

**RI YING HOLDINGS LIMITED**

**日赢控股有限公司**

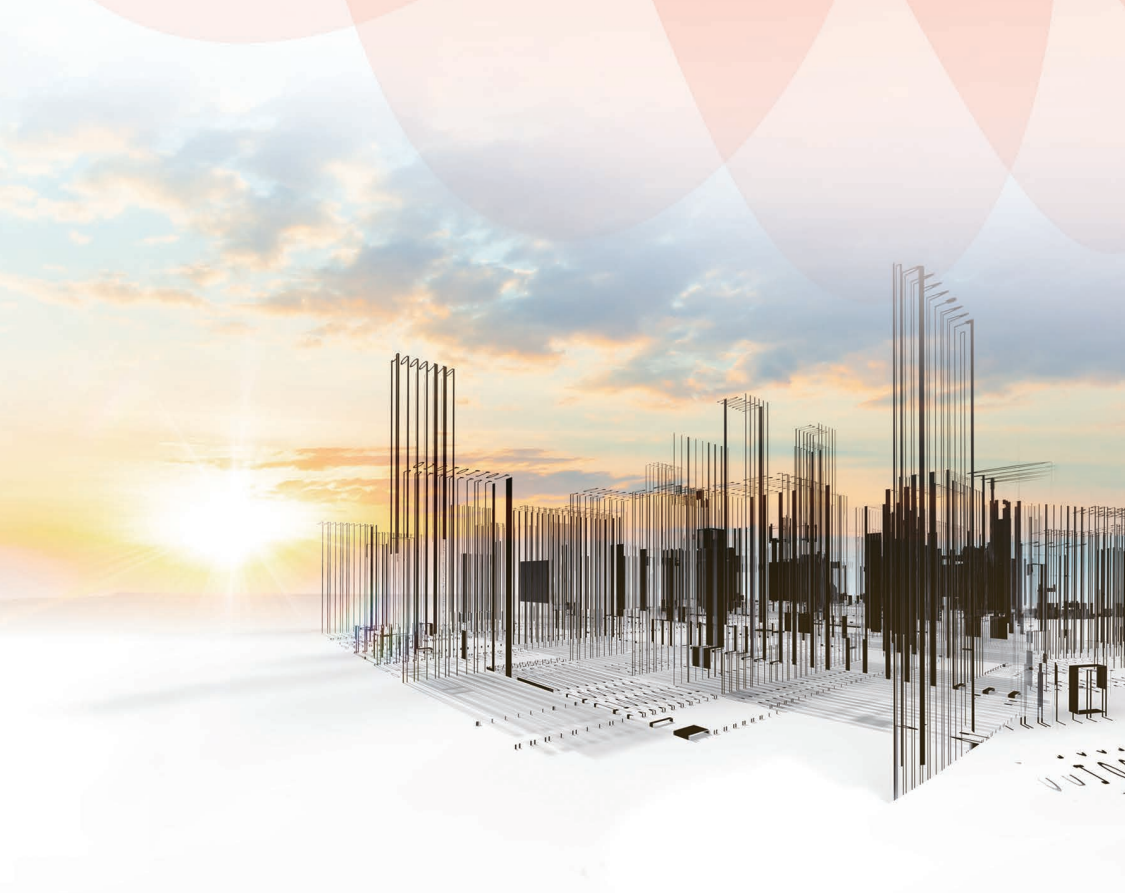
*(Formerly known as “Shing Chi Holdings Limited”)  
(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1741)**

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**INTERIM REPORT**

**2020**



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# 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

PO Box 1350  
Clifton House  
75 Fort Street  
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  
PO Box 1350  
Clifton House  
75 Fort Street  
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](http://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 2020

	Notes	Six months ended 31 March	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	4	157,928	162,823
Cost of sales		(119,461)	(142,829)
<b>Gross profit</b>		<b>38,467</b>	19,994
Other income, gains and losses	4	2,170	584
Administrative and other operating expenses		(15,820)	(19,044)
Net impairment losses on financial assets and contract assets		(213)	(379)
<b>Operating profit</b>		<b>24,604</b>	1,155
Finance costs	5	(127)	(49)
<b>Profit before tax</b>	6	<b>24,477</b>	1,106
Income tax expense	7	(3,086)	(2,052)
<b>Profit/(loss) for the period</b>		<b>21,391</b>	(946)
Other comprehensive income			
<i>Item that maybe reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		13	-
Total comprehensive income/(expense) for the period		<b>21,404</b>	(946)

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

For the six months ended 31 March 2020

	<i>Notes</i>	<b>Six months ended 31 March</b>	
		<b>2020</b>	2019
		<b>HK\$'000</b> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Unaudited)</i>
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company		21,391	(946)
Non-controlling interests		_*	—
		<u>21,391</u>	<u>(946)</u>
<b>Total comprehensive income/(expense) for the period attributable to:</b>			
Owners of the Company		21,404	(946)
Non-controlling interests		_*	—
		<u>21,404</u>	<u>(946)</u>
Basic and diluted earnings/(loss) per share (HK cents)	8	<u>2.67</u>	<u>(0.12)</u>

\* Less than HK\$1,000

# Interim Condensed Consolidated Statement of Financial Position

As at 31 March 2020

		<b>31 March 2020</b>	30 September 2019
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b><i>(Unaudited)</i></b>	<i>(Audited)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	7,587	8,548
Right-of-use assets		5,358	–
Deferred tax assets	15	–	92
		<u>12,945</u>	<u>8,640</u>
<b>Current assets</b>			
Inventory		58	273
Trade and other receivables	11	54,168	37,156
Contract assets		62,031	60,457
Financial assets at fair value through profit or loss		286	323
Tax recoverable		–	542
Bank balances and cash		143,172	179,970
		<u>259,715</u>	<u>278,721</u>
<b>Total assets</b>		<u><b>272,660</b></u>	<u><b>287,361</b></u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	13	8,000	8,000
Reserves		206,705	185,301
		<u>214,705</u>	<u>193,301</u>

# Interim Condensed Consolidated Statement of Financial Position

As at 31 March 2020

		<b>31 March</b>	30 September
		<b>2020</b>	2019
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>2,826</b>	–
Finance lease liabilities	<i>14</i>	<b>371</b>	657
Deferred tax liabilities	<i>15</i>	<b>647</b>	62
		<b>3,844</b>	719
<b>Current liabilities</b>			
Trade and other payables	<i>16</i>	<b>41,693</b>	73,002
Contract liabilities		<b>4,268</b>	14,188
Lease liabilities		<b>2,585</b>	–
Finance lease liabilities	<i>14</i>	<b>1,516</b>	1,914
Amount due to a related party	<i>17</i>	<b>1,551</b>	–
Income tax payable		<b>2,498</b>	4,237
		<b>54,111</b>	93,341
<b>Total liabilities</b>		<b>57,955</b>	94,060
<b>Total equity and liabilities</b>		<b>272,660</b>	287,361
<b>Net current assets</b>		<b>205,604</b>	185,380
<b>Total assets less current liabilities</b>		<b>218,549</b>	194,020



# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2019

	Attributable to owners of the Company					Subtotal HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000 (Note 13)	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Exchange reserve HK\$'000	Retained earnings HK\$'000			
<b>Balance at 1 October 2018</b> (audited)	–*	–	10,850	–	81,079	91,929	–	91,929
Adjustments	–	–	–	–	4,860	4,860	–	4,860
Balance at 1 October 2018	–*	–	10,850	–	85,939	96,789	–	96,789
Loss for the period	–	–	–	–	(946)	(946)	–	(946)
Other comprehensive expense for the period	–	–	–	–*	–	–	–	–*
Total comprehensive expense for the period	–	–	–	–*	(946)	(946)	–	(946)
Capitalisation issue	6,000	(6,000)	–	–	–	–	–	–
Share issued under share offer	2,000	123,000	–	–	–	125,000	–	125,000
Share issuance costs	–	(16,466)	–	–	–	(16,466)	–	(16,466)
<b>Balance at 31 March 2019</b> (unaudited)	<u>8,000</u>	<u>100,534</u>	<u>10,850</u>	<u>–*</u>	<u>84,993</u>	<u>204,377</u>	<u>–</u>	<u>204,377</u>

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2020

	Attributable to owners of the Company					Subtotal HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000 (Note 13)	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Exchange reserve HK\$'000	Retained earnings HK\$'000			
<b>Balance at 1 October 2019</b> (audited)	8,000	100,538	10,850	(2)	73,915	193,301	-*	193,301
Profit for the period	-	-	-	-	21,391	21,391	-*	21,391
Other comprehensive income for the period	-	-	-	13	-	13	-*	13
Total comprehensive income for the period	-	-	-	13	21,391	21,404	-*	21,404
<b>Balance at 31 March 2020</b> (unaudited)	<u>8,000</u>	<u>100,538</u>	<u>10,850</u>	<u>11</u>	<u>95,306</u>	<u>214,705</u>	<u>-*</u>	<u>214,705</u>

\* Less than HK\$1,000

Note: 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.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 March 2020

	<b>Six months ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities</b>		
Net cash used in operations	(32,793)	(13,860)
Tax paid	(3,610)	(5,322)
Dividend received	9	9
	<u>(36,394)</u>	<u>(19,173)</u>
<b>Net cash used in operating activities</b>		
<b>Cash flows from investing activities</b>		
Decrease/(increase) in fixed deposits held at banks with original maturity over three months	54,000	(43,333)
Purchases of property, plant and equipment	(173)	(1,255)
Proceeds from disposal of property, plant and equipment	–	185
Interest received	1,821	225
	<u>55,648</u>	<u>(44,178)</u>
<b>Net cash generated from/(used in) investing activities</b>		
<b>Cash flows from financing activities</b>		
Repayment of lease liabilities	(1,254)	–
Repayment of finance leases	(684)	(670)
Interest paid on finance leases	(9)	(49)
Interest paid on lease liabilities	(118)	–
Net proceeds from share offer	–	108,534
	<u>(2,065)</u>	<u>107,815</u>
<b>Net cash (used in)/generated from financing activities</b>		
<b>Net increase in cash and cash equivalents</b>		
Cash and cash equivalents at the beginning of the period	125,970	88,167
Effect of foreign exchange rate changes	13	–
	<u>143,172</u>	<u>132,631</u>
<b>Cash and cash equivalents at end of the period</b>		
<b>Analysis of cash and cash equivalents</b>		
Cash at banks	<u>143,172</u>	<u>132,631</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 PO Box 1350, Clifton House, 75 Fort Street, 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**”), the Controlling Shareholders.

These interim condensed consolidated financial statements of the Group for the six months ended 31 March 2020 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 2019 (the “**2019 Annual Financial Statements**”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRS**”).

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 2019 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 2020. 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 29 May 2020.

# 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 2019 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:

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 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.

#### **HKFRS 16 Leases**

The Group has applied HKFRS 16 for the first time in the current period. 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.

# Notes to Interim Condensed Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 BASIS OF PREPARATION (continued)

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

#### **HKFRS 16 Leases (continued)**

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 measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) 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 leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- 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;
- 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; and

# Notes to Interim Condensed Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 BASIS OF PREPARATION (continued)

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

#### HKFRS 16 Leases (continued)

- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

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 3.975%.

	<b>As at 1 October 2019 HK\$'000</b>
Operating lease commitments as at 30 September 2019 (Audited)	<b>7,210</b>
Less: Practical expedient – leases with lease term ending within 12 months from the date of initial application	<b>(406)</b>
Less: Low value leases accounted for an expense using the straight-line basis	<b>(102)</b>
	<b>6,702</b>
Less: Total future interest expenses	<b>(37)</b>
Lease liabilities as at 1 October 2019 (Unaudited)	<b>6,665</b>
Analysed as	
Current	<b>2,534</b>
Non-current	<b>4,131</b>
	<b>6,665</b>

# Notes to Interim Condensed Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 BASIS OF PREPARATION (continued)

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

#### HKFRS 16 Leases (continued)

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

	<b>Right-of-use assets</b> <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u>6,665</u>

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.

	<b>Carrying amount at 30 September 2019</b> <i>HK\$'000</i>	<b>Adjustments</b> <i>HK\$'000</i>	<b>Carrying amount under HKFRS 16 at 1 October 2019</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Right-of-use assets	–	6,665	6,665
<b>Non-current liabilities</b>			
Lease liabilities	–	4,131	4,131
<b>Current liabilities</b>			
Lease liabilities	<u>–</u>	<u>2,534</u>	<u>2,534</u>

*Note:*

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 October 2019 as disclosed above.



# 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 <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020.

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.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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

## 3 ESTIMATES

The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 September 2019.

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

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

	Six months ended 31 March	
	2020 <i>HK\$'000</i> <i>(Unaudited)</i>	2019 <i>HK\$'000</i> <i>(Unaudited)</i>
<b>Revenue</b>		
Foundation and site formation works	25,230	39,386
General building works and associated services	94,022	47,143
Other construction works	30,938	73,521
Construction related consultancy services	3,534	2,773
Sales of health products	3,650	–
Sales of health services	554	–
	<u>157,928</u>	<u>162,823</u>

	Six months ended 31 March	
	2020 <i>HK\$'000</i> <i>(Unaudited)</i>	2019 <i>HK\$'000</i> <i>(Unaudited)</i>
<b>Timing of revenue recognition</b>		
Revenue recognised at a point in time	4,204	–
Revenue recognised over time	<u>153,724</u>	<u>162,823</u>
	<u>157,928</u>	<u>162,823</u>

# Notes to Interim Condensed Consolidated Financial Statements

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

	Six months ended 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Other income, gains and losses</b>		
Bank interest income	1,821	225
Gain on disposal of property, plant and equipment	–	131
Dividend income from financial assets at fair value through profit or loss	9	9
Fair value change on financial assets at fair value through profit or loss	(37)	9
Government subsidies ( <i>Note</i> )	100	–
Insurance claims	256	–
Others	21	210
	<u>2,170</u>	<u>584</u>

*Note:* Government subsidies relates to cash subsidies in respect of the anti-epidemic fund which are granted by the government of Hong Kong Special Administrative Region (the “Government”) with conditions having been satisfied.

### 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>
<b>Six months ended 31 March 2020</b>						
Segment revenue	<u>25,230</u>	<u>94,022</u>	<u>30,938</u>	<u>3,534</u>	<u>4,204</u>	<u>157,928</u>
Segment results	<u>6,753</u>	<u>28,524</u>	<u>597</u>	<u>231</u>	<u>2,362</u>	<u>38,467</u>
Other income, gains and losses						2,170
Administrative and other operating expenses						(15,820)
Net impairment losses on financial assets and contract assets						(213)
Finance costs						<u>(127)</u>
Profit before tax						<u><u>24,477</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>	Total <i>HK\$'000</i>
Six months ended 31 March 2019					
Segment revenue	39,386	47,143	73,521	2,773	162,823
Segment results	499	3,343	15,587	565	19,994
Other income and gains					584
Administrative and other operating expenses					(19,044)
Impairment losses on trade receivables					(379)
Finance costs					(49)
Profit before tax					<u>1,106</u>

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

# Notes to Interim Condensed Consolidated Financial Statements

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

### Geographical information

The Group's revenue are substantially derived from Hong Kong and substantially all of the Group's non-current assets are located in Hong Kong by physical location of assets.

#### Information about geographical location

##### (i) Non-current assets

	As at 31 March 2020 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 30 September 2019 <i>HK\$'000</i> <i>(Audited)</i>
Hong Kong	12,942	8,543
The People Republic of China (The "PRC")	3	5
	<u>12,945</u>	<u>8,548</u>

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

##### (ii) Revenue from customers

	Six months ended 31 March 2020 <i>HK\$'000</i> <i>(Unaudited)</i>	2019 <i>HK\$'000</i> <i>(Unaudited)</i>
Hong Kong	153,724	162,823
The PRC	4,204	-
	<u>157,928</u>	<u>162,823</u>

The revenue information above is based on the location of the customers.

# Notes to Interim Condensed Consolidated Financial Statements

## 5 FINANCE COSTS

	Six months ended 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interest on finance leases	9	49
Interest on lease liabilities	118	–
	<u>127</u>	<u>49</u>

## 6 PROFIT BEFORE TAX

	Six months ended 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit before income tax has been arrived at after charging:		
Depreciation of property, plant and equipment	1,133	628
Depreciation of right-of-use assets	1,307	–
Leasing expenses	943	799
Auditors' remuneration	465	–
Employee benefit expenses, including directors' emoluments	8,582	11,906
Listing expenses	–	5,065
	<u>–</u>	<u>5,065</u>

# Notes to Interim Condensed Consolidated Financial Statements

## 7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the period.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The two-tiered profits tax rates regime is applicable to one entity within the Group for the periods ended 31 March 2020 and 2019.

	Six months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong profits tax:		
– Current income tax	2,409	2,427
Deferred income tax ( <i>Note 15</i> )	677	(375)
	<hr/>	<hr/>
Income tax expense	<b>3,086</b>	<b>2,052</b>



# Notes to Interim Condensed Consolidated Financial Statements

## 8 EARNINGS/(LOSS) PER SHARE

	Six months ended 31 March	
	2020 <i>(Unaudited)</i>	2019 <i>(Unaudited)</i>
Profit/(loss) for the period attributable to owners of the Company (HK\$'000)	21,391	(946)
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share (in thousand)	<u>800,000</u>	<u>757,547</u>
Basic earnings/(loss) per share (HK cents)	<u>2.67</u>	<u>(0.12)</u>

The weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share during the six months ended 31 March 2019 has been determined on the assumption that the Reorganisation and capitalisation issue had been effective on 1 October 2018.

The weighted average number of ordinary shares in issue during the period ended 31 March 2020 was derived from 800,000,000 ordinary shares in issue.

Diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share as there was no dilutive potential shares.

## 9 DIVIDENDS

The Board does not recommend a payment of an interim dividend for the six months ended 31 March 2020 (2019: Nil).

## 10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 March 2020, the Group acquired certain items of property, plant and equipment with a cost of approximately HK\$173,000 (six months ended 31 March 2019: approximately HK\$3,061,000).

As at 31 March 2020, certain machinery and motor vehicles were held under lease with carrying amounts of approximately HK\$3,436,000 (30 September 2019: approximately HK\$3,894,000).

# Notes to Interim Condensed Consolidated Financial Statements

## 11 TRADE AND OTHER RECEIVABLES

	<b>31 March 2020</b> <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2019 <i>HK\$'000</i> <i>(Audited)</i>
Trade receivables	<b>45,586</b>	27,814
Less: Provision for impairment losses	<b>(2,790)</b>	(4,902)
	<b>42,796</b>	22,912
Other receivables, deposits and prepayments	<b>11,372</b>	14,244
	<b>54,168</b>	37,156

*Note:*

- (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:

	<b>31 March 2020</b> <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2019 <i>HK\$'000</i> <i>(Audited)</i>
0-30 days	<b>7,732</b>	11,534
31-60 days	<b>19,599</b>	6,704
61-90 days	<b>8,859</b>	2,236
Over 90 days	<b>6,606</b>	2,438
	<b>42,796</b>	22,912

As at 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$35,469,000 (30 September 2019: approximately HK\$16,280,000) which are past due as at the reporting date. Out of the past due balances, approximately HK\$2,333,000 (30 September 2019: approximately HK\$2,288,000) 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 BALANCES AND CASH

	<b>31 March 2020</b> <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2019 <i>HK\$'000</i> <i>(Audited)</i>
Cash at banks	<u>143,172</u>	<u>179,970</u>
By maturity:		
Bank balances		
– current and saving accounts	27,642	37,659
– fixed deposits (maturing within three months)	115,530	88,311
– fixed deposits (maturing over three months)	–	54,000
	<u>143,172</u>	<u>179,970</u>

## 13 SHARE CAPITAL

	<i>Notes</i>	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each			
<b>Authorised:</b>			
At 1 October 2018, 30 September 2019 and 1 October 2019 and 31 March 2020		<u>2,000,000,000</u>	<u>20,000</u>
<b>Issued and fully paid:</b>			
At 1 October 2018		10,000	–*
Capitalisation issue	<i>a</i>	599,990,000	6,000
Shares issued under share offer	<i>b</i>	<u>200,000,000</u>	<u>2,000</u>
At 30 September 2019, 1 October 2019 and 31 March 2020		<u>800,000,000</u>	<u>8,000</u>

\* Less than HK\$1,000

# Notes to Interim Condensed Consolidated Financial Statements

## 13 SHARE CAPITAL (continued)

Notes:

- (a) Pursuant to the written resolution passed by the shareholder on 17 September 2018, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the share offer, the directors of the Company are authorised to allot and issue a total of 599,990,000 ordinary shares, by way of capitalisation of the sum of approximately HK\$5,999,900 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholder on the register of members of the Company at the close business on 17 September 2018.
- (b) On 16 October 2018, the Company issued 200,000,000 ordinary shares of HK\$0.01 each pursuant to the Company listing on the Stock Exchange by way of share offer at a price of HK\$0.625 per share for a total consideration of HK\$125,000,000.

## 14 FINANCE LEASE LIABILITIES

	31 March 2020 <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2019 <i>HK\$'000</i> <i>(Audited)</i>
<b>Non-current</b>		
Finance lease liabilities	371	657
<b>Current</b>		
Finance lease liabilities	<u>1,516</u>	<u>1,914</u>
<b>Total</b>	<u><u>1,887</u></u>	<u><u>2,571</u></u>

The Group's machinery and motor vehicles with aggregate net book value of approximately HK\$3,436,000 as at 31 March 2020 (30 September 2019: approximately HK\$3,894,000) were secured as the rights to the leased assets revert to the lessors in the event of default and by personal guarantees given by Dr. CW Lau.

The finance lease facilities bore interest from 3.89% to 4.77% per annum as at 31 March 2020 (30 September 2019: from 0.98% to 4.82% per annum).

The Group did not breach financial bank covenant during the six months ended 31 March 2020 and year ended 30 September 2019.

# Notes to Interim Condensed Consolidated Financial Statements

## 15 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:

	<b>Depreciation allowance</b> <i>HK\$'000</i>	<b>Tax losses</b> <i>HK\$'000</i>	<b>Expected credit losses provision</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 October 2018	(227)	41	689	503
(Charged)/credited to profit or loss	<u>(602)</u>	<u>(41)</u>	<u>170</u>	<u>(473)</u>
At 30 September 2019 and 1 October 2019	(829)	–	859	30
Charged to profit or loss	<u>(257)</u>	<u>–</u>	<u>(420)</u>	<u>(677)</u>
<b>At 31 March 2020</b>	<u><u>(1,086)</u></u>	<u><u>–</u></u>	<u><u>439</u></u>	<u><u>(647)</u></u>

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

	<b>31 March 2020</b> <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2019 <i>HK\$'000</i> <i>(Audited)</i>
Deferred tax assets	–	92
Deferred tax liabilities	<u>647</u>	<u>(62)</u>
	<u><u>647</u></u>	<u><u>30</u></u>

# Notes to Interim Condensed Consolidated Financial Statements

## 16 TRADE AND OTHER PAYABLES

	<b>31 March 2020</b>	30 September 2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade payables	<b>11,917</b>	14,578
Retention payables	<b>20,073</b>	26,609
Accruals and other payables	<b>9,703</b>	31,815
	<b><u>41,693</u></b>	<b><u>73,002</u></b>

### Notes:

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

	<b>31 March 2020</b>	30 September 2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	<b>(Audited)</b>
0 to 30 days	<b>9,289</b>	10,750
31 to 60 days	<b>1,011</b>	–
61 to 90 days	<b>28</b>	–
Over 90 days	<b>1,589</b>	3,828
	<b><u>11,917</u></b>	<b><u>14,578</u></b>

Except for retention payables of approximately HK\$19,820,000 as at 31 March 2020 (30 September 2019: approximately HK\$19,080,000), which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

- (b) As at 31 March 2020, included in trade payable was an amount of HK\$nil due to a related party, 上海蜂妮醫藥科技有限公司 (“上海蜂妮”) (30 September 2019: approximately HK\$330,000). 上海蜂妮 is controlled by a family member of Mr. Sun Wei.

# Notes to Interim Condensed Consolidated Financial Statements

## 17 AMOUNT DUE TO A RELATED PARTY

The amount due were non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment.

## 18 COMMITMENTS

### OPERATING LEASE COMMITMENTS – GROUP AS LESSEE

The future minimum lease payments under non-cancellable operating leases were payable as follows:

	<b>31 March 2020</b> <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2019 <i>HK\$'000</i> <i>(Audited)</i>
Within one year	<b>169</b>	3,067
In the second to fifth years inclusive	<b>45</b>	4,143
	<b><u>214</u></b>	<u>7,210</u>

The leases typically run for an initial period of 1 to 3 years (30 September 2019: 1 to 3 years), with an option to renew the leases whereby all terms are renegotiated.

# Notes to Interim Condensed Consolidated Financial Statements

## 19 RELATED PARTY TRANSACTIONS

### (A) TRANSACTIONS

	Six months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Purchases from 上海蜂妮	<u>925</u>	<u>—</u>

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

### (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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fee, discretionary bonuses, salaries and benefits in kind	4,111	3,805
Retirement benefit scheme contributions	<u>12</u>	<u>9</u>
	<u><b>4,123</b></u>	<u><b>3,814</b></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 commenced its 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 2020, the Group had 46 construction projects on hand (including projects in progress and projects that are yet to commence) with a total contract value of approximately HK\$549.2 million. As at 30 September 2019, the Group had 36 construction projects on hand with a total contract value of approximately HK\$773.0 million.

## OUTLOOK

The Directors are of the view that the general outlook of the industry and the business environment in which the Group operates will remain challenging. The outbreak of the COVID-19 in early 2020 has created economic uncertainty to Hong Kong and imposed negative impacts on 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. Looking ahead, the Group will adhere to prudent financial management in project selection and cost control. The Group will continue to obtain additional qualifications and strengthen its financial resources to position itself to tender 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.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

The Group's revenue decreased by approximately HK\$4.9 million, or 3.0%, from approximately HK\$162.8 million for the six months ended 31 March 2019 to approximately HK\$157.9 million for the six months ended 31 March 2020. The following table sets out a breakdown of the Group's revenue during the six months ended 31 March 2019 and 2020 by segments:

	Six months ended 31 March			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Foundation and site formation works	25,230	16.0	39,386	24.2
General building works and associated services	94,022	59.5	47,143	29.0
Other construction works	30,938	19.6	73,521	45.1
Construction related consultancy works	3,534	2.2	2,773	1.7
Health management and consultancy business	4,204	2.7	—	—
Total	<u>157,928</u>	<u>100.0</u>	<u>162,823</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 six months ended 31 March 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 works certified by the customer in the school redevelopment project in Kowloon; and (ii) the increase in revenue from the sales of health products and health services in the PRC during the six months ended 31 March 2020. The Group's revenue contributed from construction related consultancy works remained relatively stable for the six months ended 31 March 2019 and 2020.

### Cost of sales

Cost of sales decreased by approximately HK\$23.4 million, or 16.4%, from approximately HK\$142.8 million for the six months ended 31 March 2019 to approximately HK\$119.5 million for the six months ended 31 March 2020.

# Management Discussion and Analysis

## Gross profit and gross profit margin

Gross profit increased by approximately HK\$18.5 million, or 92.4%, from approximately HK\$20.0 million for the six months ended 31 March 2019 to approximately HK\$38.5 million for the six months ended 31 March 2020. The Group's gross profit margin was approximately 12.3% and 24.4% for the six months ended 31 March 2019 and 2020, respectively.

During the six months ended 31 March 2020, the Group recorded an increase in gross profit margins for foundation and site formation works (2019: 1.3%; 2020: 26.8%), general building works and associated services (2019: 7.1%; 2020: 30.3%), mainly due to increase in value of works certified by the customer in the school redevelopment project in Kowloon. Further, the Group's health management and consultancy business improved from gross loss for the year ended 30 September 2019 to gross profit for the six months 31 March 2020. Such increase was partially offset by the decrease in gross profit margins for construction related consultancy services (2019: 20.4%; 2020: 6.5%) and other construction works (2019: 21.2%; 2020: 1.9%).

## Other income, gains and losses

Other income, gains and losses increased by approximately HK\$1.6 million or 271.6% from approximately HK\$584,000 for the six months ended 31 March 2019 to approximately HK\$2.2 million for the six months ended 31 March 2020, mainly due to (i) government subsidies in respect of the anti-epidemic fund granted by the Government; (ii) bank interest attributable to the listing proceeds deposited in the banks; and (iii) insurance claims for employees compensation.

## Administrative and other operating expenses

Administrative and other operating expenses decreased by approximately HK\$3.2 million, or 16.9%, from approximately HK\$19.0 million for the six months ended 31 March 2019 to HK\$15.8 million for the six months ended 31 March 2020. Such decrease is primarily due to the decrease in legal and professional fees and non-recurring listing expenses. The decrease was partially offset by (i) an increase in depreciation of right-of-use assets due to the adoption of HKFRS 16; and (ii) an increase in the staff costs for the Group's business development.

# Management Discussion and Analysis

## **Income tax expense**

Income tax expense increased by approximately HK\$1.0 million, or 50.4%, from approximately HK\$2.1 million for the six months ended 31 March 2019 to approximately HK\$3.1 million for the six months ended 31 March 2020, primarily attributable to the increase in profit during the six months ended 31 March 2020.

## **Profit/(loss) and total comprehensive income/(expense) for the period**

As a result of the foregoing, for the six months ended 31 March 2020, the Group recorded a profit of approximately HK\$21.4 million as compared with a loss of approximately HK\$0.9 million for the six months ended 31 March 2019.

# 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 2020.

Business strategies as stated in the Prospectus	Implementation activities up to 31 March 2020 as stated in the Prospectus	Progress up to 31 March 2020
Apply for additional licences	<ul style="list-style-type: none"> <li>- Acquire two air compressors; and maintain the newly acquired machinery</li> </ul>	The Group has paid deposits to secure the purchase of certain bored piling machines.
	<ul style="list-style-type: none"> <li>- Acquire bored piling machines and mini-piling machines to fulfill plant requirements of the licences</li> </ul>	The Group has acquired the bored piling machines and is identifying suitable mini-piling machines.
	<ul style="list-style-type: none"> <li>- Acquire a piece of land for machinery storage</li> </ul>	The Group is 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"> <li>- Increase the employed capital of Po Shing Construction Limited and Fong On Construction Limited</li> </ul>	The Group has increased the employed capital of both subsidiaries.
Fund the initial costs of the Group's construction project	<ul style="list-style-type: none"> <li>- Finance the working capital requirement and up front costs for three of the Group's projects</li> </ul>	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.

# Management Discussion and Analysis

**Business strategies as stated in the Prospectus**  
 Strengthening the Group's manpower

**Implementation activities up to 31 March 2020 as stated in the Prospectus**

- Recruit two project managers, two project engineers, two quantity surveyors, one safety officer, two site foremens and one mechanical fitter
  
- Retain talents as recruited for this business strategy

**Progress up to 31 March 2020**

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.

The recruitment schedule is deferred due to shortage of candidates with the right calibre.

**Investment in the new information system**

- Upgrade our existing hardware and acquire new computer facilities
  
- Upgrade our accounting system to enhance documentation and manual procedures and upgrade our human resources management system to consolidate and automate attendance, payrolls and retirement fund contribution
  
- Upgrade the Group's 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

The Group has acquired certain new hardware and software for system upgrade.

The Group is in the course of identifying suitable service providers for the system upgrades.

The Group has acquired certain new hardware and software for system upgrade.



# Management Discussion and Analysis

## USE OF NET PROCEEDS FROM LISTING

The net proceeds from the share offer of the Group 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.

The below table sets out the proposed and actual applications of the net proceeds from the Listing Date to 31 March 2020:

	<b>Planned use of proceeds</b> <i>HK\$ million</i>	<b>Actual use of proceeds from the Listing Date to 31 March 2020</b> <i>HK\$ million</i>	<b>Unutilised balance as at 31 March 2020</b> <i>HK\$ million</i>
Apply for additional licences	39.4	6.0	33.4
Fund the initial costs of the Group's construction projects	21.8	21.8	–
Strengthening the Group's manpower	13.9	3.7	10.2
Investment in the new information system	2.8	0.8	2.0
General working capital	8.7	8.7	–
	<u>86.6</u>	<u>41.0</u>	<u>45.6</u>

As at 31 March 2020, approximately HK\$41.0 million out of the net proceeds from the Listing had been used. The remaining unutilised net proceeds of approximately HK\$45.6 million were deposited in licensed banks in Hong Kong. For the application for additional licences, the Company has yet to identify a suitable land for machinery storage that is worth acquiring in light of the continuously high property prices, potential risks of downturn in property prices and market uncertainties compounded by the social unrest in Hong Kong. In any event, the Company is still on the lookout for suitable locations to purchase and strives to utilise the remaining proceeds in the manner as stated in the Prospectus.

# Management Discussion and Analysis

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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.

As at 31 March 2020, the Group had net current assets of approximately HK\$205.6 million (30 September 2019: HK\$185.4 million) and bank balances and cash of approximately HK\$143.2 million (30 September 2019: HK\$180.0 million).

As at 31 March 2020, the Group's total equity attributable to owners of the Company amounted to approximately HK\$214.7 million (30 September 2019: HK\$193.3 million), and the Group's total debt comprising amount due to a related party, finance lease liabilities and lease liabilities amounted to approximately HK\$8.8 million (30 September 2019: 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.

## CONTINGENT LIABILITIES

As at 31 March 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\$16.9 million (30 September 2019: HK\$15.4 million). 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 2020, the Group has pledged certain machinery and motor vehicles with net book value amounted to approximately HK\$3.4 million (30 September 2019: HK\$3.9 million) under non-cancellable lease agreement.

As at 31 March 2020, the Group paid a cash collateral of approximately HK\$5.1 million (30 September 2019: HK\$4.6 million) to the insurance companies for the issuance of surety bonds, which are included in other receivables, deposits and prepayments.



# Management Discussion and Analysis

## **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 2020, 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 2020.

## **CAPITAL COMMITMENTS**

As at 31 March 2020, the Group did not have any material commitments (2019: Nil).

The Group is the lessee in respect of office premises, quarters and office equipment under operating leases. As at 31 March 2020, the Group's total future minimum lease payments under non-cancellable operating leases were approximately HK\$0.2 million (2019: HK\$7.2 million).

## **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 outside Hong Kong, the major revenue and expenses are denominated in local currencies.

# Management Discussion and Analysis

## GEARING RATIO

As at 31 March 2020, the gearing ratio of the Group, which is calculated as the total debt (comprising amount due to a related party, finance lease liabilities and lease liabilities) divided by total equity, was approximately 4.1% (30 September 2019: 1.3%). The increase in gearing ratio was mainly due to the increase in lease liabilities for right-of-use assets recognised under the adoption of HKFRS 16 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 2020 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 2020. The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2020 (six months ended 31 March 2019: Nil).

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had 46 employees (30 September 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 in or around the Chinese New Year. Total staff costs for the six months ended 31 March 2020 amounted to approximately HK\$8.6 million (six months ended 31 March 2019: approximately HK\$11.9 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 2020, 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 2020, 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 2020, the following persons/entity (other than 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:

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 2020, 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 an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

## 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 2020.

### COMPETING BUSINESS

During the six months ended 31 March 2020, 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 2020.

### 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 such 30% 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 higher 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 of the Company in general meeting.

For the six months ended 31 March 2020, 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 2020 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 2020 have not been audited nor reviewed by the Company’s independent auditors, but have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the interim condensed consolidated financial statements of the Group for the six months ended 31 March 2020 comply with applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 29 May 2020