

# RI YING HOLDINGS LIMITED

## 日赢控股有限公司

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

### INTERIM REPORT **2021**



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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

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

## COMPLIANCE ADVISER

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

## LEGAL ADVISER AS TO HONG KONG LAWS

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

# Corporate Information

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS**

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

## **BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG**

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

## **PRINCIPAL BANKS**

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

## **COMPANY'S WEBSITE**

[www.riyingholding.com](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 2021

	Notes	Six months ended 31 March	
		2021	2020
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	4	77,567	157,928
Cost of sales		(109,252)	(119,461)
<b>Gross (loss)/profit</b>		<b>(31,685)</b>	38,467
Other income, gains and losses	4	2,096	2,170
Administrative and other operating expenses		(24,269)	(15,820)
Net reversal of impairment losses/ (impairment losses) on financial assets and contract assets		947	(213)
<b>Operating (loss)/profit</b>		<b>(52,911)</b>	24,604
Finance costs	5	(414)	(127)
<b>(Loss)/profit before tax</b>	6	<b>(53,325)</b>	24,477
Income tax credit/(expense)	7	66	(3,086)
<b>(Loss)/profit for the period</b>		<b>(53,259)</b>	21,391
Other comprehensive income <i>Item that maybe reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(12)	13
Total comprehensive (expense)/income for the period		<b>(53,271)</b>	21,404

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

For the six months ended 31 March 2021

		<b>Six months ended 31 March</b>	
		<b>2021</b>	<b>2020</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company		(51,660)	21,391
Non-controlling interests		<u>(1,599)</u>	<u>—*</u>
		<u><b>(53,259)</b></u>	<u><b>21,391</b></u>
<b>Total comprehensive (expense)/income</b>			
<b>for the period attributable to:</b>			
Owners of the Company		(51,660)	21,404
Non-controlling interests		<u>(1,611)</u>	<u>—*</u>
		<u><b>(53,271)</b></u>	<u><b>21,404</b></u>
Basic and diluted (loss)/earnings per share (HK cents)	8	<u><b>(6.46)</b></u>	<u><b>2.67</b></u>

\* Less than HK\$1,000

# Interim Condensed Consolidated Statement of Financial Position

As at 31 March 2021

		<b>31 March 2021</b>	30 September 2020
	<i>Notes</i>	<b>HK\$'000</b> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	5,216	3,788
Right-of-use assets	10	<u>20,501</u>	<u>8,940</u>
		<u>25,717</u>	<u>12,728</u>
<b>Current assets</b>			
Inventory		–*	–
Trade and other receivables	11	40,916	43,295
Contract assets		33,526	51,288
Financial assets at fair value through profit or loss		344	15,164
Amount due from a director		–	1,655
Tax recoverable		2,414	33
Bank deposits, balances and cash	12	<u>123,416</u>	<u>132,076</u>
		<u>200,616</u>	<u>243,511</u>
<b>Total assets</b>		<u><b>226,333</b></u>	<u><b>256,239</b></u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	13	8,000	8,000
Share premium and reserves		<u>143,900</u>	<u>195,560</u>
Equity attributable to owners of the Company		<u>151,900</u>	203,560
Non-controlling interests		<u>(1,746)</u>	<u>(135)</u>
<b>Total equity</b>		<u><b>150,154</b></u>	<u><b>203,425</b></u>

\* Less than HK\$1,000

# Interim Condensed Consolidated Statement of Financial Position

As at 31 March 2021

		<b>31 March 2021</b>	30 September 2020
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b><i>(Unaudited)</i></b>	<i>(Audited)</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	14	<b>359</b>	396
Lease liabilities		<b>6,730</b>	3,280
		<b>7,089</b>	3,676
<b>Current liabilities</b>			
Trade and other payables	15	<b>48,247</b>	40,438
Contract liabilities		<b>5,465</b>	3,090
Lease liabilities		<b>13,470</b>	4,334
Amount due to a non-controlling interest of a subsidiary		<b>1,790</b>	850
Income tax payable		<b>118</b>	426
		<b>69,090</b>	49,138
<b>Total liabilities</b>		<b>76,179</b>	52,814
<b>Total equity and liabilities</b>		<b>226,333</b>	256,239
<b>Net current assets</b>		<b>131,526</b>	194,373
<b>Total assets less current liabilities</b>		<b>157,243</b>	207,101

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2020

	Attributable to owners of the Company						Subtotal	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Statutory reserve	Exchange reserve	Retained earnings			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
	<i>(Note 13)</i>		<i>(Note (a))</i>	<i>(Note (b))</i>					
Balance at 1 October 2019 (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
Balance at 31 March 2020 (unaudited)	<u>8,000</u>	<u>100,538</u>	<u>10,850</u>	<u>-</u>	<u>11</u>	<u>95,306</u>	<u>214,705</u>	<u>-*</u>	<u>214,705</u>

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2021

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

\* Less than HK\$1,000

Notes:

- 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.
- According to the People’s Republic of China (the “**PRC**”) Company Law, the PRC subsidiaries of the Group are required to transfer 10% of their respective after-tax profit, calculated in accordance with the PRC accounting standards and regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The statutory reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that the fund is maintained at a minimum level of 25% of the registered capital.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 March 2021

	<b>Six months ended 31 March</b>	
	<b>2021</b>	<b>2020</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	(14,353)	(32,793)
Tax paid	(2,602)	(3,610)
Dividend received	8	9
	<u>(16,947)</u>	<u>(36,394)</u>
Net cash used in operating activities	(16,947)	(36,394)
<b>Cash flows from investing activities</b>		
Decrease in fixed deposits held at banks with original maturity over three months	–	54,000
Purchases of property, plant and equipment	(792)	(173)
Proceeds from redemption of financial assets at fair value through profit or loss	15,000	–
Interest received	178	1,821
	<u>14,386</u>	<u>55,648</u>
Net cash generated from investing activities	14,386	55,648
<b>Cash flows from financing activities</b>		
Repayment of lease liabilities	(5,543)	(1,254)
Repayment of finance leases	–	(684)
Interest paid on finance leases	–	(9)
Interest paid on lease liabilities	(414)	(118)
	<u>(5,957)</u>	<u>(2,065)</u>
Net cash used in financing activities	(5,957)	(2,065)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(8,518)</b>	<b>17,189</b>
Cash and cash equivalents at the beginning of the period	132,076	125,970
Effect of foreign exchange rate changes	(142)	13
	<u>123,416</u>	<u>143,172</u>
<b>Cash and cash equivalents at end of the period</b>	<b>123,416</b>	<b>143,172</b>
<b>Analysis of cash and cash equivalents</b>		
Cash at banks	121,816	27,642
Fixed deposits maturing within three months	1,600	115,530
	<u>123,416</u>	<u>143,172</u>

# Notes to Interim Condensed Consolidated Financial Statements

## 1 GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

These interim condensed consolidated financial statements of the Group for the six months ended 31 March 2021 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 2020 (the “**2020 Annual Financial Statements**”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”).

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

The interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2020 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 2021. Details of any changes in accounting policies are set out in Note 2.

These interim condensed consolidated financial statements have been approved for issue by the board (the “**Board**”) of directors of the Company (the “**Directors**”) on 31 May 2021.

# 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 2020 for the preparation of the Group's interim condensed consolidated financial statements:

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

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

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform-Phase 1
Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

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

# Notes to Interim Condensed Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 BASIS OF PREPARATION (continued)

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

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

HKFRS 17	Insurance Contracts and the related amendments <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>4</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 HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform-Phase 2 <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendment to HKAS 16	Property, Plant and Equipment-Proceeds before Intended Use <sup>4</sup>
Amendments to HKAS 37	Onerous contracts-cost of Fulfilling a Contract <sup>4</sup>
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>4</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

<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 2022.

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

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

# Notes to Interim Condensed Consolidated Financial Statements

## 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 2020.

## 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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Foundation and site formation works	37,870	25,230
General building works and associated services	11,662	94,022
Other construction works	15,307	30,938
Construction related consultancy services	5,740	3,534
Sales of health products	6,914	3,650
Sales of health services	74	554
	<u>77,567</u>	<u>157,928</u>

	Six months ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Timing of revenue recognition</b>		
A point in time	6,988	4,204
Over time	70,579	153,724
	<u>77,567</u>	<u>157,928</u>

# Notes to Interim Condensed Consolidated Financial Statements

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

	Six months ended 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Other income, gains and losses</b>		
Bank interest income	178	1,821
Dividend income from financial assets at fair value through profit or loss	8	9
Fair value change on financial assets at fair value through profit or loss	180	(37)
Government grants (Note)	1,036	100
Insurance claims	555	256
Loss on disposal of property, plant and equipment	(11)	–
Others	150	21
	<u>2,096</u>	<u>2,170</u>

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

### SEGMENT INFORMATION

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

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

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

# Notes to Interim Condensed Consolidated Financial Statements

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

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

### Segment revenue and results

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

# Notes to Interim Condensed Consolidated Financial Statements

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

### Segment revenue and results (continued)

	Foundation and site formation works <i>HK\$'000</i>	General building works and associated services <i>HK\$'000</i>	Other construction works <i>HK\$'000</i>	Construction related consultancy services <i>HK\$'000</i>	Health management and consultancy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 31 March 2020						
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 loss						2,170
Administrative and other operating expenses						(15,820)
Impairment losses on financial assets and contract assets						(213)
Finance costs						<u>(127)</u>
Profit before tax						<u><u>24,477</u></u>

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

### Geographical information

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

	Six months ended 31 March	
	2021 <i>HK\$'000</i> <i>(Unaudited)</i>	2020 <i>HK\$'000</i> <i>(Unaudited)</i>
Hong Kong	<u>70,579</u>	<u>153,724</u>
The PRC	<u>6,988</u>	<u>4,204</u>
	<u><u>77,567</u></u>	<u><u>157,928</u></u>

# Notes to Interim Condensed Consolidated Financial Statements

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

### Geographical information (continued)

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

	As at 31 March 2021 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 30 September 2020 <i>HK\$'000</i> <i>(Audited)</i>
Hong Kong	8,207	10,500
The PRC	<u>17,510</u>	<u>2,228</u>
	<u>25,717</u>	<u>12,728</u>

## 5 FINANCE COSTS

	Six months ended 31 March 2021 <i>HK\$'000</i> <i>(Unaudited)</i>	2020 <i>HK\$'000</i> <i>(Unaudited)</i>
Interest on finance leases	–	9
Interest on lease liabilities	<u>414</u>	<u>118</u>
	<u>414</u>	<u>127</u>

## 6 (LOSS)/PROFIT BEFORE TAX

	Six months ended 31 March 2021 <i>HK\$'000</i> <i>(Unaudited)</i>	2020 <i>HK\$'000</i> <i>(Unaudited)</i>
(Loss)/profit before tax has been arrived at after charging/ (crediting):		
Depreciation of property, plant and equipment	628	1,133
Depreciation of right-of-use assets	5,479	1,307
Short-term lease expenses	646	943
Auditors' remuneration	490	465
Employee benefit expenses, including Directors' emoluments	11,695	8,582
(Net reversal of impairment loss)/impairment loss on financial assets and contract assets	<u>(947)</u>	<u>213</u>

# Notes to Interim Condensed Consolidated Financial Statements

## 7 INCOME TAX (CREDIT)/EXPENSE

	Six months ended 31 March	
	2021 <i>HK\$'000</i> <i>(Unaudited)</i>	2020 <i>HK\$'000</i> <i>(Unaudited)</i>
Hong Kong profits tax		
– Current income tax	–	2,409
– Over provision in prior years	(29)	–
PRC Enterprise Income Tax		
– Current income tax	–	–
Deferred income tax ( <i>Note 14</i> )	(37)	677
	<u>(66)</u>	<u>677</u>
Income tax (credit)/expense	<u>(66)</u>	<u>3,086</u>

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

For the six months ended 31 March 2021 and 2020, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. 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 2021 and 2020.

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

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

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

# Notes to Interim Condensed Consolidated Financial Statements

## 8 (LOSS)/EARNINGS PER SHARE

	Six months ended 31 March	
	2021 <i>(Unaudited)</i>	2020 <i>(Unaudited)</i>
(Loss)/profit for the period attributable to owners of the Company (HK\$'000)	(51,660)	21,391
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (in thousand)	<u>800,000</u>	<u>800,000</u>
Basic (loss)/earnings per share (HK cents)	<u>(6.46)</u>	<u>2.67</u>

For the six months ended 31 March 2021 and 2020, the calculation of the basic (loss)/earnings per share attributable to owners of the Company was based on (i) the (loss)/profit for the period attributable to owners of the Company; and (ii) the weighted average number of ordinary shares in issue during the period.

Diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there was no dilutive potential shares in issue during the six months ended 31 March 2021 and 2020.

## 9 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2021 (six months ended 31 March 2020: Nil).

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

During the six months ended 31 March 2021, the Group acquired certain items of property, plant and equipment with a cost of approximately HK\$792,000 (six months ended 31 March 2020: approximately HK\$173,000).

The Group obtains rights to control the use of certain premises for a period of time through lease arrangements. During the six months ended 31 March 2021, the addition to right-of-use assets was approximately HK\$18,122,000.

As at 31 March 2020, certain machinery and motor vehicles were held under finance lease with aggregate carrying amount of approximately HK\$3,436,000.

# Notes to Interim Condensed Consolidated Financial Statements

## 11 TRADE AND OTHER RECEIVABLES

	<b>31 March 2021</b>	30 September 2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade receivables	<b>21,434</b>	27,348
Less: Provision for impairment losses	<b>(1,187)</b>	(2,134)
	<b>20,247</b>	25,214
Other receivables, deposits and prepayments	<b>20,669</b>	18,081
	<b>40,916</b>	43,295

### Notes:

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

	<b>31 March 2021</b>	30 September 2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	<b>(Audited)</b>
0-30 days	<b>16,996</b>	9,072
31-60 days	<b>159</b>	1,255
61-90 days	<b>47</b>	12,551
Over 90 days	<b>3,045</b>	2,336
	<b>20,247</b>	25,214

As at 31 March 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$3,251,000 (30 September 2020: approximately HK\$18,276,000) which are past due as at the reporting date. Out of the past due balances, approximately HK\$3,045,000 (30 September 2020: approximately HK\$2,291,000) has been past due 90 days or more and is not considered as in default. The Group does not hold any collateral over these balances.

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

# Notes to Interim Condensed Consolidated Financial Statements

## 12 BANK DEPOSITS, BALANCES AND CASH

	31 March 2021 <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2020 <i>HK\$'000</i> <i>(Audited)</i>
Cash at banks	<u>123,416</u>	<u>132,076</u>
Bank balances	121,816	132,036
Deposits at banks		
– fixed deposits (maturing within three months)	<u>1,600</u>	<u>40</u>
	<u>123,416</u>	<u>132,076</u>

## 13 SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 1 October 2019, 30 September 2020 and 1 October 2020 and 31 March 2021	<u>2,000,000,000</u>	<u>20,000</u>
<b>Issued and fully paid:</b>		
At 1 October 2019, 30 September 2020 and 1 October 2020 and 31 March 2021	<u>800,000,000</u>	<u>8,000</u>

# Notes to Interim Condensed Consolidated Financial Statements

## 14 DEFERRED TAX ASSETS/LIABILITIES

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

	<b>Depreciation allowance</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 2019	(829)	859	30
Credited/(charged) to profit or loss	<u>203</u>	<u>(629)</u>	<u>(426)</u>
At 30 September 2020 and 1 October 2020	(626)	230	(396)
Credited/(charged) to profit or loss	<u>83</u>	<u>(46)</u>	<u>37</u>
<b>At 31 March 2021</b>	<u><u>(543)</u></u>	<u><u>184</u></u>	<u><u>(359)</u></u>

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

	<b>31 March 2021</b> <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2020 <i>HK\$'000</i> <i>(Audited)</i>
Deferred tax assets	-	-
Deferred tax liabilities	<u>(359)</u>	<u>(396)</u>
	<u><u>(359)</u></u>	<u><u>(396)</u></u>

# Notes to Interim Condensed Consolidated Financial Statements

## 15 TRADE AND OTHER PAYABLES

	<b>31 March 2021</b>	30 September 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade payables	<b>9,027</b>	10,021
Retention payables	<b>19,046</b>	18,275
Accruals and other payables	<b>20,174</b>	12,142
	<b><u>48,247</u></b>	<u>40,438</u>

### Notes:

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

	<b>31 March 2021</b>	30 September 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 to 30 days	<b>7,231</b>	9,122
31 to 60 days	<b>32</b>	–
61 to 90 days	<b>904</b>	–
Over 90 days	<b>860</b>	899
	<b><u>9,027</u></b>	<u>10,021</u>

Except for retention payables of approximately HK\$8,414,000 as at 31 March 2021 (30 September 2020: approximately HK\$5,169,000), which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

# Notes to Interim Condensed Consolidated Financial Statements

## 16 RELATED PARTY TRANSACTIONS

### (A) TRANSACTIONS

	Six months ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Purchases from 上海蜂妮醫藥科技有限公司 (「上海蜂妮」)	—	925

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

### (B) KEY MANAGEMENT COMPENSATION

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

	Six months ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fee, discretionary bonuses, salaries and benefits in kind	4,887	4,111
Retirement benefit scheme contributions	3	12
	<u>4,890</u>	<u>4,123</u>

# Management Discussion and Analysis

## BUSINESS REVIEW

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

As at 31 March 2021, the Group had 37 construction projects on hand (including projects in progress and projects that are yet to commence) with a total contract value of approximately HK\$811.1 million. As at 30 September 2020, the Group had 27 construction projects on hand with a total contract value of approximately HK\$790.1 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 continued to grow during the six months ended 31 March 2021. Revenue from the Group's health management and consultancy business increased from approximately HK\$4.2 million for the six months ended 31 March 2020 to approximately HK\$7.0 million for the six months ended 31 March 2021.

## OUTLOOK

The Directors are of the view that the general outlook of the construction industry and the business environment in which the Group operates will remain challenging. The outbreak of COVID-19 has had a drastic effort on the economy of Hong Kong which 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 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, benefitting from the growth of health awareness of individuals in the PRC, the Group's health management and consultancy business increased steadily. Meanwhile, the Group will continue to explore suitable business and investment opportunities to drive its business growth.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

The Group's revenue decreased by approximately HK\$80.3 million, or approximately 50.9%, from approximately HK\$157.9 million for the six months ended 31 March 2020 to approximately HK\$77.6 million for the six months ended 31 March 2021. The following table sets out a breakdown of the Group's revenue during the six months ended 31 March 2020 and 2021 by segments:

	Six months ended 31 March			
	2021		2020	
	HK\$'000	%	HK\$'000	%
Foundation and site formation works	37,870	48.8	25,230	16.0
General building works and associated services	11,662	15.1	94,022	59.5
Other construction works	15,307	19.7	30,938	19.6
Construction related consultancy works	5,740	7.4	3,534	2.2
Health management and consultancy business	6,988	9.0	4,204	2.7
Total	<u>77,567</u>	<u>100.0</u>	<u>157,928</u>	<u>100.0</u>

The significant decrease in the Group's revenue was primarily driven by (i) the prolonged negotiations between the Group and the customers on progress certification of works done for a large scale project with contract sum of over approximately HK\$300 million for general building works and associated services; (ii) two of the Group's sizeable projects with individual contract sum of over approximately HK\$85 million were at the initial stage with lesser amount of works done recognised during the six months ended 31 March 2021; and (iii) lower amount of revenue recognised for slope works projects during the six months ended 31 March 2021. Such decrease was partially offset by the increase in revenue contribution from foundation and site formation works, construction related consultancy works and the sales of health products and health services in the PRC during the six months ended 31 March 2021.

### Cost of sales

Cost of sales decreased by approximately HK\$10.2 million, or approximately 8.5%, from approximately HK\$119.5 million for the six months ended 31 March 2020 to approximately HK\$109.3 million for the six months ended 31 March 2021. Such decrease was mainly driven by the corresponding decrease in revenue.

# Management Discussion and Analysis

## Gross (loss)/profit and gross (loss)/profit margin

The Group incurred gross loss of approximately HK\$31.7 million for the six months ended 31 March 2021 (six months ended 31 March 2020: gross profit of approximately HK\$38.5 million). The Group recorded a gross loss margin of approximately 40.8% for the six months ended 31 March 2021 as compared to a gross profit margin of approximately 24.4% for the six months ended 31 March 2020.

During the six months ended 31 March 2021, the Group recorded a gross loss margin for general building works and associated works (2020: gross profit margin of approximately 30.3%; 2021: gross loss margin of approximately 309.2%) and other construction works (2020: gross profit margin of approximately 1.9%; 2021: gross loss margin of approximately 12.0%), mainly due to (i) the prolonged negotiations between the Group and the customers on progress certification of works done for a large scale project with contract sum of over approximately HK\$300 million; and (ii) delays in payment certification for other construction works. Further, the Group recorded a decrease in gross profit margins for foundation and site formation works (2020: approximately 26.8%; 2021: approximately 6.0%), primarily because the Group undertook two sizeable foundation and site formation works projects with a relatively lower margin in order to bolster the Company's profile and enhance future business prospects. Such decrease was partially offset by the increase in gross profit margins for construction related consultancy services (2020: approximately 6.5%; 2021: approximately 21.9%). During the six months ended 31 March 2021, the Group's gross profit margin for health management and consultancy business decreased as compared to the same period in 2020 (2020: approximately 56.2%; 2021: approximately 38.1%), mainly due to higher costs incurred for the sales of health products.

## Other income, gains and losses

Other income, gains and losses remain relatively stable of approximately HK\$2.2 million and approximately HK\$2.1 million for the six months ended 31 March 2020 and 2021, respectively.

## Administrative and other operating expenses

Administrative and other operating expenses increased by approximately HK\$8.5 million, or approximately 53.4%, from approximately HK\$15.8 million for the six months ended 31 March 2020 to approximately HK\$24.3 million for the six months ended 31 March 2021. Such increase is primarily due to (i) increase in depreciation of right-of-use assets; and (ii) increase in the staff costs for the Group's business development.

# Management Discussion and Analysis

## **Income tax (credit)/expense**

The Group recorded income tax credit of approximately HK\$66,000 for the six months ended 31 March 2021, primarily attributable to the decrease in taxable profit during the six months ended 31 March 2021 (six months ended 31 March 2020: income tax expense of approximately HK\$3.1 million).

## **(Loss)/profit and total comprehensive (expense)/income for the period**

As a result of the foregoing, for the six months ended 31 March 2021, the Group recorded a loss of approximately HK\$53.3 million as compared with a profit of approximately HK\$21.4 million for the six months ended 31 March 2020.

# 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 2021.

Business strategies as stated in the Prospectus	Implementation activities up to 31 March 2021 as stated in the Prospectus	Progress up to 31 March 2021
Apply for additional licences	<ul style="list-style-type: none"> <li>- Acquire one set of bored piling machine; one set of rock-socket piling machine; two sets of mini-piling machines and four air compressors</li>   <li>- Acquire a piece of land for machinery storage</li> </ul>	<p>The Group has acquired the bored piling machines and is identifying suitable rock-socket piling machine, mini-piling machines and air compressors.</p> <p>The Group was in the course of identifying suitable land for machinery storage. Due to the Group’s specific requirements on the land premises and the property market condition of Hong Kong, the Group has taken more time to identify suitable land.</p>
Fund the initial costs of the Group’s construction project	<ul style="list-style-type: none"> <li>- Increase the employed capital of Po Shing Construction Limited and Fong On Construction Limited</li>   <li>- Finance the working capital requirement and up front costs for three of the Group’s projects</li> </ul>	<p>The Group has increased the employed capital of both subsidiaries.</p> <p>The funding costs for (i) the redevelopment of an outdoor activities centre at Stanley; (ii) the redevelopment at Sheung Wan; and (iii) the alterations and additions works for commercial building at North Point were fully utilised.</p>

# Management Discussion and Analysis

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

**Implementation activities up to 31 March 2021 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

**Progress up to 31 March 2021**

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.

- Retain talents as recruited for this business strategy

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

**Investment in the new information system**

- Upgrade the Group's existing hardware and acquire new computer facilities

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

- Upgrade the Group's 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

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

- 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.



# Management Discussion and Analysis

## USE OF NET PROCEEDS FROM LISTING

The net proceeds from the share offer of the Company at the time of the Listing, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK\$86.6 million.

The below table sets out the proposed and actual applications of the net proceeds from the Listing Date to 31 March 2021:

	Planned use of proceeds up to 31 March 2021 <i>HK\$ million</i>	Actual use of proceeds from the Listing Date to 31 March 2021 <i>HK\$ million</i>	Unutilised balance as at 31 March 2021 <i>HK\$ million</i>	Expected timeline for utilising the unutilised net proceeds
Apply for additional licences	39.1	6.1	33.0	30 September 2021
Fund the initial costs of the Group's construction projects	21.8	21.8	–	N/A
Strengthening the Group's manpower	11.3	6.2	5.1	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>83.6</u>	<u>43.9</u>	<u>39.7</u>	

During the six months ended 31 March 2021, the net proceeds from the Listing were utilised and expected to be utilised in the manners as disclosed in the Prospectus and there has been no change in the use of proceeds.

Up to 31 March 2021, approximately HK\$43.9 million out of the net proceeds from the Listing had been used. The remaining unutilised net proceeds of approximately HK\$39.7 million were deposited in licensed banks in Hong Kong. The Company intends to apply the net proceeds in the manner as stated in the Prospectus. 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.

# 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 of the Company.

As at 31 March 2021, the Group had net current assets of approximately HK\$131.5 million (30 September 2020: approximately HK\$194.4 million) and bank balances and cash of approximately HK\$123.4 million (30 September 2020: approximately HK\$132.1 million), which were denominated in HK\$, Renminbi and US dollars.

As at 31 March 2021, the Group's total equity attributable to owners of the Company amounted to approximately HK\$151.9 million (30 September 2020: approximately HK\$203.6 million), and the Group's total debt comprising lease liabilities amounted to approximately HK\$20.2 million (30 September 2020: approximately HK\$7.6 million). The Directors have confirmed that the Group will have sufficient financial resources to meet its obligations as they fall due in the foreseeable future.

## CONTINGENT LIABILITIES

As at 31 March 2021, certain customers of construction contracts undertaken by the Group require the Group to issue guarantee for the performance of contract works in the form of surety bonds of approximately HK\$18.4 million (30 September 2020: approximately HK\$21.9 million). The Company and the executive Directors have provided guarantee to the insurance companies to secure certain surety bonds. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

## PLEDGE OF ASSETS

As at 31 March 2021, the Group has pledged certain motor vehicles with net book value amounted to approximately HK\$1.1 million (30 September 2020: certain machinery and motor vehicles with net book value amounted to approximately HK\$2.9 million) under non-cancellable lease agreement.

As at 31 March 2021, the Group paid a cash collateral of approximately HK\$5.0 million (30 September 2020: approximately HK\$6.4 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 2021, 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 2021.

## **CAPITAL COMMITMENTS**

As at 31 March 2021, the Group did not have any material commitments (31 March 2020: Nil).

## **TREASURY POLICIES**

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

## **FOREIGN CURRENCY RISK**

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

# Management Discussion and Analysis

## GEARING RATIO

As at 31 March 2021, the gearing ratio of the Group, which is calculated as the total debt (comprising lease liabilities) divided by total equity, was approximately 13.5% (30 September 2020: approximately 3.7%). The increase in gearing ratio was mainly due to the increase in lease liabilities for right-of-use assets recognised in current period.

## EVENT AFTER THE REPORTING PERIOD

Save as otherwise disclosed in this interim report, the Board is not aware of any other significant events requiring disclosure that have taken place subsequent to 31 March 2021 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 2021. The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2021 (six months ended 31 March 2020: Nil).

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, the Group had 62 employees (31 March 2020: 46 employees). The increase in the number of employees was mainly attributable to the staff recruitment in the health management and consultancy business in the PRC for business developments. Total staff costs for the six months ended 31 March 2021 amounted to approximately HK\$11.7 million (six months ended 31 March 2020: approximately HK\$8.6 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 2021, 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 2021, 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 2021, the following persons and entity (not being the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

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

*Notes:*

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

Save as disclosed above, as at 31 March 2021, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interest and short positions in shares, underlying shares and debentures" above, had or were deemed to have, interests or short positions in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

## Other Information

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 March 2021.

### **COMPETING BUSINESS**

During the six months ended 31 March 2021, 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 2021.

### SHARE OPTION SCHEME

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

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

## Other Information

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

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

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

## Other Information

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

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

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

For the six months ended 31 March 2021, 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 2021 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 2021 have not been audited nor reviewed by the Company’s independent auditors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the interim condensed consolidated financial statements of the Group for the six months ended 31 March 2021 with management.

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

Hong Kong, 31 May 2021