

RI YING HOLDINGS LIMITED

日贏控股有限公司

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

(Stock Code: 1741)

INTERIM REPORT
2023



Contents

Corporate Information	2
Interim Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Interim Unaudited Condensed Consolidated Statement of Financial Position	6
Interim Unaudited Condensed Consolidated Statement of Changes in Equity	8
Interim Unaudited Condensed Consolidated Statement of Cash Flows	10
Notes to The Interim Unaudited Condensed Consolidated Financial Statements	11
Management Discussion and Analysis	26
Other Information	39





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

Investment Committee

Mr. Lau Chi Ming (*Chairman*)

Dr. Lau Chi Wang

Dr. Lau Chi Keung

Mr. Leung Bing Kwong Edward

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
17/F, Far East Finance Centre
16 Harcourt Road
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

STOCK CODE

1741

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

For the six months ended 31 March 2023

	Note	Six months ended 31 March	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	107,635	89,138
Cost of sales		<u>(88,809)</u>	<u>(101,046)</u>
Gross profit/(loss)		18,826	(11,908)
Other income, gains and losses	4	7,471	2,562
Administrative and other operating expenses		(35,923)	(28,439)
Net (impairment losses)/reversal of impairment losses on financial assets and contract assets		<u>(137)</u>	<u>588</u>
Operating loss		(9,763)	(37,197)
Finance costs	5	<u>(516)</u>	<u>(244)</u>
Loss before tax	6	(10,279)	(37,441)
Income tax expense	7	<u>(14)</u>	<u>(12)</u>
Loss for the period		(10,293)	(37,453)
Other comprehensive expense			
<i>Item that maybe reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>(468)</u>	<u>(85)</u>
Total comprehensive expense for the period		<u>(10,761)</u>	<u>(37,538)</u>

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

For the six months ended 31 March 2023

	Six months ended 31 March	
	2023	2022
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
(Loss)/profit for the period attributable to:		
Owners of the Company	(10,484)	(36,505)
Non-controlling interests	191	(948)
	<u>(10,293)</u>	<u>(37,453)</u>
Total comprehensive (expense)/income for the period attributable to:		
Owners of the Company	(10,808)	(36,642)
Non-controlling interests	47	(896)
	<u>(10,761)</u>	<u>(37,538)</u>
Basic and diluted loss per share (HK cents)	8 <u>(1.31)</u>	<u>(4.56)</u>

Interim Unaudited Condensed Consolidated Statement of Financial Position

As at 31 March 2023

		31 March 2023	30 September 2022
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	<i>10</i>	3,747	5,021
Right-of-use assets	<i>10</i>	11,529	6,861
Goodwill		6,555	6,383
		<u>21,831</u>	<u>18,265</u>
Current assets			
Inventory		2,181	2,222
Trade and other receivables	<i>11</i>	76,182	51,530
Contract assets		24,738	23,090
Financial assets at fair value through profit or loss		4,844	4,152
Amounts due from related parties		972	852
Bank deposits, balances and cash	<i>12</i>	50,353	49,020
		<u>159,270</u>	<u>130,866</u>
Total assets		<u>181,101</u>	<u>149,131</u>
EQUITY			
Capital and reserves			
Share capital	<i>13</i>	8,000	8,000
Share premium and reserves		28,428	39,236
Equity attributable to owners of the Company		36,428	47,236
Non-controlling interests		(5,456)	(5,503)
Total equity		<u>30,972</u>	<u>41,733</u>

Interim Unaudited Condensed Consolidated Statement of Financial Position

As at 31 March 2023

		31 March 2023	30 September 2022
	<i>Note</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
LIABILITIES			
Non-current liability			
Lease liabilities		<u>6,026</u>	<u>3,694</u>
Current liabilities			
Trade and other payables	15	81,044	92,789
Contract liabilities		5,242	2,526
Lease liabilities		5,372	2,429
Amount due to a non-controlling interest of a subsidiary		7,261	5,902
Bank borrowings		45,124	–
Income tax payable		<u>60</u>	<u>58</u>
		<u>144,103</u>	<u>103,704</u>
Total liabilities		<u>150,129</u>	<u>107,398</u>
Total equity and liabilities		<u>181,101</u>	<u>149,131</u>
Net current assets		<u>15,167</u>	<u>27,162</u>
Total assets less current liabilities		<u>36,998</u>	<u>45,427</u>

Interim Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2022

	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Share capital	Share premium	Other reserve	Statutory reserve	Exchange reserve	Retained earnings			Subtotal
	<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>					
At 1 October 2021 (audited)	8,000	100,538	10,850	29	(122)	62,911	182,206	(2,738)	179,468
Loss for the period	-	-	-	-	-	(36,505)	(36,505)	(948)	(37,453)
Other comprehensive expense for the period	-	-	-	-	(137)	-	(137)	52	(85)
Total comprehensive expense for the period	-	-	-	-	(137)	(36,505)	(36,642)	(896)	(37,538)
At 31 March 2022 (unaudited)	<u>8,000</u>	<u>100,538</u>	<u>10,850</u>	<u>29</u>	<u>(259)</u>	<u>26,406</u>	<u>145,564</u>	<u>(3,634)</u>	<u>141,930</u>

Interim Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2023

	Attributable to owners of the Company						Subtotal HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000 (Note 13)	Share premium HK\$'000	Other reserve HK\$'000 (Note (a))	Statutory reserve HK\$'000 (Note (b))	Exchange reserve HK\$'000	Accumulated losses HK\$'000			
At 1 October 2022 (audited)	8,000	100,538	10,850	77	695	(72,924)	47,236	(5,503)	41,733
Loss for the period	-	-	-	-	-	(10,484)	(10,484)	191	(10,293)
Other comprehensive expense for the period	-	-	-	-	(324)	-	(324)	(144)	(468)
Total comprehensive expense for the period	-	-	-	-	(324)	(10,484)	(10,808)	47	(10,761)
Transfer to statutory reserve	-	-	-	11	-	(11)	-	-	-
At 31 March 2023 (unaudited)	<u>8,000</u>	<u>100,538</u>	<u>10,850</u>	<u>88</u>	<u>371</u>	<u>(83,419)</u>	<u>36,428</u>	<u>(5,456)</u>	<u>30,972</u>

Notes:

- (a) 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 Dr. Lau Chi Wang, Mr. Lau Chi Ming, Dr. Lau Chi Keung and Elite Bright Developments Limited (the “**Controlling Shareholders**”) arising from the corporate reorganisation pursuant to which the Company become the holding company of the Group on 17 September 2018.
- (b) 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 Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 31 March 2023

	Six months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net cash used in operations	(39,878)	(27,132)
Tax paid	(14)	(12)
Dividend received	7	6
	<u>(39,885)</u>	<u>(27,138)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Purchases of property, plant and equipment	(506)	(313)
Interest received	139	2
	<u>(367)</u>	<u>(311)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Repayment of lease liabilities	(2,325)	(1,559)
Drawdown of bank borrowings	99,401	21,145
Repayment of bank borrowings	(55,069)	(21,145)
Interest paid on bank borrowings	(355)	(154)
Interest paid on lease liabilities	(161)	(90)
	<u>41,491</u>	<u>(1,803)</u>
Net cash generated from/(used in) financing activities		
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	49,020	105,911
Effect of foreign exchange rate changes	94	236
	<u>50,353</u>	<u>76,895</u>
Cash and cash equivalents at end of the period		
Analysis of cash and cash equivalents		
Cash at banks	43,681	69,805
Fixed deposits maturing within three months	6,672	7,090
	<u>50,353</u>	<u>76,895</u>

Notes to The Interim Unaudited 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 the 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**”) since 16 October 2018.

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

Its parent and ultimate holding company is Elite Bright Developments Limited (“**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.

These interim unaudited condensed consolidated financial statements of the Group for the six months ended 31 March 2023 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 unaudited 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 2022 (the “**2022 Annual Financial Statements**”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRS**s”).

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

The interim unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 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 2023. Details of any changes in accounting policies are set out in Note 2.

These interim unaudited condensed consolidated financial statements have been approved for issue by the board (the “**Board**”) of directors of the Company (the “**Directors**”) on 31 May 2023.



Notes to The Interim Unaudited 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 October 2022 for the preparation of the Group's interim unaudited 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 HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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 unaudited condensed consolidated financial statements.

Notes to The Interim Unaudited 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 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

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 The Interim Unaudited Condensed Consolidated Financial Statements

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

	Six months ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Other income, gains and losses		
Bank interest income	139	2
Dividend income from financial assets at fair value through profit or loss	7	6
Fair value change on financial assets at fair value through profit or loss	692	478
Government grants (<i>Note</i>)	67	–
Loss on disposal of property, plant and equipment	(332)	–
Gain on lease termination	3	–
Agency commission income	3,484	805
Rental income	–	248
Others	3,411	1,023
	<u>7,471</u>	<u>2,562</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 2023.

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 The Interim Unaudited Condensed Consolidated Financial Statements

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

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

Segment revenue and results

	Foundation and site formation works <i>HK\$'000</i>	General building works and associated services <i>HK\$'000</i>	Other construction works <i>HK\$'000</i>	Construction related consultancy services <i>HK\$'000</i>	Health management and consultancy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 31 March 2023						
Segment revenue	<u>54,988</u>	<u>14,418</u>	<u>12,324</u>	<u>6,145</u>	<u>19,760</u>	<u>107,635</u>
Segment results	<u>11,233</u>	<u>(11,675)</u>	<u>3,809</u>	<u>1,926</u>	<u>13,533</u>	<u>18,826</u>
Other income, gains and losses						7,471
Administrative and other operating expenses						(35,923)
Net impairment losses on financial assets and contract assets						(137)
Finance costs						<u>(516)</u>
Loss before tax						<u><u>(10,279)</u></u>

Notes to The Interim Unaudited 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 2022						
Segment revenue	<u>48,191</u>	<u>5,479</u>	<u>29,666</u>	<u>3,068</u>	<u>2,734</u>	<u>89,138</u>
Segment results	<u>6,539</u>	<u>(19,189)</u>	<u>427</u>	<u>(1,700)</u>	<u>2,015</u>	<u>(11,908)</u>
Other income, gains and losses						2,562
Administrative and other operating expenses						(28,439)
Net reversal of impairment losses on financial assets and contract assets						588
Finance costs						<u>(244)</u>
Loss before tax						<u><u>(37,441)</u></u>

Segment results mainly represented profit/(loss) earned/incurred by each segment, excluding other income, gains and losses, administrative and other operating expenses, net (impairment losses)/reversal of impairment losses 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 the location of operation is as follows:

	Six months ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Hong Kong	87,875	86,404
The PRC	19,760	2,734
	<u>107,635</u>	<u>89,138</u>

Notes to The Interim Unaudited 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 is presented based on the geographical location of the assets:

	As at 31 March 2023 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 30 September 2022 <i>HK\$'000</i> <i>(Audited)</i>
Hong Kong	8,349	8,403
The PRC	<u>13,482</u>	<u>9,862</u>
	<u><u>21,831</u></u>	<u><u>18,265</u></u>

5 FINANCE COSTS

	Six months ended 31 March	
	2023 <i>HK\$'000</i> <i>(Unaudited)</i>	2022 <i>HK\$'000</i> <i>(Unaudited)</i>
Interest on bank borrowings	355	154
Interest on lease liabilities	<u>161</u>	<u>90</u>
	<u><u>516</u></u>	<u><u>244</u></u>

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

6 LOSS BEFORE TAX

	Six months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before tax has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	1,500	1,130
Depreciation of right-of-use assets	2,943	3,161
Short-term lease expenses	90	750
Auditors' remuneration	550	490
Employee benefit expenses, including Directors' emoluments	16,151	12,785
Net impairment losses/(reversal of impairment losses) on financial assets and contract assets	137	(588)
Research and development cost (including employee benefit expenses amounted approximately HK\$1,848,000)	5,525	–
	<u>5,525</u>	<u>–</u>

7 INCOME TAX EXPENSE

	Six months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong profits tax		
– Current income tax	–	–
PRC Enterprise Income Tax		
– Current income tax	14	12
Deferred income tax (Note 14)	–	–
	<u>14</u>	<u>12</u>

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

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 [2022] No.13 and Guoshui 2022 No.5, 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 The Interim Unaudited Condensed Consolidated Financial Statements

8 LOSS PER SHARE

	Six months ended 31 March	
	2023 (Unaudited)	2022 (Unaudited)
Loss for the period attributable to owners of the Company (HK\$'000)	(10,484)	(36,505)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (in thousand)	<u>800,000</u>	<u>800,000</u>
Basic loss per share (HK cents)	<u>(1.31)</u>	<u>(4.56)</u>

For the six months ended 31 March 2023 and 2022, the calculation of the basic loss per share attributable to owners of the Company was based on (i) the loss 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 per share is equal to the basic loss per share as there was no dilutive potential shares in issue during the six months ended 31 March 2023 and 2022.

9 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2023 (six months ended 31 March 2022: Nil).

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

During the six months ended 31 March 2023, the Group acquired certain items of property, plant and equipment with a cost of approximately HK\$506,000 (six months ended 31 March 2022: approximately HK\$313,000).

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 2023, the addition to right-of-use assets was approximately HK\$7,731,000 (six months ended 31 March 2022: approximately HK\$859,000).

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

11 TRADE AND OTHER RECEIVABLES

	31 March 2023 <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2022 <i>HK\$'000</i> <i>(Audited)</i>
Trade receivables	19,005	13,417
Less: provision for impairment losses	<u>(2,872)</u>	<u>(3,040)</u>
	16,133	10,377
Other receivables, deposits and prepayments (<i>note (d)</i>)	60,203	41,293
Less: provision for impairment losses	<u>(154)</u>	<u>(140)</u>
	<u>60,049</u>	<u>41,153</u>
	<u><u>76,182</u></u>	<u><u>51,530</u></u>

Notes:

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

	31 March 2023 <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2022 <i>HK\$'000</i> <i>(Audited)</i>
0-30 days	7,795	4,947
31-60 days	4,103	2,318
61-90 days	1,345	1,420
Over 90 days	<u>2,890</u>	<u>1,692</u>
	<u><u>16,133</u></u>	<u><u>10,377</u></u>

As at 31 March 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$12,192,000 (30 September 2022: approximately HK\$8,335,000) which are past due as at the reporting date. Out of the past due balances, nil (30 September 2022: Nil) 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.
- (d) The prepayments were mainly the payments to the suppliers for the procurement of goods in relation to the agency commission income.

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

12 BANK DEPOSITS, BALANCES AND CASH

	31 March 2023	30 September 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Cash at banks	<u>50,353</u>	<u>49,020</u>
Bank balances	43,681	41,443
Deposits at banks		
– fixed deposits (maturing within three months)	<u>6,672</u>	<u>7,577</u>
	<u>50,353</u>	<u>49,020</u>

13 SHARE CAPITAL

	Number of shares	Share capital
		<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 October 2021, 30 September 2022 and 1 October 2022 and 31 March 2023	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
As at 1 October 2021, 30 September 2022 and 1 October 2022 and 31 March 2023	<u>800,000,000</u>	<u>8,000</u>

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

14 DEFERRED TAX ASSETS/LIABILITIES

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

	Depreciation allowance <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 October 2021	(428)	428	–
(Charged)/credited to profit or loss	<u>(688)</u>	<u>688</u>	<u>–</u>
At 30 September 2022 and 1 October 2022	(1,116)	1,116	–
Credited/(charged) to profit or loss	<u>7</u>	<u>(7)</u>	<u>–</u>
At 31 March 2023	<u>(1,109)</u>	<u>1,109</u>	<u>–</u>

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

	31 March 2023 <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2022 <i>HK\$'000</i> <i>(Audited)</i>
Deferred tax assets	1,109	1,116
Deferred tax liabilities	<u>(1,109)</u>	<u>(1,116)</u>
	<u>–</u>	<u>–</u>

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

15 TRADE AND OTHER PAYABLES

	31 March 2023	30 September 2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables	3,841	4,876
Retention payables	24,057	25,790
Accruals and other payables	53,146	62,123
	<u>81,044</u>	<u>92,789</u>

Notes:

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

	31 March 2023	30 September 2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 to 30 days	1,093	2,630
31 to 60 days	800	270
61 to 90 days	2	4
Over 90 days	1,946	1,972
	<u>3,841</u>	<u>4,876</u>

Except for retention payables of approximately HK\$18,625,000 as at 31 March 2023 (30 September 2022: approximately HK\$20,704,000), which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

- (b) As at 31 March 2023, included in other payables were amount due to a related party, 日贏投資控股集團有限公司(「日贏投資」) of approximately HK\$2,662,000 (30 September 2022: approximately HK\$2,041,000). 日贏投資 is controlled by Mr. Sun Wei, an executive Director, and a family member of Mr. Sun Wei. The amount were non-trade in nature, unsecured, non-interest bearing and had no fixed term of repayment.

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

16 RELATED PARTY TRANSACTIONS

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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fee, discretionary bonuses, salaries and benefits in kind	3,435	4,673
Retirement benefit scheme contributions	3	3
	<u>3,438</u>	<u>4,676</u>

Management Discussion and Analysis

BUSINESS REVIEW

The Group is a construction contractor in Hong Kong that principally provides (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.

As at 31 March 2023, the Group had 16 construction projects on hand (including projects in progress and projects that are yet to commence) with a total contract value of approximately HK\$256.8 million. As at 30 September 2022, the Group had 25 construction projects on hand with a total contract value of approximately HK\$798.0 million. The details of the Group's projects on hand as at 31 March 2023 are as follows:

Number	Project on hand	Actual/expected commencement date	Actual/expected completion date
1	Foundation, excavation and lateral support and pile cap works for a commercial building in Sheung Wan	June 2018	June 2023
2	Slope works at Kwu Tung North New Development Areas	October 2020	September 2024
3	Maintenance for external works for a university in Shatin	April 2021	July 2023
4	Re-construction work of a building at Jordan	December 2021	July 2023
5	Foundation works for composite development in Cheung Sha Wan	July 2022	December 2023
6	Slope improvement work for a university in Shatin	January 2022	August 2023
7	Slope improvement work for a university in Shatin	December 2022	December 2023
8	Foundation works for the kindergarten education centre in Siu Sai Wan	January 2023	May 2023
9	Rectification works after periodic slope inspection in Mid-levels	February 2023	April 2023

Management Discussion and Analysis

Number	Project on hand	Actual/expected commencement date	Actual/expected completion date
10	Re-construction work of a public facility at Tuen Mun	February 2023	December 2023
11	Slope repairs works at Shouson Hill	March 2023	April 2023
12	Ground Investigation for the alteration and addition works erection of caretaker office in Repulse Bay	April 2023	October 2023
13	Slope improvement work for a university in Shatin	June 2023	December 2023
14	Slope improvement work for a university in Shatin	June 2023	December 2023
15	Slope improvement work at the Peak	July 2023	October 2023
16	Ground investigation and underground services investigation at Yuen Long	July 2023	February 2024

Apart from undertaking construction works in Hong Kong, the Group also operates the health management and consultancy business in the PRC primarily involves the sales of health products on a wholesale basis. Initially, the Group sourced health products from suppliers under third-party brands, mainly including female hygiene products for female customers in the PRC. Having considered factors such as the growing ageing population in the PRC, the improvement of public health awareness and the recurrent outbreak of the novel coronavirus (COVID-19) epidemic (the “**Epidemic**”), the Group has begun to market health products under its own brands for customers in the middle age or older demographic in the PRC, which include Ginseng and related products developed and produced via cooperation with biotechnology and pharmaceutical companies in the PRC. In addition, the Group has also sold the health intelligent robots which allow users to conduct certain basic health check-ups and seek medical and health consultation online. The revenue generated from the Group’s health management and consultancy business increased from approximately HK\$2.7 million for the six months ended 31 March 2022 to approximately HK\$19.8 million for the six months ended 31 March 2023.

Management Discussion and Analysis

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 in the post-pandemic era. Although the economy is gradually recovering, the rapid increase in interest rates as induced by the US Fed and the Russo-Ukrainian conflict have still affected the global economy. In light of the uncertain business environment, the Group will strive to adopt prudent financial management and cost control measures. Furthermore, the Group will continue to obtain additional licences and strengthen its financial resources to better position itself to tender suitable projects in the public sector as a main contractor, and strengthen its manpower and invest in its new information system to enhance its operational capacity and efficiency. In respect of the Group's health management and consultancy business, it will strive to capture the growth opportunities in order to meet the market demand brought about by the Epidemic as well as the improvement of health awareness in the PRC. Meanwhile, the Group will continue to explore suitable business and investment opportunities to drive its business growth.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$18.5 million, or approximately 20.8%, from approximately HK\$89.1 million for the six months ended 31 March 2022 to approximately HK\$107.6 million for the six months ended 31 March 2023. The following table sets out a breakdown of the Group's revenue during the six months ended 31 March 2022 and 2023 by segments:

	Six months ended 31 March			
	2023		2022	
	HK\$'000	%	HK\$'000	%
Foundation and site formation works	54,988	51.1	48,191	54.1
General building works and associated services	14,418	13.4	5,479	6.1
Other construction works	12,324	11.4	29,666	33.3
Construction related consultancy works	6,145	5.7	3,068	3.4
Health management and consultancy business	19,760	18.4	2,734	3.1
Total	<u>107,635</u>	<u>100.0</u>	<u>89,138</u>	<u>100.0</u>



Management Discussion and Analysis

The increase in the Group's revenue was primarily driven by the increase in revenue from foundation and site formation works, general building works and associate services, and construction related consultancy works. Such increase was primarily due to (i) the increase in number of projects undertaken for foundation and site formation works as well as construction related consultancy works; and (ii) the increase in work performed of a sizeable general building works project during the six months ended 31 March 2023. The Group recorded a decrease in revenue contributed from other construction works as a result of completion of projects during the six months ended 31 March 2022. With the continuous development of the health management and consultancy business and the launch of the health intelligent robots, the revenue generated from the Group's health management and consultancy business increased during the six months ended 31 March 2023.

Cost of sales

Cost of sales decreased by approximately HK\$12.2 million, or approximately 12.1%, from approximately HK\$101.0 million for the six months ended 31 March 2022 to approximately HK\$88.8 million for the six months ended 31 March 2023. Such decrease was mainly driven by the decrease in costs incurred for other construction works as a result of the completion of projects during the six months ended 31 March 2022.

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

The Group incurred gross profit of approximately HK\$18.8 million for the six months ended 31 March 2023 as compared with the gross loss of approximately HK\$11.9 million for the six months ended 31 March 2022. The Group also recorded a gross profit margin of approximately 17.5% for the six months ended 31 March 2023 as compared with the gross loss margin of 13.4% for the six months ended 31 March 2022.

During the six months ended 31 March 2023, the Group recorded a decrease in gross loss margin for general building works and associated services (2022: approximately 350.2%; 2023: approximately 81.0%) as a result of the decrease in loss attributable to the redevelopment project of a school with whom the Group have the disputes over the certification of works performed. The construction related consultancy services recorded a turnaround from gross loss margin to gross profit margin (2022: gross loss margin of approximately 55.4%; 2023: gross profit margin of approximately 31.3%) which was driven by the increase in revenue generated from the construction related consultancy services with stable fixed costs incurred during the period. The gross profit margin of foundation and site formation works (2022: approximately 13.6%; 2023: approximately 20.4%) and other construction works (2022: approximately 1.4%; 2023: approximately 30.9%) increased with relatively higher gross profit margin projects undertaken during the six months ended 31 March 2023. The Group's gross profit margin for health management and consultancy business remained relatively stable over the period in 2022 and 2023 (2022: approximately 73.7%; 2023: approximately 68.5%).



Management Discussion and Analysis

Other income, gains and losses

The other income, gains and losses increased by approximately HK\$4.9 million from approximately HK\$2.6 million for the six months ended 31 March 2022 to approximately HK\$7.5 million for the six months ended 31 March 2023, primarily due to the increase in agency commission income during the period.

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately HK\$7.5 million, or approximately 26.3%, from approximately HK\$28.4 million for the six months ended 31 March 2022 to approximately HK\$35.9 million for the six months ended 31 March 2023. Such increase is primarily due to increase in the staff costs and relevant costs for the Group's business development in the PRC.

Income tax expense

The Group recorded income tax expense of approximately HK\$14,000 for the six months ended 31 March 2023, primarily arising from the taxable profit for the PRC business during the six months ended 31 March 2023 (six months ended 31 March 2022: approximately HK\$12,000).

Loss and total comprehensive expense for the period

As a result of the foregoing, the Group recorded a loss of approximately HK\$10.3 million and approximately HK\$37.5 million for the six months ended 31 March 2023 and 2022, respectively.



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 2023.

Business strategies as stated in the Prospectus	Implementation activities up to 31 March 2023 as stated in the Prospectus	Progress up to 31 March 2023
Apply for additional licences	<ul style="list-style-type: none">– Acquire one set of bored piling machine; one set of rock-socket piling machine; two sets of mini-piling machines and four air compressors; and maintain newly acquired machinery to fulfill plant requirements of the licenses– Acquire a piece of land for machinery storage	<p>The Group has acquired the bored piling machines, rock-socket piling machine and two 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> <p>As the Group is in the course of obtaining sufficient track record in undertaking relevant construction projects as required for the application of relevant licenses, the Group has delayed the expected time for acquiring machinery and the land premises for the storage of machinery. The Group has strived to tender suitable construction projects in order to fulfil the application requirement for the license.</p>

Management Discussion and Analysis

Business strategies as stated in the Prospectus	Implementation activities up to 31 March 2023 as stated in the Prospectus	Progress up to 31 March 2023
Fund the initial costs of the Group's construction projects	<ul style="list-style-type: none"> – Increase the employed capital of Po Shing Construction Limited and Fong On Construction Limited – Finance the working capital requirement and upfront costs for three of the Group's projects 	<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>
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 foremen and one mechanical fitter – Retain talents as recruited for this business strategy 	<p>The Group has recruited one project manager, two project engineers, two quantity surveyors and two site foremen. Due to the prolonged outbreak of the Epidemic and the unstable economic environment, no sizable construction project is obtained which required additional manpower for undertaking the project. The Group will tender for sizable construction projects and will continue to identify suitable candidate for the remaining vacancy.</p> <p>The Group has utilised the proceeds for retaining the above newly recruited staffs to facilitate the business development.</p>
Investment in the new information system	<ul style="list-style-type: none"> – Upgrade the existing hardware and acquire new computer facilities 	<p>The Group has upgraded existing hardware and acquired new computer facilities.</p>



Management Discussion and Analysis

Business strategies as stated in the Prospectus

Implementation activities up to 31 March 2023 as stated in the Prospectus

Progress up to 31 March 2023

- Upgrade the accounting system to enhance documentation and manual procedures and upgrade the human resources management system to consolidate and automate attendance, payrolls and retirement fund contribution

The Group has upgraded the accounting system to enhance documentation. As no human resources management system suitable for the Group's business size and structure is identified, the expected time for the upgrade of the human resources management system is delayed. The Group has continued to approach different service providers to search for suitable human resources management system for the Group.

- Upgrade the engineering and design system to facilitate the planning, designing, and managing of construction projects through automatic generation of drawings and reports, design analysis, schedule simulation and facilities management

The Group has upgraded the engineering and design system.

Management Discussion and Analysis

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK\$86.6 million. After the Listing, a part of these proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus.

The below table sets out the proposed and actual applications of the net proceeds from the date of the Listing to 31 March 2023:

	Planned use of proceeds up to 31 March 2023 <i>HK\$ million</i>	Actual use of proceeds from the Listing Date to 31 March 2023 <i>HK\$ million</i>	Unutilised net proceeds brought forward as at 1 October 2022 <i>HK\$ million</i>	Net proceeds utilised during the six months ended 31 March 2023 <i>HK\$ million</i>	Unutilised net proceeds as at 31 March 2023 <i>HK\$ million</i>	Expected timeline for utilising the unutilised net proceeds
Apply for additional licences	39.5	9.2	30.3	–	30.3	30 September 2023
Fund the initial costs of the Group's construction projects	21.8	21.8	–	–	–	N/A
Strengthening the Group's manpower	13.9	10.6	4.3	1.0	3.3	30 September 2023
Investment in the new information system	2.7	1.8	1.0	0.1	0.9	30 September 2023
General working capital	8.7	8.7	–	–	–	N/A
	<u>86.6</u>	<u>52.1</u>	<u>35.6</u>	<u>1.1</u>	<u>34.5</u>	

During the six months ended 31 March 2023, 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.



Management Discussion and Analysis

Up to 31 March 2023, approximately HK\$52.1 million out of the net proceeds from the Listing had been used. The remaining unutilised net proceeds of approximately HK\$34.5 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. However, due to the unstable economic environment under the prolonged outbreak of COVID-19, the Group will utilise the remaining balance in a conservative manner. 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. Such amounts are expected to be fully utilised on or before 30 September 2023.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

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

As at 31 March 2023, the Group had net current assets of approximately HK\$15.2 million (30 September 2022: approximately HK\$27.2 million) and bank balances and cash of approximately HK\$50.4 million (30 September 2022: approximately HK\$49.0 million), which were denominated in Hong Kong dollars, Renminbi and United States dollars.

As at 31 March 2023, the Group's total equity attributable to owners of the Company amounted to approximately HK\$36.4 million (30 September 2022: approximately HK\$47.2 million), and the Group's total debt comprising bank borrowings and lease liabilities amounted to approximately HK\$56.5 million (30 September 2022: approximately HK\$6.1 million), which were denominated in Hong Kong dollars and Renminbi. The bank borrowings carried interest rates ranged from 4.0% to 4.2% and are repayable within one year. The Directors have confirmed that the Group will have sufficient financial resources to meet its obligations as they fall due in the foreseeable future.



Management Discussion and Analysis

CONTINGENT LIABILITIES

As at 31 March 2023, certain customers of construction contracts undertaken by the Group require the Group to issue guarantee for the performance of contract works in the form of surety bonds of approximately HK\$21.0 million (30 September 2022: approximately HK\$25.3 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.

MATERIAL PROCEEDINGS

As disclosed in the announcement dated 20 January 2023, Fong On Construction Limited (“**Fong On**”), an indirect wholly-owned subsidiary of the Company, is involved in certain disputes in connection to payments owed to Fong On as main contractor for carrying out certain design and construction works for a school in Hong Kong (the “**School**”). Fong On contends, among other things, that the School has failed and/or refused to pay Fong On in accordance with the payment terms agreed and has undervalued the works carried out (including variation works) by Fong On pursuant to the relevant contracts (the “**Disputes**”). On 18 January 2023, Fong On has submitted a written notice to the School requesting the Disputes to be referred to mediation in accordance with and subject to The Government of the Hong Kong Special Administrative Region Construction Mediation Rules. Upon the conclusion of the mediation conference held on 9 May 2023, the parties were unable to reach a settlement agreement in relation to the Disputes.

In addition to the aforementioned mediation, Fong On has also initiated arbitration proceedings against the School with respect to the Disputes (the “**Arbitration**”) on 18 April 2023. As at the date of this interim report, the Arbitration is still in its preliminary stages and hence the impacts of the Arbitration, if any, on the Company, cannot be fully assessed at this stage. The Company will make further disclosure as and when necessary or appropriately based on the progress of the Arbitration.

PLEDGE OF ASSETS

As at 31 March 2023, the Group has pledged certain motor vehicle with net book value amounted to approximately HK\$0.6 million (30 September 2022: approximately HK\$0.7 million) under non-cancellable lease agreement.

As at 31 March 2023, the Group paid a cash collateral of approximately HK\$4.2 million (30 September 2022: approximately HK\$5.1 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 FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the six months ended 31 March 2023, 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 2023.

CAPITAL COMMITMENTS

As at 31 March 2023, the Group did not have any capital commitments (31 March 2022: 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 EXCHANGE EXPOSURE

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

GEARING RATIO

As at 31 March 2023, the gearing ratio of the Group, which is calculated as the total debt (comprising bank borrowings and lease liabilities) divided by total equity, was approximately 182.5% (30 September 2022: approximately 14.7%). The increase in gearing ratio was mainly due to the increase in bank borrowings during the period.



Management Discussion and Analysis

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 2023 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 2023. The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2023 (six months ended 31 March 2022: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group had 172 employees (31 March 2022: 164 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 development. Total staff costs for the six months ended 31 March 2023 amounted to approximately HK\$18.0 million (six months ended 31 March 2022: approximately HK\$12.8 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 the interim unaudited condensed consolidated financial statements of this interim report.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2023, the interests and short positions of each 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 Divisions 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 the 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 1</i>)	Interest of a controlled corporation	408,000,000	51%
Mr. CM Lau (<i>Note 1</i>)	Interest of a controlled corporation	408,000,000	51%
Dr. CK Lau (<i>Note 1</i>)	Interest of a controlled corporation	408,000,000	51%
Mr. Sun Wei (<i>Note 2</i>)	Interest of a controlled corporation	192,000,000	24%

Note 1: 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.

Note 2: Leaf Cove Limited is 100% owned by Mr. Sun Wei, an executive Director. Therefore, Mr. Sun Wei is deemed to be, or taken to be, interested in all the shares of the Company held by Leaf Cove Limited for the purpose of the SFO.

Other Information

Save as disclosed above, as at 31 March 2023, none of the Directors or chief executive of the Company had any interests 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as known to the Directors or chief executive of the Company, as at 31 March 2023, 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 and underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 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	408,000,000	51%
Ms. Ng Lai Mui Theresa (<i>Note 1</i>)	Interest of spouse	408,000,000	51%
Ms. Ng Kooi Har (<i>Note 2</i>)	Interest of spouse	408,000,000	51%
Ms. Kwong Shun Man Jessie (<i>Note 3</i>)	Interest of spouse	408,000,000	51%
Leaf Cove Limited	Beneficial owner	192,000,000	24%



Other Information

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 2023, 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 the shares, underlying shares and debentures of the Company and its associated corporations” 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 Divisions 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.

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 2023.



Other Information

COMPETING INTERESTS

During the six months ended 31 March 2023, none of the Directors or the Controlling Shareholders and any of 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.

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.



Other Information

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 OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regulating securities transactions by Directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code during the six months ended 31 March 2023.

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.

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 as at the date of approval of the Scheme and any other share schemes of the Company (the “**Scheme Mandate Limit**”). The Scheme Mandate Limit may be refreshed once every three years 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. No options may be granted under the Scheme or any other share option schemes of the Company if this will result in the Scheme Mandate Limit being exceeded.



Other Information

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.



Other Information

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 2023, 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 2023 and 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 unaudited condensed consolidated financial statements for the six months ended 31 March 2023 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 unaudited condensed consolidated financial statements of the Group for the six months ended 31 March 2023 with the management.

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

Hong Kong, 31 May 2023