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RI YING HOLDINGS LIMITED

日贏控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1741)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2021

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 26.6% from approximately HK\$303.9 million for the year ended 30 September 2020 to approximately HK\$223.1 million for the year ended 30 September 2021.
- Gross profit decreased by approximately 42.1% from approximately HK\$36.0 million for the year ended 30 September 2020 to approximately HK\$20.9 million for the year ended 30 September 2021.
- Gross profit margin decreased from approximately 11.9% for the year ended 30 September 2020 to approximately 9.4% for the year ended 30 September 2021.
- Profit attributable to the owners of the Company was approximately HK\$10.3 million for the year ended 30 September 2020 as compared to loss of approximately HK\$21.3 million for the year ended 30 September 2021.
- Basic loss per share was approximately HK2.66 cents for the year ended 30 September 2021, and basic earnings per share was approximately HK1.29 cents for the year ended 30 September 2020.
- The Board does not recommend the payment of any final dividend for the year ended 30 September 2021.

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Ri Ying Holdings Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 30 September 2021, together with the comparative figures for the year ended 30 September 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2021

| | <i>Note</i> | 2021 HK\$’000 | 2020 <i>HK\$’000</i> |
|---|-------------|--------------------------------|-------------------------|
| Revenue | 4 | 223,076 | 303,912 |
| Cost of sales | | (202,198) | (267,884) |
| Gross profit | | 20,878 | 36,028 |
| Other income, gains and losses | 4 | 2,582 | 5,233 |
| Administrative and other operating expenses | | (43,162) | (29,900) |
| Net impairment losses on financial assets and contract assets | | (4,805) | (130) |
| Operating (loss)/profit | | (24,507) | 11,231 |
| Finance costs | | (346) | (306) |
| (Loss)/profit before tax | 5 | (24,853) | 10,925 |
| Income tax credit/(expense) | 6 | 1,000 | (732) |
| (Loss)/profit for the year | | (23,853) | 10,193 |
| Other comprehensive expense | | | |
| <i>Item that maybe reclassified subsequently to profit or loss:</i> | | | |
| Exchange difference arising on translation of foreign operations | | (104) | (69) |
| Total comprehensive (expense)/income for the year | | (23,957) | 10,124 |
| (Loss)/profit for the year attributable to: | | | |
| Owners of the Company | | (21,274) | 10,299 |
| Non-controlling interests | | (2,579) | (106) |
| | | (23,853) | 10,193 |
| Total comprehensive (expense)/income attributable to: | | | |
| Owner of the Company | | (21,354) | 10,259 |
| Non-controlling interests | | (2,603) | (135) |
| | | (23,957) | 10,124 |
| Basic and diluted (loss)/earnings per share (HK cents) | 7 | (2.66) | 1.29 |

Details of dividends are disclosed in Note 8 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

| | <i>Note</i> | 2021 HK\$'000 | 2020 <i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 6,484 | 3,788 |
| Right-of-use assets | | 6,205 | 8,940 |
| | | 12,689 | 12,728 |
| Current assets | | | |
| Inventory | | 722 | – |
| Trade and other receivables | 9 | 127,800 | 43,295 |
| Contract assets | | 97,234 | 51,288 |
| Financial assets at fair value through profit or loss | | 4,766 | 15,164 |
| Amount due from a director | | 1 | 1,655 |
| Amounts due from related parties | | 1,452 | – |
| Tax recoverable | | – | 33 |
| Bank deposits, balances and cash | | 105,911 | 132,076 |
| | | 337,886 | 243,511 |
| Total assets | | 350,575 | 256,239 |
| EQUITY | | | |
| Capital and reserves | | | |
| Share capital | 10 | 8,000 | 8,000 |
| Share premium and reserves | | 174,206 | 195,560 |
| Equity attributable to owners of the Company | | 182,206 | 203,560 |
| Non-controlling interests | | (2,738) | (135) |
| Total equity | | 179,468 | 203,425 |

| | <i>Note</i> | 2021 HK\$'000 | 2020 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred tax liabilities | | – | 396 |
| Lease liabilities | | 193 | 3,280 |
| | | <u>193</u> | <u>3,676</u> |
| Current liabilities | | | |
| Trade and other payables | <i>11</i> | 159,173 | 40,438 |
| Contract liabilities | | 6,559 | 3,090 |
| Lease liabilities | | 3,838 | 4,334 |
| Amount due to a non-controlling interest of a subsidiary | | 1,281 | 850 |
| Income tax payable | | 63 | 426 |
| | | <u>170,914</u> | <u>49,138</u> |
| Total liabilities | | <u>171,107</u> | <u>52,814</u> |
| Total equity and liabilities | | <u>350,575</u> | <u>256,239</u> |
| Net current assets | | <u>166,972</u> | <u>194,373</u> |
| Total assets less current liabilities | | <u>179,661</u> | <u>207,101</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2021

1 GENERAL INFORMATION

The Company is an investment holding company. The Group is principally engaged in provision of foundation works 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 Act of the Cayman Islands. The shares of the Company have been listed on the Main Board 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, a company incorporated in the British Virgin Islands and wholly-owned by Dr. Lau Chi Wang, Mr. Lau Chi Ming and Dr. Lau Chi Keung, the controlling shareholders of the Company.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for financial instruments that are measured at fair values.

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

3 APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group applied the “Amendments to References to the Conceptual Framework in HKFRSs” and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 October 2020 for the preparation of the consolidated financial statements:

| | |
|--|-----------------------------------|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |
| Amendments to HKFRS 16 | COVID-19-Related Rent Concessions |

The application of “Amendments to References to the Conceptual Framework in HKFRSs” and the amendments to HKFRSs in the current year has had no material impact on the Group’s consolidated financial position and consolidated financial performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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 |
| Amendment to HKFRS 3 | Reference to the Conceptual Framework ² |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 ⁴ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendments to HKFRS 16 | COVID-19-Related Rent Concessions beyond 30 June 2021 ⁵ |
| 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 | Disclosure of Accounting Estimates ¹ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹ |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use ² |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract ² |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018 – 2020 ² |

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

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2021

⁵ Effective for annual periods beginning on or after 1 April 2021

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

4 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION

Revenue and other income, gains and losses recognised during the years are as follows:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Revenue | | |
| Foundation and site formation works | 70,441 | 30,020 |
| General building works and associated services | 70,578 | 180,268 |
| Other construction works | 56,916 | 65,420 |
| Construction related consultancy services | 10,750 | 6,345 |
| Sales of health products | 14,391 | 21,202 |
| Sales of health services | – | 657 |
| | <u>223,076</u> | <u>303,912</u> |
| Other income, gains and losses | | |
| Bank interest income | 178 | 2,887 |
| Loss on disposal of property, plant and equipment | (27) | – |
| Gain on disposal of subsidiaries | – | 2 |
| Gain on lease termination | 45 | – |
| Dividend income from financial assets at fair value through profit or loss | 186 | 10 |
| Fair value change on financial assets at fair value through profit or loss | (390) | (159) |
| Insurance claims | 555 | 256 |
| Agency commission income | 274 | 937 |
| Government grant (<i>Note</i>) | 1,036 | 1,176 |
| Rental income | 207 | – |
| Others | 518 | 124 |
| | <u>2,582</u> | <u>5,233</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 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 year.

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.

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> |
|--|---|---|---|---|---|--------------------------|
| Year ended 30 September 2021 | | | | | | |
| Segment revenue | <u>70,441</u> | <u>70,578</u> | <u>56,916</u> | <u>10,750</u> | <u>14,391</u> | <u>223,076</u> |
| Segment results | <u>4,496</u> | <u>(1,134)</u> | <u>6,344</u> | <u>3,171</u> | <u>8,001</u> | 20,878 |
| Other income, gains and losses | | | | | | 2,582 |
| Administrative and other operating expenses | | | | | | (43,162) |
| Net impairment losses on financial assets and contract assets | | | | | | (4,805) |
| Finance costs | | | | | | <u>(346)</u> |
| Loss before tax | | | | | | <u>(24,853)</u> |

| | 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> |
|--|---|---|---|---|---|--------------------------|
| Year ended 30 September 2020 | | | | | | |
| Segment revenue | <u>30,020</u> | <u>180,268</u> | <u>65,420</u> | <u>6,345</u> | <u>21,859</u> | <u>303,912</u> |
| Segment results | <u>3,804</u> | <u>19,606</u> | <u>3,152</u> | <u>158</u> | <u>9,308</u> | 36,028 |
| Other income, gains and losses | | | | | | 5,233 |
| Administrative and other operating expenses | | | | | | (29,900) |
| Net impairment losses on financial assets and contract assets | | | | | | (130) |
| Finance costs | | | | | | (306) |
| Profit before tax | | | | | | <u>10,925</u> |

Geographical information

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| The People's Republic of China (the "PRC") | 14,391 | 21,859 |
| Hong Kong | <u>208,685</u> | <u>282,053</u> |
| | <u>223,076</u> | <u>303,912</u> |

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|-----------|-------------------------|-------------------------|
| PRC | 6,655 | 2,228 |
| Hong Kong | <u>6,034</u> | <u>10,500</u> |
| | <u>12,689</u> | <u>12,728</u> |

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Customer A ^{2 and 3} | 48,439 | N/A ³ |
| Customer B ^{1 and 2} | 54,503 | 109,627 |
| Customer C ^{1 and 3} | N/A ³ | 49,688 |
| Customer D ^{3 and 4} | 27,521 | N/A ³ |
| | <u>27,521</u> | <u>N/A³</u> |

¹ Revenue from general building works and associated services.

² Revenue from foundation and site formation works.

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

⁴ Revenue from other construction works.

5 (LOSS)/PROFIT BEFORE TAX

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| (Loss)/profit before tax has been arrived at after charging: | | |
| Depreciation of property, plant and equipment | 1,634 | 1,174 |
| Depreciation of right-of-use assets | 6,141 | 3,730 |
| Short-term lease expenses | 423 | 1,397 |
| Auditors' remuneration | 980 | 980 |
| Employee benefit expenses, including Directors' emoluments | 30,136 | 23,610 |
| Net impairment losses on financial assets and contact assets | 4,805 | 130 |
| | <u>4,805</u> | <u>130</u> |

6 INCOME TAX (CREDIT)/EXPENSE

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--------------------------------|-------------------------|-------------------------|
| Hong Kong profits tax: | | |
| – Current income tax | – | 713 |
| – Overprovision in prior years | (604) | (465) |
| PRC Enterprise Income tax: | | |
| – Current income tax | – | 58 |
| Deferred income tax | (396) | 426 |
| | <u>(396)</u> | <u>426</u> |
| Income tax (credit)/expense | <u>(1,000)</u> | <u>732</u> |

7 (LOSS)/EARNINGS PER SHARE

| | 2021 | 2020 |
|---|-----------------|----------------|
| (Loss)/profit attributable to owners of the Company (HK\$'000) | <u>(21,274)</u> | <u>10,299</u> |
| Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (in thousand) | <u>800,000</u> | <u>800,000</u> |
| Basic (loss)/earnings per share (HK cents) | <u>(2.66)</u> | <u>1.29</u> |

For the years ended 30 September 2021 and 2020, the calculation of the basic (loss)/earnings per share attributable to owners of the Company was based on (i) the (loss)/profit for the year attributable to owners of the Company; and (ii) the weighted average number of ordinary shares in issue during the year.

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential ordinary share in issue during the years ended 30 September 2021 and 2020.

8 DIVIDENDS

The Board does not recommend the payment of a final dividend for the years ended 30 September 2021 and 2020.

9 TRADE AND OTHER RECEIVABLES

| | 2021 | 2020 |
|---|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade receivables | 20,760 | 27,348 |
| Less: provision for impairment losses | <u>(3,228)</u> | <u>(2,134)</u> |
| | 17,532 | 25,214 |
| Other receivables, deposits and prepayments | 111,340 | 18,081 |
| Less: provision for impairment losses | <u>(1,072)</u> | <u>—</u> |
| | <u>110,268</u> | <u>18,081</u> |
| | <u>127,800</u> | <u>43,295</u> |

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 contract, as appropriate.
- (b) The ageing analysis of the trade receivables (net of impairment losses) based on payment certificate date or invoice date is as follows:

| | 2021 HK\$'000 | 2020 <i>HK\$'000</i> |
|--------------|--------------------------------|-------------------------|
| 0–30 days | 10,052 | 9,072 |
| 31–60 days | 3,534 | 1,255 |
| 61–90 days | 714 | 12,551 |
| Over 90 days | 3,232 | 2,336 |
| | <u>17,532</u> | <u>25,214</u> |

10 SHARE CAPITAL

| | Number of shares <i>'000</i> | Share capital <i>HK\$'000</i> |
|--|--|---|
| Ordinary shares of HK\$0.01 each | | |
| Authorised: | | |
| As at 1 October 2019, 30 September 2020, 1 October 2020 and 30 September 2021 | <u>2,000,000</u> | <u>20,000</u> |
| Issued and fully paid: | | |
| At 1 October 2019, 30 September 2020, 1 October 2020 and 30 September 2021 | <u>800,000</u> | <u>8,000</u> |

11 TRADE AND OTHER PAYABLES

| | 2021 | 2020 |
|-----------------------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade payables | 9,578 | 10,021 |
| Retention payables | 28,975 | 18,275 |
| Accruals and other payables | 120,620 | 12,142 |
| | <u>159,173</u> | <u>40,438</u> |

Note:

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

| | 2021 | 2020 |
|--------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0 – 30 days | 7,999 | 9,122 |
| 31 – 60 days | 409 | – |
| 61 – 90 days | 73 | – |
| Over 90 days | 1,097 | 899 |
| | <u>9,578</u> | <u>10,021</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 in the PRC, which mainly includes sales of health products and health services.

As at 30 September 2021, the Group had 37 construction projects on hand (including projects in progress and projects that are yet to commence) with a total contract value of approximately HK\$742.1 million, out of which approximately HK\$496.5 million has been recognised as revenue up to 30 September 2021. As at 30 September 2020, the Group had 27 construction projects on hand with a total contract value of approximately HK\$790.1 million.

Due to the modification of the product mix for its health products offered in the PRC, revenue from the Group's health management and consultancy business decreased from approximately HK\$21.9 million for the year ended 30 September 2020 to approximately HK\$14.4 million for the year ended 30 September 2021.

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. Although the economy of Hong Kong is showing signs of gradual recovery, benefiting from the acceleration of vaccinations and continued policy support from the Government of Hong Kong Special Administrative Region, the ongoing outbreak of the COVID-19 (the “**Epidemic**”) 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, the Group will continue to enhance its product offering in the coming year, including the launch of new health products, so as to accommodate the market demand under the Epidemic. Meanwhile, the Group will continue to explore suitable business and investment opportunities to drive its business growth.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK\$80.8 million, or 26.6%, from approximately HK\$303.9 million for the year ended 30 September 2020 to approximately HK\$223.1 million for the year ended 30 September 2021. The following table sets out a breakdown of the Group's revenue during the years ended 30 September 2021 and 2020 by segments:

| | Year ended 30 September | | | |
|--|-------------------------|---------------------|-----------------------|---------------------|
| | 2021 | | 2020 | |
| | <i>HK\$'000</i> | % | <i>HK\$'000</i> | % |
| Foundation and site formation works | 70,441 | 31.6 | 30,020 | 9.9 |
| General building works and associated services | 70,578 | 31.6 | 180,268 | 59.3 |
| Other construction works | 56,916 | 25.5 | 65,420 | 21.5 |
| Construction related consultancy services | 10,750 | 4.8 | 6,345 | 2.1 |
| Health management and consultancy business | 14,391 | 6.5 | 21,859 | 7.2 |
| Total | <u>223,076</u> | <u>100.0</u> | <u>303,912</u> | <u>100.0</u> |

The significant decrease in the Group's revenue was primarily driven by the decrease in revenue contribution from general building works and associated services and other construction works. Such decrease was primarily due to (i) the prolonged delays in the certification of works done for a large scale project for general building works and associated services; and (ii) the lower amount of work done undertaken by the Group for certain projects during the year ended 30 September 2021. Furthermore, due to the modification of the product mix for health products in the PRC, the revenue generated from the Group's health management and consultancy business also decreased during the year ended 30 September 2021. The decrease was partially offset by the increase in revenue contributed from foundation and site formation works as well as construction related consultancy services, which was mainly due to (i) the commencement of the sizeable projects; and (ii) the increase in value of works being approved for certain projects during the year ended 30 September 2021.

Cost of sales

Cost of sales decreased by approximately HK\$65.7 million, or 24.5%, from approximately HK\$267.9 million for the year ended 30 September 2020 to approximately HK\$202.2 million for the year ended 30 September 2021. Such decrease was mainly driven by the corresponding decrease in revenue.

Gross profit and gross profit margin

The gross profit decreased by approximately HK\$15.1 million, or 42.1%, from approximately HK\$36.0 million for the year ended 30 September 2020 to approximately HK\$20.9 million for the year ended 30 September 2021. The Group's gross profit margin was approximately 11.9% and 9.4% for the years ended 30 September 2020 and 2021, respectively.

During the year ended 30 September 2021, the Group recorded a gross loss margin for general building works and associated services (2020: gross profit margin of approximately 10.9%; 2021: gross loss margin of approximately 1.6%), mainly due to (i) the prolonged negotiations between the Group and the customers on progress certification of works done for a large scale project; and (ii) the costs incurred for defect rectification for certain projects. Further, the Group recorded a decrease in gross profit margin for foundation and site formation works (2020: approximately 12.7%; 2021: approximately 6.4%), primarily because the Group undertook certain sizeable projects at a competitive pricing in order to bolster the Company's profile and enhance future business prospects. Such decrease was partially offset by the increase in gross profit margins for other construction works (2020: approximately 4.8%; 2021: approximately 11.1%) and construction related consultancy services (2020: approximately 2.5%; 2021: approximately 29.5%) with relatively higher gross profit margin projects undertaken during the year ended 30 September 2021. Furthermore, the Group's gross profit margin for health management and consultancy business increased during the year ended 30 September 2021 (2020: approximately 42.6%; 2021: approximately 55.6%) as less costs attributable to the sales of products were incurred.

Other income, gains and losses

The other income, gains and losses decreased by approximately HK\$2.6 million, 50.7%, from approximately HK\$5.2 million for the year ended 30 September 2020 to approximately HK\$2.6 million for the year ended 30 September 2021, primarily due to the decrease in bank interest income received during the year ended 30 September 2021.

Administrative and other operating expenses

The administrative and other operating expenses increased by approximately HK\$13.3 million, or 44.4%, from approximately HK\$29.9 million for the year ended 30 September 2020 to approximately HK\$43.2 million for the year ended 30 September 2021. Such increase was mainly contributed by (i) the increase in depreciation of right-of-use assets by the new leases of the PRC office entered; and (ii) increase in staff costs due to the increase in the number of employees on payroll for expansion of the Group's business in the PRC.

Income tax (credit)/expense

The Group recorded income tax credit of approximately HK\$1.0 million for the year ended 30 September 2021, primarily attributable to the decrease in the taxable profit for the year ended 30 September 2021 (2020: income tax expense of approximately HK\$0.7 million).

(Loss)/profit for the year

As a result of the foregoing, for the year ended 30 September 2021, the Group recorded a net loss of approximately HK\$23.9 million as compared to the net profit of approximately HK\$10.2 million for the year ended 30 September 2020.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Company's shares were successfully listed on the Main Board of the Stock Exchange on 16 October 2018. 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.

As at 30 September 2021, the Group had net current assets of approximately HK\$167.0 million (2020: HK\$194.4 million) and bank deposits, balances and cash of approximately HK\$105.9 million (2020: HK\$132.1 million), which were denominated in Hong Kong dollars, Renminbi and US dollars.

As at 30 September 2021, the Group's total equity attributable to owners of the Company amounted to approximately HK\$182.2 million (2020: approximately HK\$203.6 million), and the Group's total debt comprising lease liabilities amounted to approximately HK\$4.0 million (2020: approximately HK\$7.6 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.

GEARING RATIO

As at 30 September 2021, the gearing ratio of the Group, which is calculated as the total debt (comprising lease liabilities) divided by total equity, was approximately 2.2% (2020: approximately 3.7%).

DIVIDENDS

The Board did not recommend the payment of any final dividend for the year ended 30 September 2021 (2020: Nil).

COMMITMENTS

As at 30 September 2021, the Group had material capital commitments of approximately HK\$2.0 million contracted but not provided for the acquisition of property, plant and equipment (2020: Nil).

CONTINGENT LIABILITIES

As at 30 September 2021, 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\$16.0 million (2020: approximately HK\$21.9 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.

INFORMATION ON EMPLOYEES

As at 30 September 2021, the Group had 135 employees (2020: 85 employees). The increase in the number of employees was mainly attributable to the expansion in the health management and consultancy business in the PRC.

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.

For the year ended 30 September 2021, the total staff cost (including Directors' emoluments and mandatory provident funds contributions) amounted to approximately HK\$30.1 million (2020: approximately HK\$23.6 million).

COMPARISON OF BUSINESS OBJECTIVES 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 30 September 2021.

| Business strategies as stated in the Prospectus | Implementation activities up to 30 September 2021 as stated in the Prospectus | Actual business progress up to 30 September 2021 |
|---|--|---|
| 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 licences | The Group has acquired the bored piling machines, rock-socket piling machine and two air compressors. |
| | <ul style="list-style-type: none"> - Acquire a piece of land for machinery storage | 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. |
| | <ul style="list-style-type: none"> - Increase the employed capital of Po Shing Construction Limited and Fong On Construction Limited | The Group has increased the employed capital of both subsidiaries. |
| Fund the initial costs of the Group's construction projects | <ul style="list-style-type: none"> - Finance the working capital requirement and upfront costs for the three of the Group's projects | 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. |
| 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 foremen and one mechanical fitter - Retain talents as recruited for this business strategy | <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> <p>The Group has utilised the proceeds for retaining the above newly recruited staffs to facilitate the business development.</p> |

| Business strategies as stated in the Prospectus | Implementation activities up to 30 September 2021 as stated in the Prospectus | Actual business progress up to 30 September 2021 |
|--|---|---|
| Investment in the new information system | <ul style="list-style-type: none"> <li data-bbox="459 263 975 336">– Upgrade the existing hardware and acquire new computer facilities <li data-bbox="459 438 975 725">– 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 <li data-bbox="459 783 975 1112">– 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 data-bbox="1007 263 1524 378">The Group has upgraded existing hardware and acquired new computer facilities.</p> <p data-bbox="1007 438 1524 640">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> <p data-bbox="1007 783 1524 859">The Group has upgraded engineering and design system.</p> |

USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from 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 30 September 2021:

| | Planned use of proceeds up to 30 September 2021 <i>HK\$ million</i> | Actual use of proceeds from the Listing Date to 30 September 2021 <i>HK\$ million</i> | Unutilised balance as at 30 September 2021 <i>HK\$ million</i> | Expected timeline for utilising the unutilised net proceeds |
|--|--|---|---|--|
| Apply for additional licences | 39.5 | 6.3 | 33.2 | 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 | 7.4 | 6.5 | 30 September 2022 |
| Investment in the new information system | 2.7 | 1.2 | 1.5 | 30 September 2022 |
| General working capital | 8.7 | 8.7 | – | N/A |
| | 86.6 | 45.4 | 41.2 | |

During the year ended 30 September 2021, 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 30 September 2021, approximately HK\$45.4 million out of net proceeds from the listing had been used. The remaining unutilised net proceeds of approximately HK\$41.2 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. Further announcement will be made 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.

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.

TREASURY POLICY

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.

CHARGE ON GROUP ASSETS

As at 30 September 2021, the Group has pledged certain motor vehicles with net book value amounted to approximately HK\$0.3 million under non-cancellable lease agreements (2020: certain machinery and motor vehicles with net book value amounted to approximately HK\$2.9 million).

As at 30 September 2021, the Group paid a cash collateral of approximately HK\$4.2 million (2020: approximately HK\$6.4 million) to the insurance companies for the issuance of surety bonds and are included in other receivables, deposits and prepayments.

FOREIGN EXCHANGE EXPOSURE

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

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

During the year ended 30 September 2021, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures.

Save as disclosed in this announcement, the Group did not have other plans for material investments or acquisition of capital assets as at 30 September 2021.

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the principles and code provisions set out 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 year ended 30 September 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code during the year ended 30 September 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 30 September 2021.

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 included 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.

During the year ended 30 September 2021, the Audit Committee held two meetings to review and comment on the Company’s 2020 annual results and 2021 interim results as well as the Company’s internal control procedures and risk management systems.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 30 September 2021. The final results announcement of the Group for the year ended 30 September 2021 has been reviewed by the Audit Committee.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The figures in respect of the Group's consolidated statement of financial position as at 30 September 2021, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 September 2021 as set out in the preliminary announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 September 2021. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

APPRECIATION

Dr. Lau Chi Wang, the chairman of the Board, would like to express his sincerest gratitude to the shareholders, customers, suppliers and subcontractors for the continuous support. He would also like to send his warmest thanks to all the management and staff members of the Group for the hard work and dedication throughout the year.

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

Hong Kong, 30 December 2021

As at the date of this announcement, the Board comprises Dr. Lau Chi Wang, Mr. Lau Chi Ming, Dr. Lau Chi Keung and Mr. Sun Wei as executive Directors; Mr. Leung Bing Kwong Edward, Mr. Pang Ka Hang and Mr. Wong Chun Nam as independent non-executive Directors.