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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 2020

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 6.5% from approximately HK\$325.2 million for the year ended 30 September 2019 to approximately HK\$303.9 million for the year ended 30 September 2020.
- Gross profit increased by approximately 57.9% from approximately HK\$22.8 million for the year ended 30 September 2019 to approximately HK\$36.0 million for the year ended 30 September 2020.
- Gross profit margin increased from approximately 7.0% for the year ended 30 September 2019 to approximately 11.9% for the year ended 30 September 2020.
- 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\$11.1 million for the year ended 30 September 2019.
- Basic earnings per share was approximately HK1.29 cents for the year ended 30 September 2020, and basic loss per share was approximately HK1.40 cents for the year ended 30 September 2019.
- The Board does not recommend the payment of any final dividend for the year ended 30 September 2020.

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 2020, together with the comparative figures for the year ended 30 September 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2020

	<i>Note</i>	2020 HK\$’000	2019 <i>HK\$’000</i>
Revenue	4	303,912	325,204
Cost of sales		<u>(267,884)</u>	<u>(302,384)</u>
Gross profit		36,028	22,820
Other income, gains and losses	4	5,233	2,835
Administrative and other operating expenses		(29,900)	(34,869)
Net impairment losses on financial assets and contract assets		<u>(130)</u>	<u>(1,134)</u>
Operating profit/(loss)		11,231	(10,348)
Finance costs		<u>(306)</u>	<u>(137)</u>
Profit/(loss) before tax	5	10,925	(10,485)
Income tax expense	6	<u>(732)</u>	<u>(585)</u>
Profit/(loss) for the year		10,193	(11,070)
Other comprehensive expense			
<i>Item that maybe reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>(69)</u>	<u>(2)</u>
Total comprehensive income/(expense) for the year		<u>10,124</u>	<u>(11,072)</u>
Profit/(loss) for the year attributable to:			
Owners of the Company		10,299	(11,070)
Non-controlling interests		<u>(106)</u>	<u>—*</u>
		<u>10,193</u>	<u>(11,070)</u>
Total comprehensive income/(expense) attributable to:			
Owners of the Company		10,259	(11,072)
Non-controlling interests		<u>(135)</u>	<u>—*</u>
		<u>10,124</u>	<u>(11,072)</u>
Basic and diluted earnings/(loss) per share (HK cents)	7	<u>1.29</u>	<u>(1.40)</u>

* Less than HK\$1,000

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	<i>Note</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		3,788	8,548
Right-of-use assets		8,940	–
Deferred tax assets		–	92
		12,728	8,640
Current assets			
Inventory		–	273
Trade and other receivables	9	43,295	37,156
Contract assets		51,288	60,457
Financial assets at fair value through profit or loss		15,164	323
Amount due from a director		1,655	–
Tax recoverable		33	542
Bank deposits, balances and cash		132,076	179,970
		243,511	278,721
Total assets		256,239	287,361
EQUITY			
Capital and reserves			
Share capital	10	8,000	8,000
Share premium and reserves		195,560	185,301
Equity attributable to owners of the Company		203,560	193,301
Non-controlling interests		(135)	–*
Total equity		203,425	193,301

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		396	62
Lease liabilities		3,280	–
Finance lease liabilities		–	657
		<u>3,676</u>	<u>719</u>
Current liabilities			
Trade and other payables	<i>11</i>	40,438	73,002
Contract liabilities		3,090	14,188
Lease liabilities		4,334	–
Finance lease liabilities		–	1,914
Amount due to a non-controlling interest of a subsidiary		850	–
Income tax payable		426	4,237
		<u>49,138</u>	<u>93,341</u>
Total liabilities		<u>52,814</u>	<u>94,060</u>
Total equity and liabilities		<u>256,239</u>	<u>287,361</u>
Net current assets		<u>194,373</u>	<u>185,380</u>
Total assets less current liabilities		<u>207,101</u>	<u>194,020</u>

* Less than HK\$1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

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 Law 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 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 the subsequent remeasurement of financial assets at fair value through profit or loss.

The preparation of 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 NEW AND AMENDMENTS TO HKFRSs

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* (“**HKAS 17**”) and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 October 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 October 2019.

As at 1 October 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to lease previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- (ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (iv) used hindsight based on facts and circumstances as at the date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.0%.

	<i>Note</i>	At 1 October 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 30 September 2019		7,210
Add: Accrued lease liabilities relating to rent-free period	<i>(a)</i>	315
Less: Practical expedient-leases with lease term ending within 12 months from the date of initial application		<u>(406)</u>
		7,119
Less: Total future interest expenses		<u>(366)</u>
Lease liabilities discounted at relevant incremental borrowing rates upon application of HKFRS 16		6,753
Add: Finance lease liabilities recognised at 30 September 2019	<i>(b)</i>	<u>2,571</u>
Lease liabilities as at 1 October 2019		<u><u>9,324</u></u>
Analysed as		
Current		4,008
Non-current		<u>5,316</u>
		<u><u>9,324</u></u>

The carrying amount of right-of-use assets for own use as at 1 October 2019 comprises the following:

	<i>Note</i>	Right-of-use assets <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		6,753
Amounts included in property, plant and equipment under HKAS 17		
Assets previously under finance leases	<i>(b)</i>	3,894
Less: Accrued lease liabilities relating to rent-free period	<i>(a)</i>	<u>(315)</u>
		<u><u>10,332</u></u>
By class:		
Premises		6,338
Motor vehicles		1,648
Machinery		2,246
Office equipment		<u>100</u>
		<u><u>10,332</u></u>

Note:

- (a) These relate to accrued lease liabilities for lease of property in which the lessor provided rent-free period. The carrying amount of the lease incentive liabilities under trade and other payables as at 1 October 2019 was adjusted to right-of-use assets at transition.
- (b) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 October 2019 amounting to approximately HK\$3,894,000 as right-of-use assets. In addition, the Group reclassified the finance lease liabilities of approximately HK\$1,914,000 and approximately HK\$657,000 to lease liabilities as current and non-current liabilities respectively at 1 October 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 October 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 September 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 October 2019 HK\$'000
Non-current assets			
Property, plant and equipment	8,548	(3,894)	4,654
Right-of-use assets	–	10,332	10,332
Non-current liabilities			
Lease liabilities	–	5,316	5,316
Finance lease liabilities	657	(657)	–
Current liabilities			
Trade and other payables	73,002	(315)	72,687
Lease liabilities	–	4,008	4,008
Finance lease liabilities	1,914	(1,914)	–
	<u>1,914</u>	<u>(1,914)</u>	<u>–</u>

Note:

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 30 September 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 October 2019 as disclosed above.

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contract with customers		
Foundation and site formation works	30,020	95,015
General building works and associated services	180,268	97,973
Other construction works	65,420	125,626
Construction related consultancy services	6,345	6,052
Sales of health products	21,202	97
Sales of health services	657	441
	<u>303,912</u>	<u>325,204</u>
Other income, gains and losses		
Bank interest income	2,887	1,248
Gain on disposal of property, plant and equipment	–	131
Gain on disposal of subsidiaries	2	–
Dividend income from financial assets at fair value through profit or loss	10	11
Fair value change on financial assets at fair value through profit or loss	(159)	(20)
Insurance claims	256	–
Agency commission income	937	911
Government grants	1,176	–
Others	124	554
	<u>5,233</u>	<u>2,835</u>

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 of the Company, 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 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						<u>(306)</u>
Profit before tax						<u>10,925</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 2019						
Segment revenue	<u>95,015</u>	<u>97,973</u>	<u>125,626</u>	<u>6,052</u>	<u>538</u>	<u>325,204</u>
Segment results	<u>8,215</u>	<u>6,200</u>	<u>8,517</u>	<u>139</u>	<u>(251)</u>	22,820
Other income, gains and losses						2,835
Administrative and other operating expenses						(34,869)
Net impairment losses on financial assets and contract assets						(1,134)
Finance costs						<u>(137)</u>
Loss before tax						<u>(10,485)</u>

Geographical information

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The People's Republic of China (the "PRC")	21,859	538
Hong Kong	<u>282,053</u>	<u>324,666</u>
	<u>303,912</u>	<u>325,204</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The PRC	2,228	5
Hong Kong	<u>10,500</u>	<u>8,543</u>
	<u>12,728</u>	<u>8,548</u>

Information about major customers

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A ¹	N/A ³	32,981
Customer B ^{1 and 2}	109,627	35,177
Customer C ¹	49,688	N/A ³

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.

5 PROFIT/(LOSS) BEFORE TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit/(loss) before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	1,174	1,656
Depreciation of right-of-use assets	3,730	–
Short-term lease expenses	1,397	–
Operating lease payments	–	2,817
Auditors' remuneration	980	930
Employee benefit expenses, including directors' emoluments	23,610	22,901
Listing expenses	–	5,065
Net impairment losses on financial assets and contract assets	130	1,134

6 INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong profits tax:		
– Current income tax	713	112
– Overprovision in prior years	(465)	–
PRC Enterprise Income tax:		
– Current income tax	58	–
Deferred income tax	426	473
Income tax expense	732	585

7 EARNINGS/(LOSS) PER SHARE

	2020	2019
Profit/(loss) for the year attributable to owners of the Company (HK\$'000)	<u>10,299</u>	<u>(11,070)</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share (in thousand)	<u>800,000</u>	<u>791,781</u>
Basic earnings/(loss) per share (HK cents)	<u>1.29</u>	<u>(1.40)</u>

For the years ended 30 September 2020 and 2019, the calculation of the basic earnings/(loss) per share attributable to owners of the Company was based on (i) the profit/(loss) 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 earnings/(loss) per share is equal to the basic earnings/(loss) per share as there were no dilutive potential ordinary share in issue during the years ended 30 September 2020 and 2019.

8 DIVIDENDS

The Board does not recommend the payment of a final dividend for the years ended 30 September 2020 and 2019.

9 TRADE AND OTHER RECEIVABLES

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	27,348	27,814
Less: provision for impairment losses of trade receivables	<u>(2,134)</u>	<u>(4,902)</u>
	25,214	22,912
Other receivables, deposits and prepayments	<u>18,081</u>	<u>14,244</u>
	<u>43,295</u>	<u>37,156</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 project 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	9,072	11,534
31–60 days	1,255	6,704
61–90 days	12,551	2,236
Over 90 days	2,336	2,438
	<u>25,214</u>	<u>22,912</u>

10 SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 October 2018 and 30 September 2019 and 1 October 2019 and 30 September 2020	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 1 October 2018	10,000	—*
Capitalisation issue	599,990,000	6,000
Shares issued under share offer (<i>Note</i>)	<u>200,000,000</u>	<u>2,000</u>
At 30 September 2019 and 1 October 2019 and 30 September 2020	<u>800,000,000</u>	<u>8,000</u>

* Less than HK\$1,000

Note:

On 16 October 2018 (the “**Listing Date**”), the Company issued 200,000,000 ordinary shares of HK\$0.01 each pursuant to the Company listing on the Stock Exchange (the “**Listing**”) by way of share offer at a price of HK\$0.625 per share for a total consideration of HK\$125,000,000.

11 TRADE AND OTHER PAYABLES

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	10,021	14,578
Retention payables	18,275	26,609
Accruals and other payables	12,142	31,815
	<hr/>	<hr/>
	40,438	73,002
	<hr/> <hr/>	<hr/> <hr/>

Note:

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	9,122	10,750
30 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	899	3,828
	<hr/>	<hr/>
	10,021	14,578
	<hr/> <hr/>	<hr/> <hr/>

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, 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 2020, the Group had 27 construction projects on hand (including projects in progress and projects that are yet to commence) with a total contract value of approximately HK\$790.1 million, out of which approximately HK\$447.6 million has been recognised as revenue up to 30 September 2020. As at 30 September 2019, the Group had 36 construction projects on hand with a total contract value of approximately HK\$773.0 million.

As supported by the growing health awareness of individuals and the Group's business development in the PRC, the Group's health management and consultancy business recorded considerable growth during the year ended 30 September 2020. Revenue from the Group's health management and consultancy business increased from approximately HK\$0.5 million for the year ended 30 September 2019 to approximately HK\$21.9 million for the year ended 30 September 2020.

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. The outbreak of the novel coronavirus has had a drastic effect on the Hong Kong economy and imposed negative impacts to the construction industry, including supply chain disruptions, workforce shortages due to illness and preventative quarantines and work stoppages due to measures imposed by the government. In view of such business environment, the Group will adhere to 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 for 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. Additionally, the Directors consider that the growing health awareness of individuals in the PRC will offer increasing business opportunities to the growth of the Group's health management and consultancy business. 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\$21.3 million, or 6.5%, from approximately HK\$325.2 million for the year ended 30 September 2019 to approximately HK\$303.9 million for the year ended 30 September 2020. The following table sets out a breakdown of the Group's revenue during the years ended 30 September 2020 and 2019 by segments:

	Year ended 30 September			
	2020		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Foundation and site formation works	30,020	9.9	95,015	29.2
General building works and associated services	180,268	59.3	97,973	30.1
Other construction works	65,420	21.5	125,626	38.6
Construction related consultancy services	6,345	2.1	6,052	1.9
Health management and consultancy business	21,859	7.2	538	0.2
Total	<u>303,912</u>	<u>100.0</u>	<u>325,204</u>	<u>100.0</u>

The decrease in the Group's revenue was primarily driven by (i) the delays in commencement or work progress for foundation and site formation works; and (ii) lower amount of work done on slope works projects during the year ended 30 September 2020. Such decrease was partially offset by (i) the increase in revenue contribution from general building works and associated services due to the increase in value of variable orders from the certain project and value of works being approved in the final accounts; and (ii) the increase in revenue from the sales of health products in the PRC during the year ended 30 September 2020.

Cost of sales

Cost of sales decreased by approximately HK\$34.5 million, or 11.4%, from approximately HK\$302.4 million for the year ended 30 September 2019 to approximately HK\$267.9 million for the year ended 30 September 2020. Such decrease was mainly driven by the corresponding decrease in revenue.

Gross profit and gross profit margin

Notwithstanding the decrease in revenue, the Group's gross profit increased by approximately HK\$13.2 million, or 57.9% from approximately HK\$22.8 million for the year ended 30 September 2019 to approximately HK\$36.0 million for the year ended 30 September 2020. The Group's overall gross profit margin also increased from approximately 7.0% for the year ended 30 September 2019 to approximately 11.9% for the year ended 30 September 2020.

During the year ended 30 September 2020, the Group recorded an increase in gross profit margins for foundation and site formation works (2019: approximately 8.6%; 2020: approximately 12.7%) and general building works and associated services (2019: approximately 6.3%; 2020: approximately 10.9%), mainly due to the increase in value of variable orders from the certain project and value of works being approved in the final accounts. Further, the gross profit margins for construction related consultancy services (2019: approximately 2.3%; 2020: approximately 2.5%) and other construction works (2019: approximately 6.8%; 2020: approximately 4.8%) remained relatively stable for the year ended September 2020 as compared with that for the corresponding period in 2019. Driven by the business development in sales of health products in the PRC, the Group's health management and consultancy business improved from gross loss margin for the year ended 30 September 2019 to gross profit margin for the year ended 30 September 2020 (2019: approximately -46.7%; 2020: approximately 42.6%).

Other income, gains and losses

The other income, gains and losses increased by approximately HK\$2.4 million from approximately HK\$2.8 million for the year ended 30 September 2019 to approximately HK\$5.2 million for the year ended 30 September 2020, primarily due to (i) government subsidies in respect of the Anti-epidemic Fund granted by the Hong Kong Government; (ii) bank interest attributable to the listing proceeds deposits in the banks; and (iii) insurance claims for employees compensation.

Administrative and other operating expenses

The administrative and other operating expenses decreased by approximately HK\$5.0 million, or 14.3%, from approximately HK\$34.9 million for the year ended 30 September 2019 to approximately HK\$29.9 million for the year ended 30 September 2020. Such decrease was mainly attributable from the decrease in legal and professional fee and non-recurring listing expenses. The decrease was partially offset by the increase in depreciation of right-of-use assets due to the adoption of HKFRS 16.

Income tax expense

The income tax expense increased by approximately HK\$0.1 million from approximately HK\$0.6 million for the year ended 30 September 2019 to approximately HK\$0.7 million for the year ended 30 September 2020, primarily attributable to the increase in the taxable profit during the year ended 30 September 2020, which partially offset with the over-provision of tax charged in prior years.

Profit/(loss) for the year

As a result of the foregoing, for the year ended 30 September 2020, the Group recorded a net profit of approximately HK\$10.2 million as compared to a net loss of approximately HK\$11.1 million for the year ended 30 September 2019.

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 2020, the Group had net current assets of approximately HK\$194.4 million (2019: HK\$185.4 million) and bank deposits, balances and cash of approximately HK\$132.1 million (2019: HK\$180.0 million), which were denominated in Hong Kong dollars, Renminbi and US dollars.

As at 30 September 2020, the Group's total equity attributable to owners of the Company amounted to approximately HK\$203.4 million (2019: approximately HK\$193.3 million), and the Group's total debt comprising lease liabilities and finance lease liabilities amounted to approximately HK\$7.6 million (2019: approximately HK\$2.6 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 2020, the gearing ratio of the Group, which is calculated as the total debt (comprising lease liabilities and finance lease liabilities) divided by total equity, was approximately 3.7% (2019: approximately 1.3%).

DIVIDENDS

The Board did not recommend the payment of any final dividend for the year ended 30 September 2020 (2019: Nil).

COMMITMENTS

As at 30 September 2020, the Group did not have any material capital commitments (2019: Nil).

CONTINGENT LIABILITIES

As at 30 September 2020, 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\$21.9 million (2019: approximately HK\$15.4 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 2020, the Group had 85 employees (2019: 92 employees). The decrease in the number of employees was mainly attributable to the staff turnover 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 2020, the total staff cost (including Directors' emoluments and mandatory provident funds contributions) amounted to approximately HK\$23.6 million (2019: approximately HK\$22.9 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 2020.

Business strategies as stated in the Prospectus	Implementation activities up to 30 September 2020 as stated in the Prospectus	Actual business progress up to 30 September 2020
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 	The Group has acquired the bored piling machines and is identifying suitable rock-socket piling machine, mini-piling machines and 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.

Business strategies as stated in the Prospectus	Implementation activities up to 30 September 2020 as stated in the Prospectus	Actual business progress up to 30 September 2020
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 certain project management team members accordingly. However, there was a delay in the recruitment schedule due to availability of suitable candidates.</p>
	<ul style="list-style-type: none"> - Retain talents as recruited for this business strategy 	<p>The recruitment schedule was 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 acquired certain new hardware and software for system upgrade.</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 was in the course of identifying suitable service providers for the system upgrades.</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 acquired certain new hardware and software for system upgrade.</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 2020:

	Planned use of proceeds up to 30 September 2020 <i>HK\$ million</i>	Actual use of proceeds from the Listing Date to 30 September 2020 <i>HK\$ million</i>	Unutilised balance as at 30 September 2020 <i>HK\$ million</i>	Expected timeline for utilising the unutilised net proceeds
Apply for additional licences	38.8	6.0	32.8	30 September 2021
Fund the initial costs of the Group's construction projects	21.8	21.8	–	N/A
Strengthening the Group's manpower	8.7	4.6	4.1	30 September 2021
Investment in the new information system	2.7	1.1	1.6	30 September 2021
General working capital	8.7	8.7	–	N/A
	<u>80.7</u>	<u>42.2</u>	<u>38.5</u>	

During the year ended 30 September 2020, 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 2020, approximately HK\$42.2 million out of net proceeds from the Listing had been used. The remaining unutilised net proceeds were deposited in licensed banks in Hong Kong. The Company intends to apply the net proceeds in the manner as stated in the Prospectus. 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.

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 2020, the Group has pledged certain machinery and motor vehicles with net book value amounted to approximately HK\$2.9 million under non-cancellable lease agreement (2019: approximately HK\$3.9 million).

As at 30 September 2020, the Group paid a cash collateral of approximately HK\$6.4 million (2019: approximately HK\$4.6 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 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.

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 2020, 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 2020.

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 2020.

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 2020.

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 2020.

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 2020, the Audit Committee held two meetings to review and comment on the Company's 2019 annual results and 2020 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 2020. The final results announcement of the Group for the year ended 30 September 2020 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 2020, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 September 2020 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 2020. 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, 23 December 2020

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.