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RI YING HOLDINGS LIMITED

日贏控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1741)

CHANGE IN USE OF NET PROCEEDS

Reference is made to (i) the prospectus of Ri Ying Holding Company Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 28 September 2018 (the “**Prospectus**”) in relation to the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “**Listing**”), which detailed, among others, the intended use of the net proceeds from the issue of new shares of the Company (the “**Net Proceeds**”) at the time of issuing the Prospectus; and (ii) the interim report of the Company for the six months ended 31 March 2023 dated 31 May 2023 (the “**Interim Report**”), in which the utilisation of the Net Proceeds up to 31 March 2023 was disclosed. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus and the Interim Report.

USE OF NET PROCEEDS

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Net Proceeds were intended to be used for the following purposes:

- approximately 45.5% of the Net Proceeds will be used to apply for additional licences to capture the growing business opportunities in the public sector;
- approximately 25.2% of the Net Proceeds will be used for financing the working capital requirement and upfront costs at the early stages of the Group’s construction projects;
- approximately 16.1% of the Net Proceeds will be used for further strengthening the Group’s manpower;
- approximately 3.2% of the Net Proceeds will be used for the investment in the new information systems to enhance the Group’s operational efficiency; and
- approximately 10.0% of the Net Proceeds will be used as the Group’s general working capital.

The Net Proceeds from the Listing were approximately HK\$86.6 million (after deducting underwriting fees and related listing expenses).

CHANGE OF USE OF NET PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HK\$33.2 million. In view of the reasons stated in the section headed “Reasons for and benefits of the change in use of net proceeds” of this announcement, on 25 August 2023, the board of directors (the “**Board**”) of the Company (the “**Directors**”) resolved to change the use of the unutilised Net Proceeds. An analysis of the utilisation of the Net Proceeds as at the date of this announcement and the revised change in the use of the unutilised Net Proceeds is set out as below:

Business objective and strategy	Planned use of Net Proceeds as disclosed in the Prospectus <i>HK\$ million</i>	Utilised Net Proceeds as at the date of this announcement <i>HK\$ million</i>	Unutilised Net Proceeds as at the date of this announcement <i>HK\$ million</i>	Revised application of the unutilised Net Proceeds <i>HK\$ million</i>	Expected timeline for utilising the unutilised Net Proceeds
Apply for additional licences	39.5	9.2	30.3	–	N/A
Fund the initial costs of the Group’s construction projects	21.8	21.8	–	–	N/A
Strengthening the Group’s manpower	13.9	11.6	2.3	2.3	30 September 2024
Investment in the new information systems	2.7	2.1	0.6	0.6	30 September 2024
General working capital	8.7	8.7	–	30.3	30 September 2024
Total	86.6	53.4	33.2	33.2	

The unutilised Net Proceeds are expected to be fully utilised on or before 30 September 2024 in accordance with the expected timeline as set out above. Such expected timeline is based on the estimation made by the Group which might be subject to changes in accordance with the change in market conditions from time to time.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF NET PROCEEDS

As disclosed in the section headed “Management Discussion and Analysis” in the Interim Report, the Group has initiated arbitration proceedings against a school in Hong Kong (the “School”), which involved certain disputes in connection to payments owed to the Group as main contractor for carrying out certain design and construction works. As the School has refused to pay the Group for the works carried out, the Group failed to recover its working capital for the costs incurred in the project. As such, the Directors consider that it is crucial and necessary to ensure sufficient working capital are available for the Group’s existing operations. As stated in the Prospectus, the Group has allocated part of the Net Proceeds to acquire a parcel of land for machinery storage as well as some additional machinery in order to fulfil certain admission requirement for applying the additional licences. After assessing the current market condition, the Directors are of the view that it may not be the best option to utilise the Net Proceeds for its acquisition plans as previously determined, having considered that (i) it may not be an appropriate time for the Group to deploy its capital to acquire a parcel of land under the volatile property market; (ii) the acquisition of land will be partially financed by the mortgage loan and will add a burden to the cash flow of the Group for the repayment of principal and interests; and (iii) the Group’s financial performance will deteriorate as a result of the finance costs amid hiking interest rate. Therefore, in order to better utilise the Group’s financial resources, the Group intends to adjust its plan to reallocate the unutilised Net Proceeds to increase the working capital for its daily operating costs, whilst the Group will continue to explore other possible means to fulfil the admission requirement for applying the additional licences. The Directors believe that the reallocation of the use of Net Proceeds can strengthen the Group’s liquidity, retain sufficient financial resources to ensure the progress of the existing projects and allow the Group to better adapt to any unforeseen circumstances under the current business environment.

The Board confirms that there are no material changes in the nature of business of the Group. The Board is of the view that the change in use of the unutilised Net Proceeds will enable the Group to effectively meet the financial needs of the Group and enhance the flexibility in financial management of the Company, which is in line with the current business needs of the Group and is therefore in the best interests of the Company and its shareholders.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

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

Hong Kong, 25 August 2023

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