9,533</u>	<u>12,689</u>
Current assets			
Inventory		2,122	722
Trade and other receivables	11	149,443	127,800
Contract assets		86,868	97,234
Financial assets at fair value through profit or loss		5,245	4,766
Amount due from a director		1	1
Amounts due from related parties		1,486	1,452
Bank deposits, balances and cash	12	<u>76,895</u>	<u>105,911</u>
		<u>322,060</u>	<u>337,886</u>
Total assets		<u>331,593</u>	<u>350,575</u>
EQUITY			
Capital and reserves			
Share capital	13	8,000	8,000
Share premium and reserves		<u>137,564</u>	<u>174,206</u>
Equity attributable to owners of the Company		145,564	182,206
Non-controlling interests		<u>(3,634)</u>	<u>(2,738)</u>
Total equity		<u>141,930</u>	<u>179,468</u>

Interim Condensed Consolidated Statement of Financial Position

As at 31 March 2022

		31 March 2022	30 September 2021
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	14	–	–
Lease liabilities		<u>564</u>	<u>193</u>
		<u>564</u>	<u>193</u>
Current liabilities			
Trade and other payables	15	173,405	159,173
Contract liabilities		7,047	6,559
Lease liabilities		2,321	3,838
Amount due to a non-controlling interest of a subsidiary		6,262	1,281
Income tax payable		<u>64</u>	<u>63</u>
		<u>189,099</u>	<u>170,914</u>
Total liabilities		<u>189,663</u>	<u>171,107</u>
Total equity and liabilities		<u>331,593</u>	<u>350,575</u>
Net current assets		<u>132,961</u>	<u>166,972</u>
Total assets less current liabilities		<u>142,494</u>	<u>179,661</u>

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2021

	Attributable to owners of the Company						Subtotal	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Statutory reserve	Exchange reserve	Retained earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(Note 13)		(Note (a))	(Note (b))					
Balance at 1 October 2020									
(audited)	8,000	100,538	10,850	110	(42)	84,104	203,560	(135)	203,425
Loss for the period	-	-	-	-	-	(51,660)	(51,660)	(1,599)	(53,259)
Other comprehensive expense for the period	-	-	-	-	-*	-	-	(12)	(12)
Total comprehensive expense for the period	-	-	-	-	-*	(51,660)	(51,660)	(1,611)	(53,271)
Balance at 31 March 2021									
(unaudited)	<u>8,000</u>	<u>100,538</u>	<u>10,850</u>	<u>110</u>	<u>(42)</u>	<u>32,444</u>	<u>151,900</u>	<u>(1,746)</u>	<u>150,154</u>

* Less than HK\$1,000

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2022

	Attributable to owners of the Company						Subtotal	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Statutory reserve	Exchange reserve	Retained earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(Note 13)		(Note (a))	(Note (b))					
Balance at 1 October 2021									
(audited)	8,000	100,538	10,850	29	(122)	62,911	182,206	(2,738)	179,468
Loss for the period	-	-	-	-	-	(36,505)	(36,505)	(948)	(37,453)
Other comprehensive expense for the period	-	-	-	-	(137)	-	(137)	52	(85)
Total comprehensive expense for the period	-	-	-	-	(137)	(36,505)	(36,642)	(896)	(37,538)
Balance at 31 March 2022									
(unaudited)	<u>8,000</u>	<u>100,538</u>	<u>10,850</u>	<u>29</u>	<u>(259)</u>	<u>26,406</u>	<u>145,564</u>	<u>(3,634)</u>	<u>141,930</u>

Notes:

- (a) The other reserve represents the difference between the nominal value of the shares issued by Ri Ying Holdings Limited (the “**Company**”) in exchange for the aggregate amount of the nominal value of the share capital of its subsidiaries held by the Company’s controlling shareholders (the “**Controlling Shareholders**”) arising from the corporate reorganisation.
- (b) According to the People’s Republic of China (the “**PRC**”) Company Law, the PRC subsidiaries of the Group are required to transfer 10% of their respective after-tax profit, calculated in accordance with the PRC accounting standards and regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The statutory reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that the fund is maintained at a minimum level of 25% of the registered capital.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 March 2022

	Six months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net cash used in operations	(27,132)	(14,353)
Tax paid	(12)	(2,602)
Dividend received	6	8
	<u> </u>	<u> </u>
Net cash used in operating activities	(27,138)	(16,947)
	<u> </u>	<u> </u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(313)	(792)
Proceeds from redemption of financial assets at fair value through profit or loss	–	15,000
Interest received	2	178
	<u> </u>	<u> </u>
Net cash (used in)/generated from investing activities	(311)	14,386
	<u> </u>	<u> </u>
Cash flows from financing activities		
Repayment of lease liabilities	(1,559)	(5,543)
Drawdown of bank borrowings	21,145	–
Repayment of bank borrowings	(21,145)	–
Interest paid on bank borrowings	(154)	–
Interest paid on lease liabilities	(90)	(414)
	<u> </u>	<u> </u>
Net cash used in financing activities	(1,803)	(5,957)
	<u> </u>	<u> </u>
Net decrease in cash and cash equivalents	(29,252)	(8,518)
Cash and cash equivalents at the beginning of the period	105,911	132,076
Effect of foreign exchange rate changes	236	(142)
	<u> </u>	<u> </u>
Cash and cash equivalents at end of the period	76,895	123,416
	<u> </u>	<u> </u>
Analysis of cash and cash equivalents		
Cash at banks	69,805	121,816
Fixed deposits maturing within three months	7,090	1,600
	<u> </u>	<u> </u>
	76,895	123,416
	<u> </u>	<u> </u>

Notes to Interim Condensed Consolidated Financial Statements

1 GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) is principally engaged in provision of foundation and site formation works; general building works and associated services; other construction works; construction related consultancy services and health management and consultancy business. The Company was incorporated in the Cayman Islands on 3 January 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Main Board (the “**Listing**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 October 2018 (the “**Listing Date**”).

The address of the Company’s registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and the Company’s principal place of business is 6/F, Kai Tak Commercial Building, Nos. 317-319 Des Voeux Road Central, Sheung Wan, Hong Kong.

Its parent and ultimate holding company is Elite Bright Developments Limited (“**Elite Bright**”), a company incorporated in the British Virgin Islands (“**BVI**”) and wholly-owned by Dr. Lau Chi Wang (“**Dr. CW Lau**”), Mr. Lau Chi Ming (“**Mr. CM Lau**”) and Dr. Lau Chi Keung (“**Dr. CK Lau**”) in equal shares, the Controlling Shareholders.

These interim condensed consolidated financial statements of the Group for the six months ended 31 March 2022 have 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 Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 30 September 2021 (the “**2021 Annual Financial Statements**”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The interim condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company.

The interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2021 Annual Financial Statements, except for the accounting policy changes that are expected to be reflected in the annual financial statements of the Group for the year ending 30 September 2022. Details of any changes in accounting policies are set out in Note 2.

These interim condensed consolidated financial statements have been approved for issue by the board (the “**Board**”) of directors of the Company (the “**Directors**”) on 31 May 2022.

Notes to Interim Condensed Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Group has adopted the following new and amendments to HKFRSs issued by the HKICPA for the first time for the current accounting period, which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's interim condensed consolidated financial statements:

(a) *New and amendments to HKFRSs that are mandatorily effective for the current period*

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time for the current period:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39, HKFRS 4, HKFRS 7 and HKFRS 16	Interest Rate Benchmark Reform-Phase 2
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior period/year and/or on the disclosures set out in these interim condensed consolidated financial statements.

Notes to Interim Condensed Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

(b) *New and amendments to HKFRSs in issue but not yet effective*

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related amendments ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1	Classification of Liabilities as Current or non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendment to HKAS 16	Property, Plant and Equipment-Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous contracts-cost of Fulfilling a Contract ³
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ³

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2022.

The Group will apply the above HKFRSs when they become effective. The Group is in the process of assessing the impact of the above HKFRSs.

The Directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group in the future.

Notes to Interim Condensed Consolidated Financial Statements

4 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION (continued)

	Six months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income, gains and losses		
Bank interest income	2	178
Dividend income from financial assets at fair value through profit or loss	6	8
Fair value change on financial assets at fair value through profit or loss	478	180
Government grants (Note)	–	1,036
Insurance claims	–	555
Loss on disposal of property, plant and equipment	–	(11)
Agency commission income	805	–
Rental income	248	–
Others	1,023	150
	<u>2,562</u>	<u>2,096</u>

Note: The amount mainly represents Employment Support Scheme under the Anti-epidemic Fund of the Government of the Hong Kong Special Administrative Region (the “Government”). The Group had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group did not have any unfulfilled conditions relating to the grant during the six months ended 31 March 2021.

Segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), being the executive Directors, in order for the CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- Foundation and site formation works;
- General building works and associated services;
- Other construction works;
- Construction related consultancy services; and
- Health management and consultancy business.

Notes to Interim Condensed Consolidated Financial Statements

4 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION (continued)

The CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and results

	Foundation and site formation works <i>HK\$'000</i>	General building works and associated services <i>HK\$'000</i>	Other construction works <i>HK\$'000</i>	Construction related consultancy services <i>HK\$'000</i>	Health management and consultancy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 31 March 2022						
Segment revenue	<u>48,191</u>	<u>5,479</u>	<u>29,666</u>	<u>3,068</u>	<u>2,734</u>	<u>89,138</u>
Segment results	<u>6,539</u>	<u>(19,189)</u>	<u>427</u>	<u>(1,700)</u>	<u>2,015</u>	<u>(11,908)</u>
Other income, gains and losses						2,562
Administrative and other operating expenses						(28,439)
Net reversal of impairment losses on financial assets and contract assets						588
Finance costs						<u>(244)</u>
Loss before tax						<u><u>(37,441)</u></u>

Notes to Interim Condensed Consolidated Financial Statements

4 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

	Foundation and site formation works <i>HK\$'000</i>	General building works and associated services <i>HK\$'000</i>	Other construction works <i>HK\$'000</i>	Construction related consultancy services <i>HK\$'000</i>	Health management and consultancy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 31 March 2021						
Segment revenue	<u>37,870</u>	<u>11,662</u>	<u>15,307</u>	<u>5,740</u>	<u>6,988</u>	<u>77,567</u>
Segment results	<u>2,282</u>	<u>(36,059)</u>	<u>(1,830)</u>	<u>1,258</u>	<u>2,664</u>	<u>(31,685)</u>
Other income, gains and loss						2,096
Administrative and other operating expenses						(24,269)
Net reversal of impairment losses on financial assets and contract assets						947
Finance costs						<u>(414)</u>
Loss before tax						<u><u>(53,325)</u></u>

Segment results mainly represented profit/(loss) earned by each segment, excluding other income, gains and losses, administrative and other operating expenses, net reversal of impairment loss on financial assets and contract assets, finance costs and income tax expenses.

Geographical information

Information about the Group's revenue from external customers is presented based on location of operation is as follows:

	Six months ended 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Hong Kong	86,404	70,579
The PRC	<u>2,734</u>	<u>6,988</u>
	<u><u>89,138</u></u>	<u><u>77,567</u></u>

Notes to Interim Condensed Consolidated Financial Statements

4 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION (continued)

Geographical information (continued)

Information about the Group's non-current assets (excluding deferred tax assets) is presented based on the geographical location of the assets:

	As at 31 March 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 30 September 2021 <i>HK\$'000</i> <i>(Audited)</i>
Hong Kong	4,579	6,034
The PRC	4,954	6,655
	<u>9,533</u>	<u>12,689</u>

5 FINANCE COSTS

	Six months ended 31 March	
	2022 <i>HK\$'000</i> <i>(Unaudited)</i>	2021 <i>HK\$'000</i> <i>(Unaudited)</i>
Interest on bank borrowings	154	–
Interest on lease liabilities	90	414
	<u>244</u>	<u>414</u>

6 LOSS BEFORE TAX

	Six months ended 31 March	
	2022 <i>HK\$'000</i> <i>(Unaudited)</i>	2021 <i>HK\$'000</i> <i>(Unaudited)</i>
Loss before tax has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	1,130	628
Depreciation of right-of-use assets	3,161	5,479
Short-term lease expenses	750	646
Auditors' remuneration	490	490
Employee benefit expenses, including Directors' emoluments	12,785	11,695
Net reversal of impairment loss on financial assets and contract assets	<u>(588)</u>	<u>(947)</u>

Notes to Interim Condensed Consolidated Financial Statements

7 INCOME TAX EXPENSE/(CREDIT)

	Six months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong profits tax		
– Current income tax	–	–
– Over provision in prior years	–	(29)
PRC Enterprise Income Tax		
– Current income tax	12	–
Deferred income tax (Note 14)	–	(37)
	<u>–</u>	<u>(37)</u>
Income tax expense/(credit)	<u>12</u>	<u>(66)</u>

No provision for Hong Kong profits tax has been made as the Group did not have assessable profit in Hong Kong for both periods.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

According to the provisions of Caishui [2019] No.13 and Guoshui 2019 No.2, certain PRC subsidiaries of the Group are eligible to enjoy preferential income tax policies for the small and low profit enterprises during the current period.

Notes to Interim Condensed Consolidated Financial Statements

8 LOSS PER SHARE

	Six months ended 31 March	
	2022 <i>(Unaudited)</i>	2021 <i>(Unaudited)</i>
Loss for the period attributable to owners of the Company (HK\$'000)	(36,505)	(51,660)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (in thousand)	800,000	800,000
Basic loss per share (HK cents)	<u>(4.56)</u>	<u>(6.46)</u>

For the six months ended 31 March 2022 and 2021, the calculation of the basic loss per share attributable to owners of the Company was based on (i) the loss for the period attributable to owners of the Company; and (ii) the weighted average number of ordinary shares in issue during the period.

Diluted loss per share is equal to the basic loss per share as there was no dilutive potential shares in issue during the six months ended 31 March 2022 and 2021.

9 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2022 (six months ended 31 March 2021: Nil).

10 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 31 March 2022, the Group acquired certain items of property, plant and equipment with a cost of approximately HK\$313,000 (six months ended 31 March 2021: approximately HK\$792,000).

The Group obtains rights to control the use of certain premises for a period of time through lease arrangements. During the six months ended 31 March 2022, the addition to right-of-use assets was approximately HK\$859,000.

As at 31 March 2021, certain machinery and motor vehicles were held under finance lease with aggregate carrying amount of approximately HK\$18,122,000.

Notes to Interim Condensed Consolidated Financial Statements

11 TRADE AND OTHER RECEIVABLES

	31 March 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2021 <i>HK\$'000</i> <i>(Audited)</i>
Trade receivables	36,708	20,760
Less: provision for impairment losses	(3,124)	(3,228)
	33,584	17,532
Other receivables, deposits and prepayments	116,968	111,340
Less: provision for impairment losses	(1,109)	(1,072)
	115,859	110,268
	149,443	127,800

Notes:

- (a) The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate.
- (b) The ageing analysis of the trade receivables based on payment certificate date and invoice date is as follows:

	31 March 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2021 <i>HK\$'000</i> <i>(Audited)</i>
0-30 days	21,788	10,052
31-60 days	8,816	3,534
61-90 days	68	714
Over 90 days	2,912	3,232
	33,584	17,532

As at 31 March 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$11,577,000 (30 September 2021: approximately HK\$10,651,000) which are past due as at the reporting date. Out of the past due balances, approximately HK\$4,191,000 (30 September 2021: approximately HK\$2,283,000) has been past due 90 days or more and is not considered as in default. The Group does not hold any collateral over these balances.

- (c) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

Notes to Interim Condensed Consolidated Financial Statements

12 BANK DEPOSITS, BALANCES AND CASH

	31 March 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2021 <i>HK\$'000</i> <i>(Audited)</i>
Cash at banks	<u>76,895</u>	<u>105,911</u>
Bank balances	69,805	103,851
Deposits at banks		
– fixed deposits (maturing within three months)	<u>7,090</u>	<u>2,060</u>
	<u>76,895</u>	<u>105,911</u>

13 SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 October 2020, 30 September 2021 and 1 October 2021 and 31 March 2022	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 1 October 2020, 30 September 2021 and 1 October 2021 and 31 March 2022	<u>800,000,000</u>	<u>8,000</u>

Notes to Interim Condensed Consolidated Financial Statements

14 DEFERRED TAX ASSETS/LIABILITIES

The components of deferred tax assets and liabilities recognised in the interim condensed consolidated statement of financial position and the movements during the respective periods are as follows:

	Depreciation allowance	Tax losses	Expected credit losses provision	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 October 2020	(626)	–	230	(396)
Credited/(charged) to profit or loss	<u>198</u>	<u>428</u>	<u>(230)</u>	<u>396</u>
At 30 September 2021 and 1 October 2021	(428)	428	–	–
Charge to profit or loss	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 31 March 2022	<u>(428)</u>	<u>428</u>	<u>–</u>	<u>–</u>

The following is the analysis of the deferred tax balances for financial reporting purpose:

	31 March 2022	30 September 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Deferred tax assets	428	428
Deferred tax liabilities	<u>(428)</u>	<u>(428)</u>
	<u>–</u>	<u>–</u>

Notes to Interim Condensed Consolidated Financial Statements

15 TRADE AND OTHER PAYABLES

	31 March 2022	30 September 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables	16,475	9,578
Retention payables	29,436	28,975
Accruals and other payables	127,494	120,620
	<u>173,405</u>	<u>159,173</u>

Notes:

The ageing analysis of the trade payables based on invoice date is as follows:

	31 March 2022	30 September 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 to 30 days	14,511	7,999
31 to 60 days	1,473	409
61 to 90 days	18	73
Over 90 days	473	1,097
	<u>16,475</u>	<u>9,578</u>

Except for retention payables of approximately HK\$20,587,000 as at 31 March 2022 (30 September 2021: approximately HK\$14,678,000), which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

Notes to Interim Condensed Consolidated Financial Statements

16 RELATED PARTY TRANSACTIONS

(A) TRANSACTIONS

	Six months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Purchases from 上海蜂妮醫藥科技有限公司 (「上海蜂妮」)	<u>7</u>	<u>-</u>

Note: 上海蜂妮 is controlled by a family member of Mr. Sun Wei, the executive Director.

(B) KEY MANAGEMENT COMPENSATION

Key management comprises Directors (executive and non-executive) and the chief executive of the Group. The compensation paid or payable to key management is disclosed as follows:

	Six months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fee, discretionary bonuses, salaries and benefits in kind	4,673	4,887
Retirement benefit scheme contributions	<u>3</u>	<u>3</u>
	<u>4,676</u>	<u>4,890</u>

Management Discussion and Analysis

BUSINESS REVIEW

The Group is a construction contractor in Hong Kong principally providing (i) foundation and site formation works, which mainly include piling works, excavation and lateral support (ELS) works, pile cap construction and ground investigation works; (ii) general building works and associated services, which mainly include development of superstructures, alteration and addition works; and (iii) other construction works, which mainly include slope works and demolition works. The Group is able to undertake construction works as either a main contractor or a subcontractor. Apart from construction works, the Group also provides construction related consultancy services including engineering consulting on construction designs and works supervision, and construction contract administration services. The Group also engages in the business of health management and consultancy business in the PRC, which mainly includes sales of health products and the provision of health services.

As at 31 March 2022, the Group had 44 construction projects on hand (including projects in progress and projects that are yet to commence) with a total contract value of approximately HK\$780.4 million. As at 30 September 2021, the Group had 37 construction projects on hand with a total contract value of approximately HK\$742.1 million. The details of the Group's projects on hand as at 31 March 2022 are as follows:

Number	Project awarded	Actual/expected commencement date	Actual/expected completion date
1	Redevelopment of a school in Kowloon	July 2016	April 2022
2	Foundation, excavation and lateral support ("ELS") and pile cap works for a commercial building in Sheung Wan	June 2018	May 2022
3	Slope improvement work for a university in Shatin	January 2020	September 2022
4	Slope works for the fresh water services reservoir at Sheung Shui and Fanling	February 2020	June 2022
5	Slope improvement work for a university in Shatin	June 2020	September 2022
6	Land slip prevention and mitigation works in various locations in Hong Kong	July 2020	December 2022

Management Discussion and Analysis

Number	Project awarded	Actual/expected commencement date	Actual/expected completion date
7	Foundation and ELS Works for the redevelopment of a office building at Central	August 2020	September 2022
8	Slope works at Kwu Tung North New Development Areas	October 2020	December 2022
9	Foundation works for schools at Ho Man Tin and Sai Ying Pun	November 2020	June 2022
10	Fence wall modification minor works for the residential development at Tuen Mun	February 2021	September 2023
11	Slope maintenance works for a university in Shatin	March 2021	November 2022
12	Repave work for bus terminus at Discovery Bay	April 2021	September 2022
13	Maintenance for external works for a university in Shatin	April 2021	July 2022
14	Maintenance works for slopes and retaining walls of a residential estate at Tai Hang	April 2021	September 2022
15	Slope enhancement works for the residential development project at Tsing Yi	April 2021	September 2022
16	Construction of soldier piles, site formation and infrastructure works for the public housing development at Yuen Long	May 2021	September 2022
17	Slope upgrading works for the residential properties at Mid Level	June 2021	June 2022
18	Slope and drainage maintenance works for a university in Shatin	June 2021	September 2022
19	Slope upgrading works for the residential properties at Mid Level	June 2021	June 2022
20	Foundation works for a factory at Tsing Yi	July 2021	April 2022
21	Ground investigation works for redevelopment of the residential estate at Sai Ying Pun	July 2021	September 2022

Management Discussion and Analysis

Number	Project awarded	Actual/expected commencement date	Actual/expected completion date
22	Maintenance pit works for the Peak Tram	July 2021	September 2022
23	Ground investigation works for a university in Shatin	July 2021	September 2022
24	Construction work of a church in Tuen Mun	July 2021	July 2022
25	Evacuation pathway works for the Peak Tram	August 2021	September 2022
26	Ground investigation works for house development at Ho Man Tin	September 2021	September 2022
27	Ground investigation works for transitional housing project at Tsuen Wan	September 2021	September 2022
28	Meteorological mast removal project	September 2021	June 2022
29	Slope remedial works for dangerous hillside at Ho Man Tin	November 2021	August 2022
30	Slope upgrading works for a government building at Tai Lam	November 2021	November 2022
31	Retaining walls upgrading works of a residential estate at Mid Level	December 2021	December 2022
32	Ground investigation work for a school at Choi Hung	December 2021	September 2022
33	Re-construction work for a building at Jordan	December 2021	July 2023
34	Demolition works and foundation works for a sport center in Shatin	January 2022	June 2022
35	Alteration & addition works for a library at a university in Shatin	February 2022	September 2022
36	Ground investigation works for transitional housing project at Chai Wan	February 2022	May 2022
37	Ground investigation works for the residential development in Yuen Long	March 2022	May 2022
38	Utility services survey for renovation works at Discovery Bay	March 2022	May 2022
39	Ground investigation works for an art centre at Wong Tai Sin	April 2022	July 2022

Management Discussion and Analysis

Number	Project awarded	Actual/expected commencement date	Actual/expected completion date
40	Ground investigation works for alteration & addition works for a building in Sheung Wan	April 2022	May 2022
41	Ground investigation works for the residential development in To Kwa Wan	April 2022	September 2022
42	Ground investigation works for feasibility study and preliminary design for implementation of PV system	April 2022	May 2022
43	Ground investigation work for a social welfare facility at Yuen Long	April 2022	September 2022
44	Slope improvement work for a university in Shatin	January 2022	July 2022

Management Discussion and Analysis



Apart from undertaking construction works in Hong Kong, the Group also carries on the health management and consultancy business in the PRC through the sales of health products primarily on a wholesale basis and the sales of health services to the customers. In view of the growing ageing population in the PRC and the increasing health awareness due to the outbreak of COVID-19 (the “**Epidemic**”), the Group marketed health products under its own brands for customers in the middle-aged or elderly population in the PRC via the cooperation with biotechnology and pharmaceutical companies in the PRC. However, due to the outbreak of COVID-19 in the PRC and the implementation of the public health emergency policies in certain cities, revenue from the Group’s health management and consultancy business decreased from approximately HK\$7.0 million for the six months ended 31 March 2021 to approximately HK\$2.7 million for the six months ended 31 March 2022.

OUTLOOK

The Directors are of the view that the general outlook of the construction industry and the business environment in which the Group operates will remain challenging. Under the waves of the Epidemic, the number of infected cases remain volatile, which may continue to affect the construction industry as well as the operation of the Group. In light of the uncertain business environment, the Group will continue to adopt prudent financial management and cost control. Furthermore, the Group will continue to obtain additional qualifications and strengthen its financial resources to better position itself for tendering suitable projects in the public sector as a main contractor, and invest in the manpower and information system to enhance its operational capacity and efficiency. For the health management and consultancy business, although the business development in the PRC was affected by the implementation of the public health emergency policies, the Group will continue to enhance its products offering, so as to capture the growth opportunities and accommodate the market demand during the Epidemic. Meanwhile, the Group will continue to explore other suitable business and investment opportunities to drive its business growth.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$11.5 million, or approximately 14.9%, from approximately HK\$77.6 million for the six months ended 31 March 2021 to approximately HK\$89.1 million for the six months ended 31 March 2022. The following table sets out a breakdown of the Group's revenue during the six months ended 31 March 2021 and 2022 by segments:

	Six months ended 31 March		2021	
	2022		2021	
	HK\$'000	%	HK\$'000	%
Foundation and site formation works	48,191	54.1	37,870	48.8
General building works and associated services	5,479	6.1	11,662	15.1
Other construction works	29,666	33.3	15,307	19.7
Construction related consultancy works	3,068	3.4	5,740	7.4
Health management and consultancy business	2,734	3.1	6,988	9.0
Total	<u>89,138</u>	<u>100.0</u>	<u>77,567</u>	<u>100.0</u>

The increase in the Group's revenue was primarily driven by the increase in revenue from foundation and site formation works and others construction works. Such increase was primarily due to (i) the increase in value of variable orders and works being approved for foundation and site formation works projects; and (ii) the commencement of new projects of other construction works during the six months ended 31 March 2022. The Group recorded a decrease in revenue contributed from general building works and associated service and construction related consultancy works, which was mainly due to lower amount of works done undertaken by the Group during the six months ended 31 March 2022. Furthermore, the revenue generated from the Group's health management and consultancy business also decreased during the six months ended 31 March 2022 due to the implementation of the public health emergency policies in the PRC.

Management Discussion and Analysis



Cost of sales

Cost of sales decreased by approximately HK\$8.3 million, or approximately 7.5%, from approximately HK\$109.3 million for the six months ended 31 March 2021 to approximately HK\$101.0 million for the six months ended 31 March 2022. Such decrease was mainly driven by the decrease in costs incurred for general building works as a result of the decrease in work performed during the six months ended 31 March 2022.

Gross loss and gross loss margin

The Group incurred gross loss of approximately HK\$11.9 million and HK\$31.7 million for the six months ended 31 March 2022 and 2021, respectively. The Group recorded a gross loss margin of approximately 13.4% and 40.8% for the six months ended 31 March 2022 and 2021, respectively.

During the six months ended 31 March 2022, the Group recorded a gross loss margin for general building works and associated works (2021: approximately 309.2%; 2022: approximately 350.2%) and construction related consultancy services (2021: gross profit margin of approximately 21.9%; 2022: gross loss margin of approximately 55.4%), mainly due to (i) delay in payment certification for a large scale general building works project; and (ii) the decline in revenue of construction related consultancy services which was unable to cover the fixed operating costs. The gross loss margin was improved mainly due to the increase in gross profit margins for foundation and site formation works (2021: approximately 6.0%; 2022: approximately 13.6%) and other construction works (2021: gross loss margin of approximately 12.0%; 2022: gross profit margin of approximately 1.4%), following the commencement of new projects with relatively higher margin during the six months ended 31 March 2022. Furthermore, during the six months ended 31 March 2022, the Group's gross profit margin for health management and consultancy business increased as compared to the same period in 2021 (2021: approximately 38.1%; 2022: approximately 73.7%) as less costs attributable to the sales of products were incurred.

Management Discussion and Analysis

Other income, gains and losses

Other income, gains and losses remain relatively stable of approximately HK\$2.1 million and approximately HK\$2.6 million for the six months ended 31 March 2021 and 2022, respectively.

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately HK\$4.1 million, or approximately 17.2%, from approximately HK\$24.3 million for the six months ended 31 March 2021 to approximately HK\$28.4 million for the six months ended 31 March 2022. Such increase is primarily due to increase in the staff costs and relevant costs for the Group's business development in the PRC.

Income tax expenses/(credit)

The Group recorded income tax expenses of approximately HK\$12,000 for the six months ended 31 March 2022, primarily arising from the taxable profit for the PRC business during the six months ended 31 March 2022 (six months ended 31 March 2021: income tax credit of approximately HK\$66,000).

Loss and total comprehensive expense for the period

As a result of the foregoing, the Group recorded a loss of approximately HK\$37.5 million and HK\$53.3 million for the six months ended 31 March 2022 and 2021, respectively.

Management Discussion and Analysis

COMPARISON OF BUSINESS STRATEGIES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business strategies as set out in the prospectus of the Company dated 28 September 2018 (the "Prospectus") with actual business progress up to 31 March 2022.

Business strategies as stated in the Prospectus	Implementation activities up to 31 March 2022 as stated in the Prospectus	Progress up to 31 March 2022
Apply for additional licences	<ul style="list-style-type: none"> - Acquire one set of bored piling machine; one set of rock-socket piling machine; two sets of mini-piling machines and four air compressors; and maintain newly acquired machinery to fulfill plant requirements of the licenses - Acquire a piece of land for machinery storage 	<p>The Group has acquired the bored piling machines, rock-socket piling machine and two air compressors.</p> <p>The Group was in the course of identifying suitable land for machinery storage. Due to the Group's specific requirements on the land premises and the property market condition of Hong Kong, the Group has taken more time to identify suitable land.</p>
	<ul style="list-style-type: none"> - Increase the employed capital of Po Shing Construction Limited and Fong On Construction Limited 	<p>The Group has increased the employed capital of both subsidiaries.</p>
Fund the initial costs of the Group's construction project	<ul style="list-style-type: none"> - Finance the working capital requirement and up front costs for three of the Group's projects 	<p>The funding costs for (i) the redevelopment of an outdoor activities centre at Stanley; (ii) the redevelopment at Sheung Wan; and (iii) the alterations and additions works for commercial building at North Point were fully utilised.</p>

Management Discussion and Analysis

Business strategies as stated in the Prospectus	Implementation activities up to 31 March 2022 as stated in the Prospectus	Progress up to 31 March 2022
Strengthening the Group's manpower	<ul style="list-style-type: none"> Recruit two project managers, two project engineers, two quantity surveyors, one safety officer, two site foremens and one mechanical fitter 	<p>The Group has recruited one project manager, two project engineers, two quantity surveyors and two foremen and is in the process to identify suitable candidate for the remaining vacancy.</p>
	<ul style="list-style-type: none"> Retain talents as recruited for this business strategy 	<p>The recruitment schedule is deferred due to shortage of candidates with the right calibre.</p>
Investment in the new information system	<ul style="list-style-type: none"> Upgrade the existing hardware and acquire new computer facilities 	<p>The Group has upgraded existing hardware and acquired new computer facilities.</p>
	<ul style="list-style-type: none"> Upgrade the accounting system to enhance documentation and manual procedures and upgrade the human resources management system to consolidate and automate attendance, payrolls and retirement fund contribution 	<p>The Group has upgraded the accounting system to enhance documentation and is in the course of identifying suitable service providers for upgrading the human resources management system.</p>
	<ul style="list-style-type: none"> Upgrade the engineering and design system to facilitate the planning, designing, and managing of construction projects through automatic generation of drawings and reports, design analysis, schedule simulation and facilities management 	<p>The Group has upgraded engineering and design system.</p>

Management Discussion and Analysis

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the share offer of the Company at the time of the Listing, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK\$86.6 million. After the Listing, a part of these proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus.

The below table sets out the proposed and actual applications of the net proceeds from the Listing Date to 31 March 2022:

	Planned use of proceeds up to 31 March 2022 <i>HK\$ million</i>	Actual use of proceeds from the Listing Date to 31 March 2022 <i>HK\$ million</i>	Unutilised balance as at 31 March 2022 <i>HK\$ million</i>	Expected timeline for utilising the unutilised net proceeds
Apply for additional licences	39.5	9.1	30.4	30 September 2022
Fund the initial costs of the Group's construction projects	21.8	21.8	–	N/A
Strengthening the Group's manpower	13.9	8.4	5.5	30 September 2022
Investment in the new information system	2.7	1.3	1.4	30 September 2022
General working capital	8.7	8.7	–	N/A
	<u>86.6</u>	<u>49.3</u>	<u>37.3</u>	

During the six months ended 31 March 2022, the net proceeds from the Listing were utilised and expected to be utilised in the manners as disclosed in the Prospectus and there has been no change in the use of proceeds.

Up to 31 March 2022, approximately HK\$49.3 million out of the net proceeds from the Listing had been used. The remaining unutilised net proceeds of approximately HK\$37.3 million were deposited in licensed banks in Hong Kong. The Company intends to apply the net proceeds in the manner as stated in the Prospectus. However, due to the unstable economic environment under the prolonged outbreak of COVID-19, the Group will utilise the remaining balance in a conservative manner. The Directors will constantly evaluate the Group's business objectives and specific needs from time to time. The Company will make further announcement if there are any changes on the use of proceeds as and when appropriate. Such amounts are expected to be fully utilised on or before 30 September 2022.

Management Discussion and Analysis

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Company's shares were successfully listed on the Main Board of the Stock Exchange on the Listing Date. There has been no change in the capital structure of the Group since then. The capital of the Group only comprises of ordinary shares.

The Group's operation and investments were financed principally by cash generated from its business operations and equity contribution from the shareholders of the Company.

As at 31 March 2022, the Group had net current assets of approximately HK\$133.0 million (30 September 2021: approximately HK\$167.0 million) and bank balances and cash of approximately HK\$76.9 million (30 September 2021: approximately HK\$105.9 million), which were denominated in HK\$, Renminbi and US dollars.

As at 31 March 2022, the Group's total equity attributable to owners of the Company amounted to approximately HK\$145.6 million (30 September 2021: approximately HK\$182.2 million), and the Group's total debt comprising lease liabilities amounted to approximately HK\$2.9 million (30 September 2021: approximately HK\$4.0 million). The Directors have confirmed that the Group will have sufficient financial resources to meet its obligations as they fall due in the foreseeable future.

CONTINGENT LIABILITIES

As at 31 March 2022, certain customers of construction contracts undertaken by the Group require the Group to issue guarantee for the performance of contract works in the form of surety bonds of approximately HK\$21.5 million (30 September 2021: approximately HK\$16.0 million). The Company and the executive Directors have provided guarantee to the insurance companies to secure certain surety bonds. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

PLEDGE OF ASSETS

As at 31 March 2022, the Group has pledged certain motor vehicle with net book value amounted to approximately HK\$0.8 million (30 September 2021: certain motor vehicles with net book value amounted to approximately HK\$0.3 million) under non-cancellable lease agreement.

Management Discussion and Analysis



As at 31 March 2022, the Group paid a cash collateral of approximately HK\$4.2 million (30 September 2021: approximately HK\$4.2 million) to the insurance companies for the issuance of surety bonds, which are included in other receivables, deposits and prepayments.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the six months ended 31 March 2022, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries and affiliated companies. Save as disclosed herein, the Group did not have other plans for material investments or acquisition of capital assets as at 31 March 2022.

CAPITAL COMMITMENTS

As at 31 March 2022, the Group did not have any material commitments (31 March 2021: Nil).

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

FOREIGN CURRENCY RISK

For the Group's operation in Hong Kong, the major revenue and expenses are denominated in HK\$, while there are certain monetary assets and monetary liabilities that are denominated in Renminbi and US dollars, 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. For the Group's operation in the PRC, the major revenue and expenses are denominated in Renminbi.

Management Discussion and Analysis

GEARING RATIO

As at 31 March 2022, the gearing ratio of the Group, which is calculated as the total debt (comprising lease liabilities) divided by total equity, was approximately 2.0% (30 September 2021: approximately 2.2%). The decrease in gearing ratio was mainly due to the decrease in lease liabilities for right-of-use assets recognised in current period.

EVENT AFTER THE REPORTING PERIOD

Save as otherwise disclosed in this interim report, the Board is not aware of any other significant events requiring disclosure that have taken place subsequent to 31 March 2022 and up to the date of this interim report.

INTERIM DIVIDEND

No dividend was paid, declared or proposed during the six months ended 31 March 2022. The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2022 (six months ended 31 March 2021: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group had 164 employees (31 March 2021: 62 employees). The increase in the number of employees was mainly attributable to the staff recruitment in the health management and consultancy business in the PRC for business development. Total staff costs for the six months ended 31 March 2022 amounted to approximately HK\$12.8 million (six months ended 31 March 2021: approximately HK\$11.7 million). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of training were provided to the employees.

SEGMENT INFORMATION

The Group's reportable and operating segments are as follows: (i) foundation and site formation works; (ii) general building works and associated services; (iii) other construction works; (iv) construction related consultancy services; and (v) health management and consultancy business. Details of the segmental information of the Group is disclosed in Note 4 of the notes to interim condensed consolidated financial statements of this interim report.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Future Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares held/interested	Percentage of shareholding
Dr. CW Lau (<i>Note</i>)	Interest of a controlled corporation	600,000,000	75%
Mr. CM Lau (<i>Note</i>)	Interest of a controlled corporation	600,000,000	75%
Dr. CK Lau (<i>Note</i>)	Interest of a controlled corporation	600,000,000	75%

Note: Elite Bright is 100% owned by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau in equal shares. Therefore, Dr. CW Lau, Mr. CM Lau and Dr. CK Lau are deemed to be, or taken to be, interested in all the shares of the Company held by Elite Bright for the purpose of the SFO.

Save as disclosed above, as at 31 March 2022, none of the Directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 provision 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 the Model Code, to be notified to the Company and the Stock Exchange.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as known to the Directors or chief executive of the Company, as at 31 March 2022, the following persons and entity (not being the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares, the underlying shares and debentures 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 10% 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:

Name	Capacity/Nature of interest	Number of shares held/ interested	Percentage of shareholding
Elite Bright	Beneficial owner	600,000,000	75%
Ms. Ng Lai Mui Theresa (<i>Note 1</i>)	Interest of spouse	600,000,000	75%
Ms. Ng Kooi Har (<i>Note 2</i>)	Interest of spouse	600,000,000	75%
Ms. Kwong Shun Man Jessie (<i>Note 3</i>)	Interest of spouse	600,000,000	75%

Notes:

- (1) Ms. Ng Lai Mui Theresa is the spouse of Dr. CW Lau. Therefore, Ms. Ng Lai Mui Theresa is deemed to be, or taken to be, interested in the same number of shares of the Company in which Dr. CW Lau is interested for the purpose of the SFO.
- (2) Ms. Ng Kooi Har is the spouse of Mr. CM Lau. Therefore, Ms. Ng Kooi Har is deemed to be, or taken to be, interested in the same number of shares of the Company in which Mr. CM Lau is interested for the purpose of the SFO.
- (3) Ms. Kwong Shun Man Jessie is the spouse of Dr. CK Lau. Therefore, Ms. Kwong Shun Man Jessie is deemed to be, or taken to be, interested in the same number of shares of the Company in which Dr. CK Lau is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2022, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interest and short positions in shares, underlying shares and debentures" above, had or were deemed to have, interests or short positions in the shares, the underlying shares and debentures 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 10% 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.

Other Information



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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 March 2022.

COMPETING BUSINESS

During the six months ended 31 March 2022, none of the Directors or the Controlling Shareholders and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

Non-Competition Undertaking

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Dr. CW Lau, Mr. CM Lau, Dr. CK Lau and Elite Bright (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the deed of non-competition with the Company (for itself and for and on behalf of its subsidiaries) on 17 September 2018 (the "**Deed of Non-competition**"). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and for and on behalf of its subsidiaries) that, during the period the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

Other Information

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Each of the Covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the section headed “Relationship with our Controlling Shareholders – Non-Competition Undertakings” in the Prospectus.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regulating securities transactions of Directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code and its code of conduct during the six months ended 31 March 2022.

SHARE OPTION SCHEME

The Company’s share option scheme (the “**Scheme**”) was adopted pursuant to resolutions passed on 17 September 2018 as to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

Under the Scheme, the Board may, at their absolute discretion and subject to the terms of the Scheme, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe for shares of the Company. The basis of eligibility of any participant to the grant of any option shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

Other Information



Under the Scheme, the maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date must not in aggregate exceed 10% of all the shares in issue upon the date on which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. The aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share option schemes of the Company if this will result in the limit being exceeded.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options in excess of such limit, such further grant must be separately approved by shareholders of the Company in general meeting with such grantee and his/her close associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective close associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK\$5 million must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.



Other Information

An offer for the grant of options must be accepted in writing within 7 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The subscription price shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's share on the offer date of grant of the option.

The Scheme will remain in force for a period of ten years commencing on 17 September 2018 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders at a general meeting of the Company.

For the six months ended 31 March 2022, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

CORPORATE GOVERNANCE PRACTICE

The Company is committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtain and maintain the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company. The Company has adopted the principles and code provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules. The Company has fully complied with the CG Code during the six months ended 31 March 2022 and up to the date of this interim report.

Other Information



AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 17 September 2018. The chairman of the Audit Committee is Mr. Pang Ka Hang, the independent non-executive Director, and other members include Mr. Leung Bing Kwong Edward and Mr. Wong Chun Nam, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange’s website and on the Company’s website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group’s interim condensed consolidated financial statements for the six months ended 31 March 2022 have not been audited nor reviewed by the Company’s independent auditors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the interim condensed consolidated financial statements of the Group for the six months ended 31 March 2022 with management.

By order of the Board
Ri Ying Holdings Limited
Lau Chi Wang
Chairman and Executive Director

Hong Kong, 31 May 2022