

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

RI YING HOLDINGS LIMITED

日贏控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1741)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Ri Ying Holdings Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 31 March 2020, together with the comparative figures for the corresponding period in 2019 as follow:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 March 2020

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

		Six months ended 31 March	
		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Other comprehensive income			
<i>Item that maybe reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>13</u>	<u>–</u>
Total comprehensive income/(expense) for the period		<u>21,404</u>	<u>(946)</u>
Profit/(loss) for the period attributable to:			
Owners of the Company		21,391	(946)
Non-controlling interests		<u>–*</u>	<u>–</u>
		<u>21,391</u>	<u>(946)</u>
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		21,404	(946)
Non-controlling interests		<u>–*</u>	<u>–</u>
		<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

		31 March 2020 <i>HK\$'000</i> (Unaudited)	30 September 2019 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	7,587	8,548
Right-of-use assets		5,358	–
Deferred tax assets		–	92
		<u>12,945</u>	<u>8,640</u>
Current assets			
Inventory		58	273
Trade and other receivables	10	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	11	143,172	179,970
		<u>259,715</u>	<u>278,721</u>
Total assets		<u>272,660</u>	<u>287,361</u>
EQUITY			
Capital and reserves			
Share capital		8,000	8,000
Reserves		206,705	185,301
Total equity		<u>214,705</u>	<u>193,301</u>

		31 March	30 September
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		2,826	–
Finance lease liabilities		371	657
Deferred tax liabilities		647	62
		<u>3,844</u>	<u>719</u>
Current liabilities			
Trade and other payables	<i>12</i>	41,693	73,002
Contract liabilities		4,268	14,188
Lease liabilities		2,585	–
Finance lease liabilities		1,516	1,914
Amount due to a related party		1,551	–
Income tax payable		2,498	4,237
		<u>54,111</u>	<u>93,341</u>
Total liabilities		<u>57,955</u>	<u>94,060</u>
Total equity and liabilities		<u>272,660</u>	<u>287,361</u>
Net current assets		<u>205,604</u>	<u>185,380</u>
Total assets less current liabilities		<u>218,549</u>	<u>194,020</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 General Information and basis of preparation

The Company is an investment holding company. 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 of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 October 2018.

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, a company incorporated in the British Virgin Islands and wholly-owned by Dr. Lau Chi Wang, Mr. Lau Chi Ming and Dr. Lau Chi Keung, the controlling shareholders.

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, 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 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 of Directors on 29 May 2020.

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.

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
- 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%.

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

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

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

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

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

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

² 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.

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

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

3 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	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
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>
	157,928	162,823
Timing of revenue recognition		
Revenue recognised at a point in time	4,204	–
Revenue recognised over time	153,724	162,823
	<u>157,928</u>	<u>162,823</u>
	157,928	162,823

Six months ended 31 March**2020** 2019**HK\$'000** **HK\$'000****(Unaudited)** **(Unaudited)****Other income, gains and losses**

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
	<hr/>	<hr/>
	2,170	584
	<hr/> <hr/>	<hr/> <hr/>

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.

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>
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 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>

	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	<u>39,386</u>	<u>47,143</u>	<u>73,521</u>	<u>2,773</u>	<u>162,823</u>
Segment results	<u>499</u>	<u>3,343</u>	<u>15,587</u>	<u>565</u>	<u>19,994</u>
Other income and gains					584
Administrative and other operating expenses					(19,044)
Impairment losses on trade receivables					(379)
Finance costs					<u>(49)</u>
Profit before tax					<u><u>1,106</u></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.

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 locations

(i) Non-current assets

	As at 31 March 2020 HK\$'000 (Unaudited)	As at 30 September 2019 HK\$'000 (Audited)
Hong Kong	12,942	8,543
The People's 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 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
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.

4 FINANCE COSTS

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

5 PROFIT BEFORE TAX

	Six months ended 31 March	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Profit before 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>

6 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	677	(375)
	<hr/>	<hr/>
Income tax expense	3,086	2,052
	<hr/> <hr/>	<hr/> <hr/>

7 DIVIDENDS

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

8 EARNINGS/(LOSS) PER SHARE

	Six months ended 31 March	
	2020	2019
	(Unaudited)	(Unaudited)
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)	800,000	757,547
	<hr/>	<hr/>
Basic earnings/(loss) per share (HK cents)	2.67	(0.12)
	<hr/> <hr/>	<hr/> <hr/>

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 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).

10 TRADE AND OTHER RECEIVABLES

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

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:

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

11 BANK BALANCES AND CASH

	31 March 2020 HK\$'000 (Unaudited)	30 September 2019 HK\$'000 (Audited)
Cash at banks	143,172	179,970
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
	143,172	179,970

12 TRADE AND OTHER PAYABLES

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

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

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

13 COMMITMENTS

Operating lease commitments – Group as lessee

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

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

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.

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.

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.

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.

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.

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	– Acquire two air compressors; and maintain the newly acquired machinery	The Group has paid deposits to secure the purchase of certain bored piling machines.
	– Acquire bored piling machines and mini-piling machines to fulfill plant requirements of the licences	The Group has acquired the bored piling machines and is identifying suitable mini-piling machines.
	– Acquire a piece of land for machinery storage	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.
	– Increase the employed capital of Po Shing Construction Limited and Fong On Construction Limited	The Group has increased the employed capital of both subsidiaries.

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
Fund the initial costs of the Group's construction project	<ul style="list-style-type: none"> – Finance the working capital requirement and up front costs for three of the Group's projects 	The funding costs for (i) the redevelopment of an outdoor activities centre at Stanley; (ii) the redevelopment at Sheung Wan; and (iii) the alterations and additions works for commercial building at North Point were fully utilised.
Strengthening the Group's manpower	<ul style="list-style-type: none"> – Recruit two project managers, two project engineers, two quantity surveyors, one safety officer, two site foremens and one mechanical fitter – Retain talents as recruited for this business strategy 	<p>The Group has recruited certain project management team members accordingly. However, there was a delay in the recruitment schedule due to availability of suitable candidates.</p> <p>The recruitment schedule is deferred due to shortage of candidates with the right calibre.</p>
Investment in the new information system	<ul style="list-style-type: none"> – 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 	<p>The Group has acquired certain new hardware and software for system upgrade.</p> <p>The Group is in the course of identifying suitable service providers for the system upgrades.</p> <p>The Group has acquired certain new hardware and software for system upgrade.</p>

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:

	Planned use of proceeds <i>HK\$ million</i>	Actual use of proceeds from the Listing Date to 31 March 2020 <i>HK\$ million</i>	Unutilised balance as at 31 March 2020 <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 risk 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Company's shares were successfully listed on the Main Board of the Stock Exchange on 16 October 2018. There has been no change in the capital structure of the Group since then. The capital of the Group only comprises of ordinary shares.

The Group's operation and investments were financed principally by cash generated from its business operations and equity contribution from the shareholders.

As at 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.

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.

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.

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 announcement, 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 announcement.

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.

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).

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 3 of the notes to interim condensed consolidated financial statements of this announcement.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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.

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.

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 Share Option 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 announcement.

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

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