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)

Annual Report 2019

Contents

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 *(appointed on 25 April 2019)*

Independent Non-executive Directors
Mr. Leung Bing Kwong Edward
Mr. Pang Ka Hang
Mr. Wong Chun Nam

BOARD COMMITTEES

Audit Committee
Mr. Pang Ka Hang *(Chairman)*
Mr. Leung Bing Kwong Edward
Mr. Wong Chun Nam

Remuneration Committee
Mr. Wong Chun Nam *(Chairman)*
Mr. Lau Chi Ming
Mr. Leung Bing Kwong Edward
Mr. Pang Ka Hang

Nomination Committee
Mr. Leung Bing Kwong Edward *(Chairman)*
Dr. Lau Chi Keung
Mr. Pang Ka Hang
Mr. Wong Chun Nam

COMPANY SECRETARY

Ms. Yim Sau Ping

AUTHORISED REPRESENTATIVES

Mr. Lau Chi Ming
Ms. Yim Sau Ping

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKS

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

COMPANY'S WEBSITE

www.riyingholding.com

STOCK CODE

1741

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Ri Ying Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I would like to present to our shareholders the annual report of our Group for the year ended 30 September 2019.

THE LISTING

The shares of our Company were successfully listed on the Main Board (the "**Listing**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 October 2018 (the "**Listing Date**"). The Listing was an important milestone in our Group's history. The additional capital raised allows us to expand our business. It has also provided our Group an opportunity to strengthen our corporate governance and further promote our Group as an all-round contractor providing a wide spectrum of construction services to the public.

FINANCIAL RESULTS

For the year ended 30 September 2019, our Group recorded a total revenue of approximately HK$325.2 million, representing a decrease of approximately 14.3% as compared to approximately HK$379.6 million for the year ended 30 September 2018. Our gross profit also decreased by approximately 43.1% from approximately HK$40.1 million for the year ended 30 September 2018 to approximately HK$22.8 million for the year ended 30 September 2019. Such decrease was primarily due to delays in commencement or work progress of certain projects, and competitive project pricing arisen from intense market competition. This has caused our Group to record a net loss of approximately HK$11.1 million for the year ended 30 September 2019.

PROSPECTS

Our Directors are of the view that the general outlook of the industry and the business environment in which the Group operates remain challenging in the coming year. Looking ahead, our Group will adhere to prudent financial management in project selection and cost control. Our Group will continue to obtain additional qualifications and strengthen our financial resources to position ourselves to tender for suitable projects in the public sector as a main contractor, and invest in our manpower and information system to enhance our operational capacity and efficiency.

During the year ended 30 September 2019, we have also commenced business in health management and consultancy in the People's Republic of China (the "**PRC**"). It is believed that the health management and consultancy business in the long run could help diversify our business and broaden our source of income, thereby enhancing the profitability of our Group as a whole.

APPRECIATION

On behalf of the Board, I would like to express my sincerest gratitude to the shareholders, customers, suppliers and subcontractors for their continuous support. I would also like to send my warmest thanks to all our management and staff members for their hard work and dedication throughout the years.

Lau Chi Wang
Chairman and Executive Director

Hong Kong, 23 December 2019

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, 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. During the year ended 30 September 2019, the Group commenced business in health management and consultancy in the PRC, which mainly includes sales of health products and health services.

As at 30 September 2019, the Group had 36 construction projects on hand (including projects in progress and projects that have yet to commence) with a total contract value of approximately HK$773.0 million, out of which approximately HK$414.3 million has been recognised as revenue up to 30 September 2019. As at 30 September 2018, the Group had 34 construction projects on hand with a total contract value of approximately HK$1,161.2 million.

OUTLOOK

The shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date by way of public offer and placing (the "**Share Offer**"). The Directors believe that the Listing could enhance the Group's profile and recognition which will enhance the customers' confidence in the Group. In addition, the net proceeds from the Share Offer will provide additional resources for the Group to expand its business.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK$54.4 million, or 14.3%, from approximately HK$379.6 million for the year ended 30 September 2018 to approximately HK$325.2 million for the year ended 30 September 2019. The following table sets out a breakdown of the Group's revenue during the years ended 30 September 2019 and 2018 by segments:

	Year ended 30 September			
	2019		2018	
	HK$'000	**%**	HK$'000	%
Foundation and site formation works	**95,015**	**29.2**	124,061	32.7
General building works and associated services	**97,973**	**30.1**	178,684	47.1
Other construction works	**125,626**	**38.6**	65,515	17.2
Construction related consultancy services	**6,052**	**1.9**	11,315	3.0
Health management and consultancy business	**538**	**0.2**	–	–
Total	**325,204**	**100.0**	379,575	100.0

Management Discussion and Analysis

The decrease in the Group's revenue was primarily driven by the decrease in revenue contribution from foundation and site formation works, general building works and construction related consultancy works during the year ended 30 September 2019. Such decrease was mainly due to delays in commencement or work progress of certain projects. The decrease was partially offset by (i) the increased revenue generated from other construction works since the Group has undertaken more slope works including the design and installation of rockfall/debris flow protection barriers during the year ended 30 September 2019; and (ii) revenue from health management and consultancy business in the PRC which was newly commenced during the year ended 30 September 2019.

Cost of sales

Cost of sales decreased by approximately HK$37.0 million, or 10.9%, from approximately HK$339.4 million for the year ended 30 September 2018 to approximately HK$302.4 million for the year ended 30 September 2019. Such decrease was mainly driven by the corresponding decrease in revenue.

Gross profit and gross profit margin

Gross profit decreased by approximately HK$17.3 million to approximately HK$22.8 million for the year ended 30 September 2019 as compared with approximately HK$40.1 million for the year ended 30 September 2018. The Group's gross profit margin was approximately 10.6% and 7.0% for the years ended 30 September 2018 and 2019, respectively.

During the year ended 30 September 2019, the Group recorded a decrease in gross profit margins for foundation and site formation works (2018: 14.5%; 2019: 8.6%), general building works and associated services (2018: 8.3%; 2019: 6.3%), construction related consultancy services (2018: 39.8%; 2019: 2.3%), mainly due to (i) delays in commencement or work progress of certain projects; and (ii) competitive project pricing arising from intense market competition. The Group also recorded a gross loss from health management and consultancy business as it was in the early stage of business development. The aforementioned decrease and loss was partially offset by the increase in gross profit margin for other construction works (2018: 4.3%; 2019: 6.8%), which is primarily due to more work done for projects involving design and installation of rockfall/debris flow protection barriers which were of relatively higher gross profit margin.

Other income, gains and losses

The other income, gains and losses decreased by approximately HK$2.1 million from approximately HK$4.9 million for the year ended 30 September 2018 to approximately HK$2.8 million for the year ended 30 September 2019, primarily due to insurance claims for employees compensation of approximately HK$4.4 million for the year ended 30 September 2018, such decrease was partially offset by the increase in bank interest attributable to the listing proceeds deposited in the banks.

Administrative and other operating expenses

The administrative and other operating expenses increased by approximately HK$4.9 million, or 16.3%, from approximately HK$30.0 million for the year ended 30 September 2018 to approximately HK$34.9 million for the year ended 30 September 2019, mainly due to the increase in legal and professional fees upon the Listing and higher staff costs for the Group's business development.

Management Discussion and Analysis

Income tax expense

The income tax expense decreased by approximately HK$4.5 million from approximately HK$5.1 million for the year ended 30 September 2018 to approximately HK$0.6 million for the year ended 30 September 2019, primarily attributable to loss incurred during the year ended 30 September 2019.

(Loss)/profit and total comprehensive (expense)/income for the year

As a result of the foregoing, for the year ended 30 September 2019, the Group recorded a net loss of approximately HK$11.1 million as compared to a net profit of approximately HK$10.1 million for the same period in 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors believe that there are certain risks and uncertainties involved in the operations, some of which are beyond the Group's control. The Directors believe the more significant risks relating to the business are as follows:

– the Group's revenue mainly relies on successful tenders of or acceptance of its quotations for construction projects which are non-recurring in nature and any failure of the Group to secure projects from its existing customers and/or new customers in the future would affect the Group's business operation and financial results;

– a significant portion of the Group's revenue was generated from contracts awarded by a limited number of customers, and any significant decrease in the number of projects with the major customers may materially and adversely affect the Group's financial condition and operating results;

– the Group relies substantially on subcontractors to help to complete the projects;

– the Group depends on key management personnel with relevant knowledge, experience and expertise; and

– the Group determines the price of its quotation or tender based on the estimated time and costs to be involved in a project and the actual time and costs incurred may deviate from its estimate due to unexpected circumstances, thereby leading to cost overruns and adversely affecting the Group's operations and financial results.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that may cause a significant impact on the business and operation of the Group in the event of a material breach or non-compliance. During the year ended 30 September 2019, there was no material breach nor non-compliance with the applicable laws and regulations by the Group.

Management Discussion and Analysis

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board has overall responsibility for the Group's environmental, social and governance ("**ESG**") strategy and reporting, and is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met. The details of ESG performance of the Group are set out in the "Environmental, Social and Governance Report" section of this annual report.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

The Group maintains good relationships with its employees and certain policies have been implemented to ensure that its employees are provided with competitive remuneration, good welfare benefits and continuous professional training. The Group also maintains good relationships with its customers, suppliers and subcontractors, without whom the success in the Group's operation would be at risk. During the year ended 30 September 2019, there were no material disputes between the Group and its customers, suppliers, subcontractors and employees.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 28 September 2018 (the "**Prospectus**") with the Group's actual business progress for the period from the Listing Date to 30 September 2019 is set out below:

Business strategies as stated in the Prospectus	Business objectives up to 30 September 2019 as stated in the Prospectus	Actual business progress up to 30 September 2019
Apply for additional licences	– 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.
Fund the initial costs of the Group's construction projects	– Finance the working capital requirement and upfront 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 a commercial building at North Point were fully utilised.

Business strategies as stated in the Prospectus	Business objectives up to 30 September 2019 as stated in the Prospectus	Actual business progress up to 30 September 2019
Strengthening the Group's manpower	– Recruit two project managers, two project engineers, two quantity surveyors, one safety officer, two site foremens and one mechanical fitter	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.
Investment in the new information system	– Upgrade our existing hardware and acquire new computer facilities	The Group has acquired certain new hardware and software for system upgrade.
	– 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	The Group is in the course of identifying suitable service providers for the system upgrades.

USE OF PROCEEDS FROM THE SHARE OFFER

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 Listing Date to 30 September 2019:

	Planned use of proceeds up to 30 September 2019 HK$ million	Actual use of proceeds from the Listing Date to 30 September 2019 HK$ million	Unutilised balance as at 30 September 2019 HK$ million
Apply for additional licences	36.7	5.1	31.6
Fund the initial costs of the Group's construction projects	21.8	21.8	–
Strengthening the Group's manpower	3.9	1.4	2.5
Investment in the new information system	1.5	0.7	0.8
General working capital	8.7	8.7	–
	72.6	37.7	34.9

Up to 30 September 2019, approximately HK$37.7 million out of net proceeds from the Listing had been used. The remaining unutilised net proceeds were deposited in licensed banks in Hong Kong. The Company intends to apply the net proceeds in the manner as stated in the Prospectus. The Directors will constantly evaluate the Group's business objectives and specific needs from time to time. The Company will make further announcement if there are any changes on the use of proceeds as and when appropriate.

Management Discussion and Analysis

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 and equity contribution from the shareholders.

As at 30 September 2019, the Group had net current assets of approximately HK$185.4 million (2018: HK$88.5 million) and bank balances and cash of approximately HK$180.0 million (2018: HK$88.2 million).

As at 30 September 2019, the Group's total equity attributable to owners of the Company amounted to approximately HK$193.3 million (2018: HK$91.9 million), and the Group's total debt comprising finance lease liabilities amounted to approximately HK$2.6 million (2018: HK$2.2 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.

GEARING RATIO

As at 30 September 2019, the gearing ratio of the Group, which is calculated as the total debt (comprising finance lease liabilities) divided by total equity, was approximately 1.3% (2018: 2.4%).

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the year ended 30 September 2019, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures saved for those related to the corporate reorganisation (as detailed in the Prospectus).

Save as disclosed in this annual report, the Group did not have other plans for material investments or acquisition of capital assets as of 30 September 2019.

CHARGE ON GROUP ASSETS

As at 30 September 2019, the Group has pledged certain machinery and motor vehicles with net book value amounted to approximately HK$3.9 million (2018: HK$2.9 million) under non-cancellable finance lease agreement.

As at 30 September 2019, the Group paid a cash collateral of approximately HK$4.6 million (2018: HK$2.8 million) to the insurance companies for the issuance of surety bonds and are included in other receivables, deposits and prepayments.

FOREIGN EXCHANGE EXPOSURE

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

Management Discussion and Analysis

TREASURY POLICY

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.

CONTINGENT LIABILITIES

As at 30 September 2019, 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$15.4 million (2018: HK$10.9 million). The Company and the executive Directors have provided guarantee to the insurance companies to secure certain surety bonds. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

CAPITAL COMMITMENTS

As at 30 September 2019, the Group did not have any material capital commitments (2018: Nil).

The Group is the lessee in respect of office premises, quarters and office equipment under operating leases. As at 30 September 2019, the Group's total future minimum lease payments under non-cancellable operating leases were approximately HK$7.2 million (2018: HK$972,000).

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 5, to the consolidated financial statements of this annual report.

INFORMATION ON EMPLOYEES

As at 30 September 2019, the Group employed 92 employees (2018: 41 employees). The increase in the number of employees was mainly attributable to the Group's business development in health management and consultancy in the PRC.

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.

For the year ended 30 September 2019, the total staff cost (including Directors' emoluments and mandatory provident funds contributions) amounted to approximately HK$22.9 million (2018: HK$17.7 million).

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 30 September 2019 (2018: Nil).

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Lau Chi Wang, B.B.S., J.P.,（劉志宏）(“**Dr. CW Lau**”), aged 72, is the chairman of the Company (the “**Chairman**”) and an executive Director. Dr. CW Lau is responsible for overseeing the Group’s corporate governance, setting the corporate policy and supervising all matters at the Board level. Dr. CW Lau was appointed as a Director on 3 January 2018 and re-designated as the Chairman and an executive Director on 12 February 2018. Dr. CW Lau is currently a director of Fong On Construction Limited, Fong On Geotechnics Limited, Po Shing Construction Limited and James Lau & Associates Limited. Dr. CW Lau was appointed as a Justice of the Peace in July 2002 by the Chief Executive of Hong Kong. In July 2009, Dr. CW Lau was awarded the Bronze Bauhinia Star for his contribution to Hong Kong.

Dr. CW Lau has approximately 50 years of experience in construction, design and research in the field of civil engineering. Dr. CW Lau worked as a trainee designer in Redpath Dorman Long Limited from 1968 to 1971 with his last position held as a site engineer. He then re-joined Redpath Dorman Long Limited as a design engineer from 1972 to 1973. Dr. CW Lau subsequently worked as a research assistant in King’s College London from 1973 to 1976 and obtained his PhD from the University of London in 1977 based on his research work. He later worked as a soils engineer in the Buildings Ordinance Office (currently known as the Buildings Department) from 1977 to 1980. He then joined Wong & Ouyang (HK) Limited as an assistant chief structural engineer from 1980 to 1989 with his last position held as a chief civil engineer. Dr. CW Lau was a director of Wong & Ouyang (Civil – Structural Engineering) Limited.

Dr. CW Lau has been an authorised person, a registered structural engineer and a registered geotechnical engineer under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) since July 1983, December 1994 and April 2005, respectively. He has also been a chartered engineer of The Council of Engineering Institutions, a registered professional engineer (civil, structural and geotechnical) of Hong Kong Engineers Registration Board and a first class registered structural engineer of the People’s Republic of China approved by the National Administration Board of Architectural Registration since August 1972, May 1995 and March 2002, respectively. Dr. CW Lau was granted the qualification as a barrister by The Honourable Society of Gray’s Inn and was called to the Hong Kong Bar in July 1992 and September 1993, respectively.

Dr. CW Lau obtained a Higher Diploma in Structural Engineering from Hong Kong Technical College (currently known as The Hong Kong Polytechnic University) in July 1968. He later obtained a Master of Science in the Faculty of Technology from The Victoria University of Manchester (currently known as the University of Manchester) in December 1972. He then obtained a Doctor of Philosophy in Geotechnical Engineering from University of London in August 1977. He obtained a Master of Business Administration from The Chinese University of Hong Kong in December 1982. He subsequently completed a Bachelor of Laws and Master of Science in Financial Economics from the University of London in August 1985 and December 1994, respectively. He later obtained a Master of Laws from the University of Hong Kong in December 1999.

Dr. CW Lau is the brother of Mr. Lau Chi Ming and Dr. Lau Chi Keung.

Mr. Lau Chi Ming（劉志明）(“**Mr. CM Lau**”), aged 69, is the deputy chairman of the Company and an executive Director. Mr. CM Lau is responsible for carrying out all the duties of the Chairman in his absence. He was appointed as a Director on 3 January 2018 and re-designated as an executive Director on 12 February 2018. Mr. CM Lau is also a member of the remuneration committee of the Company (the “**Remuneration Committee**”). Mr. CM Lau is currently a director of Fong On Construction Limited, Fong On Geotechnics Limited, Po Shing Construction Limited and James Lau & Associates Limited.

Mr. CM Lau has approximately 38 years of experience in engineering. Mr. CM Lau worked in American Engineering Corporation (Hong Kong) Limited from August 1981 to February 1985 with his last position held as a project engineer. He then worked as a senior HVAC engineer in Aoki Corporation from March 1985 to August 1987. He went on to work as a building services engineer in The Hong Kong Tuberculosis, Chest and Heart Diseases Association and the Architectural Services Department from September 1987 to October 1989 and November 1989 to April 1993, respectively.

Biographical Details of Directors and Senior Management

Mr. CM Lau has been a member of The Chartered Institution of Building Services, a member of The Hong Kong Institution of Engineers and a chartered engineer of The Chartered Institution of Building Services Engineers since July 1984, January 1986 and January 1988, respectively. Mr. CM Lau has been a registered professional engineer (BSS) of Hong Kong Engineers Registration Board since November 2011.

Mr. CM Lau obtained a Bachelor of Science in Mechanical Engineering from the University of Leeds in July 1979. He then obtained a Master of Science in Management Science from Imperial College of Science and Technology (currently known as The Imperial College London) in January 1981.

Mr. CM Lau is the brother of Dr. CW Lau and Dr. Lau Chi Keung.

Dr. Lau Chi Keung(劉志強)("**Dr. CK Lau**"), aged 64, is the chief executive officer of the Company (the "**Chief Executive Officer**") and an executive Director. Dr. CK Lau is responsible for overseeing the Group's operation, business development, human resources, finance and administration. Dr. CK Lau was appointed as a Director on 3 January 2018 and re-designated as the Chief Executive Officer and an executive Director on 12 February 2018. Dr. CK Lau is also a member of the nomination committee of the Company (the "**Nomination Committee**"). He is currently a director of Fong On Construction Limited, Fong On Geotechnics Limited, Po Shing Construction Limited and James Lau & Associates Limited. Dr. CK Lau has served as an independent non-executive director of Wecon Holdings Limited (stock code: 1793), a company listed on the Main Board of the Stock Exchange since January 2019.

Dr. CK Lau has approximately 40 years of experience in engineering. Dr. CK Lau worked as a graduate engineer in Ho Chung, Wallace Evans & Company Limited in August 1978 with his last position held as an engineer in 1984. He was then employed by WS Atkins (Services) Limited as a group engineer with his last position held as a senior group engineer and head of the soil-structure interaction group from May 1988 to August 1994. Dr. CK Lau worked as an adjunct professor in City University of Hong Kong from June 2006 to June 2012 and The Hong Kong Polytechnic University from April 2002 to March 2005. He has re-joined The Hong Kong Polytechnic University as an adjunct professor since March 2016. He has also been appointed as an adjunct associate professor of the University of Hong Kong since September 2018.

Dr. CK Lau has been a registered professional engineer (civil, geotechnical and structural) of Hong Kong Engineers Registration Board since October 1997. He has also been a registered structural engineer, an authorised person, a registered geotechnical engineer and a registered inspector under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) since August 1997, April 1998, May 2005 and November 2012, respectively. He has also been a first class registered structural engineer approved by the National Administration Board of Architectural Registration since June 2000. Dr. CK Lau has also been an arbitrator and a mediator of The Hong Kong Institution of Engineers, an accredited general mediator of Hong Kong Mediation Accreditation Association Limited and an accredited adjudicator of Hong Kong International Arbitration Centre since 2005, 2013 and 2015, respectively. He was admitted as a fellow of the Hong Kong Institute of Arbitrators in May 2018.

Dr. CK Lau obtained a Bachelor of Science in Civil and Structural Engineering from University College Cardiff (currently known as Cardiff University) in July 1978. He further obtained a Master of Philosophy in Soil Mechanics and a Doctor of Philosophy in Soil Mechanics from the University of Cambridge in December 1985 and May 1989, respectively.

Dr. CK Lau is the brother of Dr. CW Lau and Mr. CM Lau.

Biographical Details of Directors and Senior Management

Mr. Sun Wei (孫偉) ("**Mr. Sun**"), aged 35, was appointed as an executive Director of the Company on 25 April 2019. Mr. Sun is currently the director of RI YING Group Co., Limited, Hong Kong RI YING Holdings International Group Co., Limited, Shanghai Cai Kang Le Health Management Limited*（上海財康樂健康管理有限公司）and Cai Kang Le Enterprise Management Limited*（財康樂企業管理有限公司）(which are the subsidiaries of the Company) respectively.

Mr. Sun has served as the vice general manager of Riying Investment Management Group Co. Ltd.*（日贏投資管理集團有限公司）since 2012 and the vice general manager of Beijing Baofeng Construction Enterprise Trading Co., Ltd.*（北京寶豐建企商貿有限公司）since November 2016. In addition, he has been the supervisor of Aixin Life Insurance Co., Ltd.*（愛心人壽保險股份有限公司）since July 2017. Mr. Sun also served as a bond analyst in Kailong Financial Software (Shanghai) Co., Ltd.*（凱龍財金軟件（上海）有限公司）from November 2008 to September 2009, a manager of securities department in Shanghai Wind Information Co., Ltd.*（上海萬得信息有限公司）from October 2009 to October 2010 and an assistant of the office of general manager in Shanghai Kangtai Investment Consulting Co., Ltd.*（上海康泰投資諮詢有限公司）from November 2010 to October 2012.

Mr. Sun graduated from the College of Information Economy of Changchun Taxation Institute*（長春稅務學院信息經濟學院）and obtained a bachelor of economics degree in finance in July 2008. Mr. Sun has over 10 years of experience in the sectors of finance and health industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Bing Kwong Edward（梁秉綱）("**Mr. Leung**"), aged 60, was appointed as an independent non-executive Director on 17 September 2018. He is also the chairman of the Nomination Committee and a member of each of the audit committee of the Company (the "**Audit Committee**") and the Remuneration Committee. Mr. Leung is responsible for making independent judgement and advising on the issue of strategy, performance, resources and standard of conduct of the Group.

Mr. Leung worked as an assistant civil and a geotechnical engineer in Brickell, Moss and Partners, Consulting Civil & Geotechnical Engineers from 1982 to 1986. He then worked as a project engineer in P. Y. Leung & Associates Limited and Yolles Partnership from 1986 to 1988 and 1988 to 1992, respectively. Mr. Leung rejoined P. Y. Leung & Associates Limited in 1992 and has been a director since then.

Mr. Leung has been a professional engineer of the Association of Professional Engineers of Ontario and a registered professional engineer (civil) of Hong Kong Engineers Registration Board since July 1990 and November 1994, respectively. Mr. Leung has also been a registered structural engineer and an authorised person under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) since March 1996 and November 1996, respectively.

Mr. Leung obtained a Bachelor of Science in Civil Engineering from Queen's University at Kingston in May 1982.

Mr. Pang Ka Hang（彭嘉恒）("**Mr. Pang**"), aged 64, was appointed as an independent non-executive Director on 17 September 2018. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Pang is responsible for making independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Pang was the partner of Pang & Ma, Chartered Accountants from 1982 to 1987. He then worked as a president of Pang and Ma Limited from 1990 to 2017.

* *for identification purpose only*

Biographical Details of Directors and Senior Management

Mr. Pang has been a chartered accountant of The Institute of Chartered Accountants of Ontario and a member of the Hong Kong Society of Accountants (currently known as The Hong Kong Institute of Certified Public Accountants) since March 1980 and June 1982 respectively.

Mr. Pang obtained a Bachelor of Business Administration from Wilfrid Laurier University in October 1976.

Mr. Wong Chun Nam (黃鎮南), B.B.S., J.P., ("**Mr. Duffy Wong**"), aged 66, was appointed as an independent non-executive Director on 17 September 2018. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. Duffy Wong is responsible for making independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Duffy Wong was a partner of Ho, Wong & Wong, Solicitors & Notaries from April 1986 to March 2017 and has been a consultant since March 2017. Mr. Duffy Wong has served as an independent non-executive director of Water Oasis Group Limited (stock code: 1161), a company listed on the Main Board of the Stock Exchange since December 2001.

Mr. Duffy Wong has been a solicitor in Hong Kong since 1982, a notary public since 1994, an associate and a fellow of the Institute of Chartered Secretaries and Administrators in the United Kingdom since 1980 and 1990, respectively. He has also been a fellow of the Hong Kong Institute of Chartered Secretaries since 1994. In addition, he has been a certified tax adviser of The Taxation Institute of Hong Kong since 2010 and an accredited general mediator of the Hong Kong International Arbitration Centre since 2011. He participates in many public services including being a Justice of the Peace.

SENIOR MANAGEMENT

Mr. Wong Kai Wa (黃啟華) ("**Mr. Wong**"), aged 55, is the general manager of Po Shing Construction Limited. Mr. Wong first joined the Group as a project manager in July 2004 and was appointed as the senior project manager on 1 July 2014. Mr. Wong was further promoted to general manager on 1 February 2019. He is primarily responsible for the overall management of the Group's projects, operations and business development.

Prior to joining the Group, Mr. Wong worked as a foreman in Yau Lee Construction Company Limited from April 1986 to June 1994. Mr. Wong then worked as an assistant project manager in Ytong Hong Kong Limited from June 1994 to August 1997. He subsequently worked as a project manager in Fong On Construction & Engineering Company Limited from August 1997 to October 2003.

Mr. Wong was awarded a Certificate in Building Studies by Vocational Training Council in July 1993. He then obtained a Higher Certificate in Building Studies from Hong Kong Technical Colleges (currently known as Hong Kong Institute of Vocational Education) in July 1996. He later obtained a Professional Diploma in Construction Project Management from The University of Hong Kong, School of Professional and Continuing Education in July 2001. He then obtained a Bachelor of Science in Work Based Learning Studies (Construction Project Management) from Middlesex University in January 2004. He further obtained a Diploma in Occupational Health and Safety from Li Ka Shing Institute of Professional and Continuing Education of The Open University of Hong Kong in January 2005.

Mr. Mok Kwai Hing (莫桂興) ("**Mr. Mok**"), aged 54, is the general manager of Fong On Construction Limited. Mr. Mok first joined the Group as a project manager in December 2003 and was appointed as the senior project manager on 1 January 2014. Mr. Mok was further promoted to general manager on 1 February 2019. He is primarily responsible for the overall management of the Group's projects, operations and business development.

Prior to joining the Group, Mr. Mok worked as an engineering draftsman in David S.K. Au & Associates Limited from October 1990 to April 1994. He then worked as a quantity surveyor in Hong Kong Dredging Limited from May 1994 to April 1996. He subsequently worked as a project manager in Fong On Construction & Engineering Company Limited from May 1996 to October 2003.

Mr. Mok was awarded a Certificate in Civil Engineering Studies by Vocational Training Council in July 1988. He further obtained a Higher Certificate in Civil Engineering from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1990.

Mr. Fong Pak Tong（方百棠）(“**Mr. Fong**”), aged 52, is the chief engineer of the Group. Mr. Fong first joined the Group as a senior engineer in September 2003 and was appointed as the chief engineer on 1 September 2013. Mr. Fong is primarily responsible for the overall management of the Group’s projects, design and business development.

Prior to joining the Group, Mr. Fong worked as a graduate engineer in P&T Architects and Engineers Limited in August 1992 with his last position held as an assistant engineer in February 1996. He then worked as an engineer in Fong On Construction & Engineering Company Limited from May 1996 to August 2003.

Mr. Fong has been a member of The Hong Kong Institution of Engineers since February 1997. Mr. Fong has also been a registered professional engineer (structural) of Hong Kong Engineers Registration Board since March 1998.

Mr. Fong obtained a Bachelor of Engineer in Civil Engineering from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in October 1992. He further obtained a Master of Science in Engineering (Civil and Structural Engineering) from The University of Hong Kong in December 1999.

COMPANY SECRETARY

Ms. Yim Sau Ping（嚴秀屏）(“**Ms. Yim**”), aged 37, was appointed as the company secretary of the Company (the “**Company Secretary**”) on 12 February 2018.

Prior to joining the Group, Ms. Yim worked for Boill Healthcare Holdings Limited (formerly known as Ngai Shun Holdings Limited) (stock code: 1246), a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as a financial controller from October 2014 to August 2015. She also worked for Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (stock code: 8326), a company listed on the GEM of the Stock Exchange as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013. She has been a director of Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services, since October 2015. Ms. Yim is currently the company secretary of seven companies listed on the Stock Exchange.

Ms. Yim obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2007. She has been a member and a fellow of the Hong Kong Institute of Certified Public Accountants since January 2010 and October 2017, respectively. She has accumulated more than 10 years of experience in accounting, auditing and financial management in international audit firm, financial institution and listed companies.

Corporate Governance Report

INTRODUCTION

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.

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company has fully complied with the CG Code since the Listing Date and up to the date of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code since the Listing Date and up to the date of this annual report.

DIRECTORS' RESPONSIBILITIES

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties including the development and reviewing the Company's policies and practices on corporate governance.

Liability insurance for the Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

DELEGATION BY THE BOARD

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the executive Directors along with other senior executives. They report periodically to the Board their work and business decisions.

Corporate Governance Report

Board Composition

The composition of the Board as at the date of this annual report is set out as follows:

Executive Directors

Dr. Lau Chi Wang *(Chairman)*
Mr. Lau Chi Ming
Dr. Lau Chi Keung *(Chief Executive Officer)*
Mr. Sun Wei *(appointed on 25 April 2019)*

Independent non-executive Directors

Mr. Leung Bing Kwong Edward
Mr. Pang Ka Hang
Mr. Wong Chun Nam

Biographical details of the Directors are set out in the "Biographical Details of the Directors and Senior Management" section on pages 11 to 14 of this annual report.

The proportion of independent non-executive Directors is higher than what is required by Rules 3.10(1) and (2), and 3.10A of the Listing Rules whereby independent non-executive Directors of a listed issuer represent at least one-third of the Board. The three independent non-executive Directors represent more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group's business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Group's strategies, performance and control, as well as ensure that the interests of all shareholders are considered. All independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 3.13 of the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Dr. CW Lau, Mr. CM Lau and Dr. CK Lau entered into a service contract with the Company on 12 February 2018 and Mr. Sun has entered into a service contract with the Company on 25 April 2019. The letters of appointment of each of the independent non-executive Directors are for an initial term of three years commencing from 16 October 2018. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the memorandum and articles of association of the Company and the applicable Listing Rules.

Corporate Governance Report

According to article 108 of the Company's memorandum and articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Article 112 of the Company's memorandum and articles of association provides that any Directors who are appointed to fill casual vacancies shall hold office only until the first general meeting of the Company after their appointment, and are subject to re-election by shareholders of the Company.

Mr. CM Lau, Mr. Sun and Mr. Duffy Wong will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 18 March 2020. Mr. CM Lau, Mr. Sun and Mr. Duffy Wong, being eligible, will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Mr. CM Lau and Mr. Sun as executive Directors, and Mr. Duffy Wong as independent non-executive Director.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and not to be performed by the same individual to avoid power being concentrated in any one individual. Dr. CW Lau is the Chairman of the Board and Dr. CK Lau is the Chief Executive Officer of the Company.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

In compliance with the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that they keep abreast of the current requirements. All Directors attended a formal directors training session conducted by CFN Lawyers during the year ended 30 September 2019 on the updates of the Listing Rules concerning good corporate governance practices.

The Group continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, so as to ensure that the Directors are aware of their responsibilities and obligations as well as to maintain good corporate governance practices.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.riyingholding.com. All Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the CG Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provisions in the CG Code and disclosures in this annual report.

Remuneration Committee

The Remuneration Committee was established on 17 September 2018. The chairman of the Remuneration Committee is Mr. Duffy Wong, the independent non-executive Director, and other members include Mr. CM Lau, the executive Director, Mr. Leung and Mr. Pang, the independent non-executive Directors. The written terms of reference of the Remuneration Committee are posted on the Stock Exchange's website and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriated policy and structures for all aspects of the Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of the Directors and senior management and considered that they are fair and reasonable during the year ended 30 September 2019. No Director nor any of his associates is involved in deciding his own remuneration.

Nomination Committee

The Nomination Committee was established on 17 September 2018. The chairman of the Nomination Committee is Mr. Leung, the independent non-executive Director, and other members include Dr. CK Lau, the Chief Executive Officer and an executive Director, Mr. Pang and Mr. Duffy Wong, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and the independence of the independent non-executive Directors and make recommendations to the Board on appointment of new Directors. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity of the Board.

In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

Nomination Policy

The Nomination Committee will reference to the nomination policy (the "**Nomination Policy**") adopted by the Group on 21 December 2018 for selecting and recommending candidates for directorships.

Selection Criteria

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria, having due regard to the benefits of diversity on the Board, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how, sufficient time to effectively carry out their duties, their services on other listed and non-listed companies should be limited to reasonable numbers, qualifications including accomplishment and experience in the relevant industries the Company's business is involved in, independence, reputation for integrity, potential contributions that the individual(s) can bring to the Board and commitment to enhance and maximize shareholders' value.

Nomination Process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

(a) By giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

(b) To consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the criteria;

(c) To adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) To make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(f) The Board will have the final authority on determining the selection of nominees.

Board Diversity Policy

The Board adopted a Board diversity policy (the "**Diversity Policy**") on 21 December 2018.

In designing the Board's composition, Board diversity is considered from a number of perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how, length of services and time to be devoted as a Director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review this Diversity Policy, as appropriate, to ensure its effectiveness.

As at the date of this annual report, the Board comprises seven Directors. Three Directors are independent non-executive Directors, thereby promoting critical review and control of the management process.

Audit Committee

The Audit Committee was established on 17 September 2018. The chairman of the Audit Committee is Mr. Pang, the independent non-executive Director, and other members include Mr. Leung and Mr. Duffy Wong, 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 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 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 Group's consolidated financial statements for the year ended 30 September 2019 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 30 September 2019 comply with applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

ATTENDANCE RECORDS OF MEETINGS

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

During the year, the Chairman held a meeting with the independent non-executive Directors without the presence of other Directors.

Details of all Directors' attendance at the Board meeting, Board committees' meeting held for the year ended 30 September 2019 are as follows:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2019 Annual General Meeting	Extraordinary General Meeting
	Number of Meetings Attended/Held					
Executive Directors						
Dr. Lau Chi Wang	4/4				1/1	1/1
Mr. Lau Chi Ming	4/4		2/2		1/1	1/1
Dr. Lau Chi Keung	4/4			2/2	1/1	1/1
Mr. Sun Wei (Note)	2/2					0/1
Independent non-executive Directors						
Mr. Leung Bing Kwong Edward	4/4	2/2	2/2	2/2	1/1	0/1
Mr. Pang Ka Hang	4/4	2/2	2/2	2/2	1/1	1/1
Mr. Wong Chun Nam	4/4	2/2	2/2	2/2	1/1	1/1

Note: Mr. Sun Wei was appointed as an executive Director with effect from 25 April 2019.

COMPANY SECRETARY

The Company Secretary assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance matters.

The Company engages an external service provider, which assigned Ms. Yim as the Company Secretary. Ms. Yim possesses the necessary qualifications and experience, and is capable of performing the functions of the Company Secretary. Mr. CM Lau, an executive Director, is the primary contact person who Ms. Yim contacts.

For the year ended 30 September 2019, Ms. Yim undertook no less than 15 hours of relevant professional training to update her skill and knowledge. The biographical details of Ms. Yim are set out in the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

INDEPENDENT AUDITORS' REMUNERATION

During the year ended 30 September 2019, the remuneration paid or payable to the external auditors of the Company, HLB Hodgson Impey Cheng Limited, in respect of the audit and non-audit services were as follows:

Services rendered	**Remuneration paid/payable** HK$'000
Audit services	
– Annual audit services	930
Non-audit services	
– Acting as reporting accountants for the listing of the shares of the Company	1,000
– Tax compliance services for the Group in relation to the Hong Kong profits tax	42
	1,972

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the Stock Exchange's website and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid-up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to article 64 of the memorandum and articles of association of the Company. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal place of business in Hong Kong.

Shareholders may send written enquiries or requests in respect of their rights to the Company's principal business address in Hong Kong.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group maintains an effective internal control and risk management system. It consists, in part, of organisational arrangements with defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures in order to safeguard the investment of the Company's shareholders and the Group's assets at all times.

The Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established risk management procedures which comprised the following steps:

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;
- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence;
- Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment are performed or updated annually, and the results of risk assessment, evaluation and mitigation of each function or operation are documented in the Risk Registry to communicate to the Board and management for reviews.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 30 September 2019 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews were performed by the Audit Committee and concurred the same.

The Group has yet to establish its internal audit function during the year ended 30 September 2019 as required under code provision C.2.5 of the CG Code. The Audit Committee and the Board have considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditors in respect of any material control deficiencies identified during the course of the financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

DISCLOSURE OF INSIDE INFORMATION

The Group has in place a policy on disclosure of inside information which sets out the procedures and internal controls for handling and dissemination of inside information.

The policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- define the requirements of periodic financial and operational reporting to the Board and Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;

- controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public;

- procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the Listing Rules.

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Stock Exchange's website and the Company's website.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders communication policy with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.riyingholding.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website;

Corporate Governance Report

(iv) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Hong Kong branch share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

During the year, there was no change to the Company's memorandum and articles of association except for the change of the Company name on 18 September 2019.

Environmental, Social and Governance Report

ABOUT THE REPORT

This report is the "Environmental, Social and Governance Report" (collectively the "**ESG Report**") published by the Group, which discloses the Group's measures and performance on sustainable development topics in a transparent and open manner, in order to increase stakeholders' confidence and understanding on the Group.

REPORTING STANDARDS

The ESG Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "**ESG Guide**") of the Stock Exchange set out in Appendix 27 of the Listing Rules. The ESG Report provides a simplified overview on the environmental, social and governance performance of the Group. The information in the ESG Report is derived from the Group's official documents and statistics, as well as the integration and summary of monitoring, management and operational information provided by subsidiaries of the Group.

REPORTING YEAR

All the information in the ESG Report reflects the performance of the Group in environmental management and social responsibility from 1 October 2018 to 30 September 2019 (the "**Reporting Period**"). This ESG Report is released annually by the Group for public review so as to improve the transparency and responsibility of information disclosure.

REPORTING SCOPE

The Group is a construction contractor in Hong Kong principally providing (i) foundation and site formation works; (ii) general building works and associated services; (iii) other construction works; and (iv) construction related consultancy services in Hong Kong. Additionally, the Group engages in health management and consultancy business in the PRC. The ESG Report covers mainly the ESG performance of the headquarters in Hong Kong and several construction projects engaged in Hong Kong which areas that represent the majority of Group's environmental, social and economic impacts.

After the comprehensive completion of data collection system and the Group's deepening in its environmental, social and governance work, the Group has identified certain ESG issues relevant to the Group, which have been assessed by considering their materiality and importance to the Group's principle activities, stakeholders as well as the Group. Those identified ESG issues and key performance indicators ("**KPIs**") have been disclosed in the ESG Report.

STAKEHOLDER ENGAGEMENT

The Stock Exchange has set forth four principles for reporting in the ESG Guide: materiality, quantitative, balance and consistency, which should form the basis for preparing the ESG Report. As the Stock Exchange emphasises, stakeholder engagement is the method by which materiality is assessed. Through stakeholder engagement, companies can understand wideranging views and identify material environmental and social issues.

The Group believes that effective feedback from stakeholders not only contributes to comprehensive and impartial evaluation of its ESG performance, but also enables it to improve its performance based on the feedback. Therefore, the Group has engaged in open and regular communication with its stakeholder groups including shareholders, employees, customers, suppliers, subcontractors, government and the media. Over the years, the Group has continued to fine-tune its sustainability focus, addressing pressing issues. The table below shows how the Group communicates with key stakeholder groups and their respective concerns.

Table 1: Stakeholders and Engagement Methods

Stakeholders	Interests and concerns	Engagement channels
Shareholders and investors	• Return on investment • Corporate strategy and governance • Risk mitigation and management	• Annual General Meeting • Interim and annual reports, corporate websites • Announcements, notices of meetings, circulars
Clients	• Robust project management • Full compliance with regulations • Sustainability performance of operations	• Interim and annual reports, corporate websites • Regular meetings and communication
Employees	• Compensation and benefits • Occupational health and safety • Career development opportunities • Corporate culture and well-being	• Provide leisure activities and increase cohesion • In-house training programmes • Performance reviews and appraisals • Promote career development and enhance competence at all levels
Sub-contractors	• Effective project management • Occupational health and safety • Ethical business practices • Sub-contractors assessment criteria	• Annual Health, Safety and Environment seminars • Training sessions • Regular progress meetings • Audits and assessments
Suppliers	• Long-term partnership • Ethical business practices • Supplier assessment criteria	• Procurement processes • Audits and assessments

The business of the Group affects different stakeholders, and stakeholders have different expectations on the Group. The Group will maintain communication with stakeholders continuously, collect opinions from stakeholders through different forms and more extensively, and make substantive analysis more comprehensively. At the same time, the Group will enhance the reporting principles of quantification, balance and consistency, in order to define the content of the ESG Report and presentation of the information that is more in line with the expectations of stakeholders.

Environmental, Social and Governance Report

ENVIRONMENTAL

Emissions

Emissions from vehicle usage

During the Group's operation in Hong Kong, the usage of private cars and light goods vehicle generate the emissions of nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and Particulate Matter ("**PM**"). The approximate amount of NOx, SOx and PM produced from the Group's operation in Hong Kong are shown in the following table:

Table 2: Number of cars owned during the Reporting Period

Types of Cars	2019 Number of Cars	2018 Number of Cars
Private Cars[1]	7	6
Light goods vehicles (3.5-5.5tonnes)[1]	–	1
Total	**7**	**7**

Note 1: During the Reporting Period, the Group has disposed 2 private cars and 1 light good vehicle in Nov, Dec 2018 and Jan 2019 respectively. On the other hand, 3 private cars are acquired in Nov, Dec 2018 and Feb 2019 respectively.

Table 3: Air emissions from vehicle usage

Types of air emissions	2019 Volume (Tonnes)	2018 Volume (Tonnes)
NO_X	0.01	0.03
SO_X	0.0002	0.0001
PM	0.001	0.002

Compared to the last financial year, the total amount of air emissions (NOx, SOx and PM) between 2018 and 2019 are nearly the same, although the total number of private cars has increased from 6 to 8. The emissions for both years remain at a reasonably low level.

In respect of reducing nitrogen oxides, sulphur oxides and Particulate Matter emissions, the Group has formulated and educated employees about the following measures so as to achieve the environmental friendly approach including (i) avoid peak hour traffic and (ii) encourage the use of public transport instead of private car.

GREENHOUSE GAS EMISSIONS

During the course of operations in Hong Kong, there are greenhouse gas ("**GHG**") emissions principally resulting from vehicle usage, electricity consumed and the use of electricity for processing fresh water and sewage water at head office.

Scope 1 – Combustion of fuels in mobile sources controlled by the Group

During the operations of the Group in Hong Kong, due to the intense usage of private cars and light goods vehicles to perform the foundation and site formation works, a certain amount of greenhouse gases is produced.

The Group strictly controls the emissions of greenhouse gases through the establishment of a comprehensive data collection system. This system helps the Group to monitor the monthly usage of all vehicles to maintain the efficiency at a prominent level.

The approximate amount of carbon dioxide (CO_2), methane (CH_4) and nitrous oxides (N_2O) produced from our operations in Hong Kong are shown in the table below:

Table 4: Greenhouse gas emissions-Scope 1 – Combustion of fuels in mobile sources controlled by the Group

Types of air emissions	2019 Volume (Tonnes)	2018 Volume (Tonnes)
CO_2	25.25	*15.68
CH_4	0.06	*0.02
N_2O	3.67	*1.70
Total	**28.98**	**17.4**

* Figure has been adjusted to conform current year's presentation.

Compared to the last financial year, the total amount of greenhouse gas emissions (CO_2, CH4 and N_2O) from 2018 to 2019 has increased slightly, due to the number of private cars has increased from 6 to 8. The emissions for both years remain at a steady level.

Scope 2 – Electricity purchased from power companies

Apart from the direct emissions of Particulate Matter and fumes, we have also incurred indirect greenhouse gases emissions (Scope 2), principally resulting from electricity consumed at the rented head office and the construction sites. In respect to the approximate indirect amount of GHG generated from our electrical usage, the figures are shown in the table below:

Table 5: Greenhouse gas emissions-Scope 2-Electricity purchased from power companies

2019 Electricity consumption (kWh)	2018 Electricity consumption (kWh)	2019 Volume (Tonnes)	2018 Volume (Tonnes)
88,320	110,392	58.71	65.32

Compared to last financial year, the electricity consumption for 2019 has decreased. A sense of urgency in minimising the use of electricity has been developed in the Group's culture through the staff training. More progress is anticipated to be made in coming years.

NON-HAZARDOUS SOLID WASTE EMISSIONS

For the provision of foundation and site formation services, the Group has produced some non-hazardous solid waste during the operation. The emissions figures are as followings:

Table 6: Non-hazardous solid waste emissions

Non-hazardous solid waste	2019 Volume	2018 Volume
Inert construction waste disposal at Government Waste Disposal Facilities (tonnes)	26,678.69	*–
Mixed construction waste disposal at Government Waste Disposal Facilities (tonnes)	3,900.44	658.15
Used A3 & A4 paper (reams)	350	**635

* The Group had not developed any mechanism for collecting theses information in 2018.

** Figure has been adjusted to conform current year's presentation.

The Group is dedicated to proper management of the non-hazardous solid waste. Specific area at the site is assigned for the temporary storage of non-hazardous waste. The waste is then gathered by logistic service provider which is authorised by the Environmental Protection Department of the Government and delivered to the public landfills.

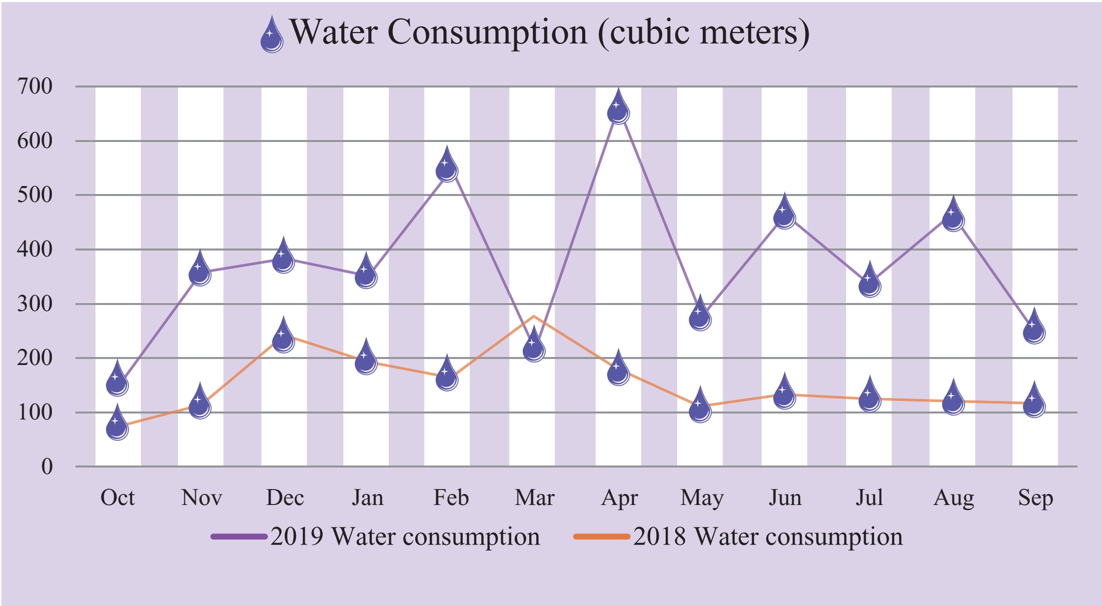
During the Reporting Period, the Group was not aware of any material non-compliance with the environmental laws and regulations in respect of both emissions from the course of operations and vehicle usage (2018: Nil).

USE OF RESOURCES

The Group adheres to the concept of energy conservation and emission reduction for green production. The major resources used by the Group are principally electricity and water consumed in the Group's headquarter and various project sites in Hong Kong. The Group aims to improve its energy utilisation efficiency to achieve low-carbon practices and emission reduction throughout the operation, and strive to save the resources.

The Group records and analyses the water consumption regularly. After identifying the causes of high rates of water consumption, the Group will take remedial action to minimise water use. The following table sets forth the monthly water consumption in cubic meters of the Group:

Table 7: Water consumption by months



The total water consumption in cubic meters in Hong Kong during the Reporting Period is shown in the following table:

Table 8: Water consumption

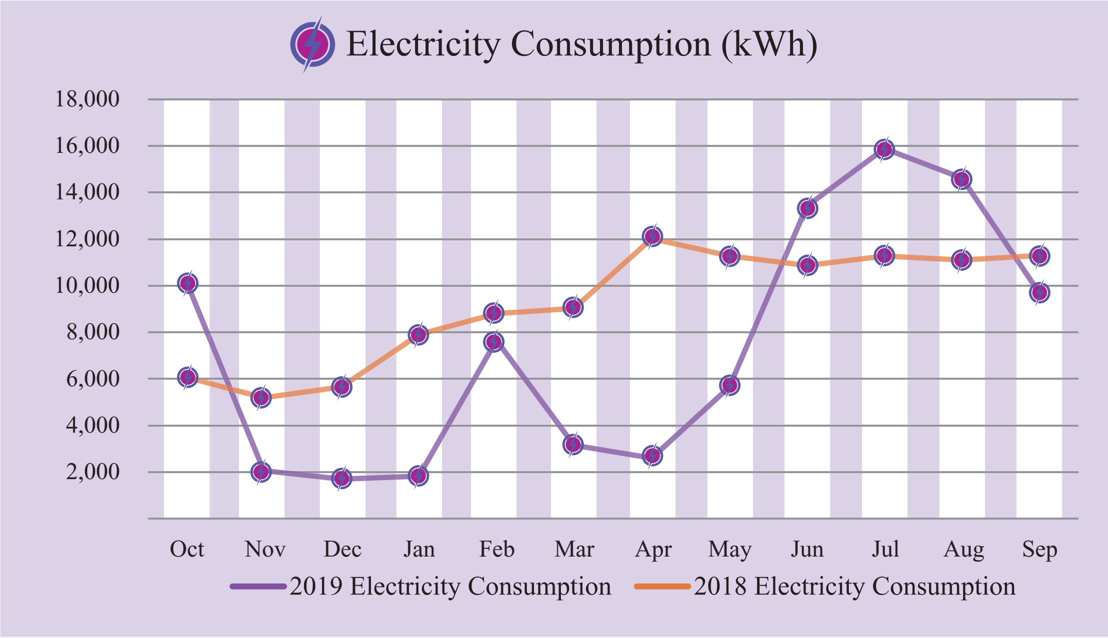
2019 Water consumption (cubic metres)	2018 Water consumption (cubic metres)	2019 Intensity of water consumption per no. of employees in Hong Kong (cubic metres)	2018 Intensity of water consumption per no. of employees in Hong Kong (cubic metres)
4,453	1,852	103.56	45.17

Compared to the last financial year, the intensity of water consumption per no. of employees, has increased 129%, due to more construction sites have been employed by the Group. Also, the Group is currently having a bored pile project which usually has high consumption of water when comparing with other types of project. The Group will keep on performing the current monitoring mechanism to ensure the water would be used properly and efficiently.

The Group determines to maximise energy conservation in its office by promoting efficient use of power and adopting green technologies. For instance, the Group continues to upgrade equipment such as purchasing electrical appliances with highly efficient energy label, lighting and air-conditioning systems in order to increase energy efficiency. Air-conditioning systems can be adjusted to a specific temperature, which allows the users to set at a comfortable temperature and avoid power waste.

To identify energy saving opportunities, the Group measures and records the energy consumption level from time to time. The monthly electricity consumption in kilowatt hour (kWh) is shown below:

Table 9: Electricity consumption by months



The total electricity consumption in kilowatt hour in Hong Kong is shown in the following table:

Table 10: Electricity consumption

2019 Electricity consumption (kWh)	2018 Electricity consumption (kWh)	2019 Intensity of electricity consumption per no. of employees in Hong Kong (kWh)	2018 Intensity of electricity consumption per no. of employees in Hong Kong (kWh)
88,320	110,392	2,054	2,692

The intensity of electricity consumption in Hong Kong has been slightly decreased from 2,692 kWh to 2,054 kWh. The Group believes the energy conservation norm has been developed among all staff through the internal training. The Group expects more progress would be made in the future. The Group expects this can be reflected in the key performance result next year.

Environmental, Social and Governance Report

THE ENVIRONMENT AND NATURAL RESOURCES

To develop a green approach at the project sites and office, the Group has set up various environmental system management practices as part of its effort to develop an environmental management system that supports sustainable development.

By the implementation of ISO9001 Quality Management System, the Group has given careful consideration to minimize all significant impact on the environment resources. Environmental performance is monitored regularly.

Implemented practice

- Switch off computers, printers, machines and other electronic devices after office hours or when leaving the workplace to reduce power consumption
- Maximize the use of nature light and energy-saving lighting systems
- Apply optima temperature setting of air-conditioning
- Encourage duplex printing
- Reuse of single-side used paper

As a socially responsible enterprise, protecting nature and the environment has become an integral part of the Group's corporate culture/important value, the Group constantly looks for ways to maximize benefits with minimal resource consumption and environmental impact, and continue to strive for sustainable development.

PEOPLE

Employment

The Group reckons that employees are the most valuable assets of an enterprise and also the cornerstone for sustaining corporate development. It is always the Group's initiative to provide a fair and competitive compensation package to attract and retain quality talents, in the form of basic salary, incentives bonus, mandatory provident fund, and other fringe benefits. Remuneration packages are reviewed periodically. The Group also has a set of comprehensive human resources management policy to support human resources function. The policies include compensation and benefits, working hours and holidays, recruitment and selection, performance management, promotion, employment termination, training and development.

As the Group is principally engaged in construction related works in Hong Kong, manual work is generally required in most positions. Hence, the ratio of the number of male to female employees is approximately 2.3 to 1 (2018: 3.5 to 1). However, the Group aims to refrain from any form of harassment and discrimination with respect to age, gender, race, nationality, religion, marital status or disability in the workplace via implementation of human resources management policy. The above measures have helped ensuring that every employee is treated equally and fairly.

The Group has always strictly observed the relevant legislations in Hong Kong and the PRC regarding equal employment opportunities, child labour and forced labour. The Group abides by the employment regulations, relevant policies and guidance of the relevant jurisdictions where it operates, including the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations (Chapter 59Z of the Laws of Hong Kong) etc. in Hong Kong; the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China" in the PRC.

Environmental, Social and Governance Report

The Group has its internal procedures to record employees' information in order to review employment practices regularly so as to avoid any non-compliance. Furthermore, the Group strictly complies with the internal recruitment process during recruitment to ensure there is no employment of child labour or forced labour in any form.

The Group also strives to establish harmonious labour relationships and create a happy working environment, promote a positive and healthy lifestyle, and lift the spirit of local workforce, encourage and strengthen internal communication through organising diversified employee activities, including but not limited to Christmas Dinner held at Disneyland, barbeque and golf event held at Pak Shek and joining the dinner symposium held by the Hong Kong Institution of Engineers.

Christmas Dinner 2018 held at Disneyland

Golf event held at Pak Shek

Environmental, Social and Governance Report

Barbeque event held at Pak Shek

Christmas Dinner 2018 held at Disneyland

During the Reporting Period, the Group was not aware of any material non-compliance with relevant standards, rules and regulations regarding operations and activities, labour practices (2018: Nil).

Employment Key Performance Indicators (Employee)

Table 11: Total workforce structure as at 30 September 2019

Region	Gender	Age below 30	Age 30-50	Age over 50	Number of employees by gender	Total number of employees	2019 Ratio of number of male to female employees	2018 Ratio of number of male to female employees
Hong Kong	Male	10	11	14	35	43	4.4: 1	3.5: 1
	Female	1	5	2	8			
PRC	Male	5	24	–	29	49	1.5:1	N/A
	Female	6	14	–	20			
Total	Male	15	35	14	64	92	2.3:1	N/A
	Female	7	19	2	28			
	Total	**22**	**54**	**16**	**92**			

Table 12: Employee recruited in the Reporting Period

Region	Gender	Age below 30	Age 30-50	Age over 50	Number of new recruits by gender	Total number of new recruits	2019 Percentage of new recruits to total number of employees	2018 Percentage of new recruits to total number of employees
Hong Kong	Male	3	4	5	12	15	35%	20%
	Female	3	–	–	3			
PRC	Male	19	51	–	70	130	265%	N/A
	Female	20	39	1	60			
Total	Male	22	55	5	82	145	158%	N/A
	Female	23	39	1	63			
	Total	**45**	**94**	**6**	**145**			

Table 13: Employee turnover in the Reporting Period (excluding direct labour)

Region	Gender	Age below 30	Age 30-50	Age over 50	Staff turnover by gender	Total staff turnover	2019 Ratio of employee turnover to total number of employees	2018 Ratio of employee turnover to total number of employees
Hong Kong	Male	1	2	1	4	7	16%	4%
	Female	3	–	–	3			
PRC	Male	14	27	–	41	81	165%	N/A
	Female	14	25	1	40			
Total	Male	15	29	1	45	88	96%	N/A
	Female	17	25	1	43			
	Total	**32**	**54**	**2**	**88**			

HEALTH AND SAFETY

The Company is an investment holding company incorporated in Cayman Island whilst its headquarters is located in Hong Kong. The nature of its daily operation is mainly office-based where the safety risk is limited. The Hong Kong headquarters has been equipped with fire-fighting facilities including fire extinguishers and participates in the fire drill organized by the building regularly.

The Group requires employees to strictly comply with the company safety policy and guidelines which clearly specify workflows, all kinds of safety measures and guidance as well as employees' responsibilities for their health and safety at our workplace.

The Group has established a risk assessment program that consists of a number of sequential steps such as risk identification, analysis, evaluation, treatment, monitoring and reviewing based on the existing controls and recommendations to reduce those risks which are not deemed to be under acceptable limits.

For employees whose work station is mainly project site in Hong Kong, the Group provides "site specific induction training" to the employees before they commence their work at the project site in accordance with the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) and the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong). Thereafter, they are given refresher talks regularly depending on the amount of changes to the site condition. The Group also provides tool-box talks, aiming to heighten employees' awareness of workplace hazards and the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong).

Every case of injury (if any) is required to be reported to the Group and be assessed individually under the internal guideline procedures set. Subsequently, the Group follows the procedures in accordance with the "Employees' Compensation Ordinance" (Chapter 282 of the Laws of Hong Kong). The Group is pleased to report that the rate of accidents and injuries during the Reporting Period was extremely low with zero fatal accident, similar to last financial year.

During the Reporting Period, the Group was not aware of any material non-compliance with the health and safety laws and regulations (2018: Nil).

Table 14: Health and safety key performance indicators (Employee)

Number of work injuries	2019 Rate of work injury in Hong Kong (per thousand employees)	2018 Rate of work injury in Hong Kong (per thousand employees)
4	93.02	28.57

TRAININGS AND DEVELOPMENT

The Group recognises the importance of skilled and professionally trained employees to its business growth and future success. Therefore, the Group encourages them to participate in personal development and job-related training courses. During the Reporting Period, the Group formulates quality management training programs to update its staff with the most updated standard of ISO9001, in order to maintain the highest standard of professionalism by its employees. This program includes quality assurance training in operation process and inspection assurance of materials received from supplier.

In daily operation, the Group provides induction training for new employees, experienced employees act as mentors to guide newcomers. The Group believes such arrangement can be the best practice to facilitate communication and team spirit, as well as to improve technical skills and managerial capability and encourage learning and further development of employees at all levels.

The Group will continue to intensify its efforts to promote staff training programs which the Group believes that by means of offering comprehensive training opportunities, it could help providing the necessary protection for talent reserves for corporate development. The Group evaluates the training needs of its employees annually to ensure that employees are offered suitable and appropriate training according to their job nature and position.

Table 15: Training and Development Key Performance Indicators in Hong Kong (Employee)

Trained staff	Managerial level or above	Supervisory staff	General staff	Percentage of employees receiving training by gender	2019 Overall percentage of employees receiving training	2018 Overall percentage of employees receiving training
Male	0%	43%	12%	17%	14%	80%
Female	0%	0%	0%	0%		

Average training hours	Managerial level or above	Supervisory staff	General staff	Average training hours by gender	2019 Overall average training hour	2018 Overall average training hour
Male	–	12 hours	16 hours	14 hours	14 hours	7 hours
Female	–	–	–	–		

LABOUR STANDARDS

The Group always respects and strictly complies with all applicable national laws and local regulations as well as relevant labour laws and regulations in the place where it operates, including the Policy of Employment of Children under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The Group has also developed rigorous and systematic measures for recruitment and selection, to prevent itself from illegally hiring child labour and ensure that the employment is in compliance with relevant laws and regulations.

The Group arranges for the employees' working hours based on the statutory working hour standards and entitles them to paid leaves and sick leaves in accordance with the relevant labour laws in Hong Kong.

During the Reporting Period, the Group was not aware of any material non-compliance with the labour requirements set out in relevant laws and regulations (2018: Nil).

SUPPLY CHAIN MANAGEMENT

The Group implements supplier management in accordance with internal guidance which governs the engagement of suppliers in Hong Kong. Suppliers are chosen subjecting to screening and evaluation procedures among the suppliers, based on the quality and price. Also, to ensure suppliers' capability in quality assurance, safety and environmental responsibility, field visit and investigation is conducted, which includes a comprehensive quality management system accredited with the ISO9001 standard. The investigation reviews the production capacity, technology level, quality assurance capabilities, supply capacity, safety and environment management qualifications if needed. Only the highly qualified suppliers complied with regulatory requirements are eligible for the supplier selection by the Group. The Group also carries out regular assessment on suppliers' overall capabilities, assets position, nature of business, reputation in the industry, quality of products, goods delivery and compliance with law and regulations.

As customers are becoming more concerned about environmental issues and stress the importance of using environmentally friendly materials, the Group will continue to act as a corporate citizen in communicating and stressing those environmental issues to our suppliers.

Each subcontractor and supplier are reviewed after completion of their contracts. In case of major non-performance of approved subcontractor or supplier, the Group will review their suitability to remain on the approved list.

PRODUCT AND SERVICE RESPONSIBILITY

The Group is committed to providing high-quality services and guarantees that the quality of the Group's projects in Hong Kong is in line with industry standards and sustainability requirements. The Group also pursues to meet higher criteria all the time.

The Group has always been focusing on quality control in construction projects since its incorporation in Hong Kong. In respect of human resources, the Group has a team of project managers with rich experience in undertaking various construction projects. In respect of systems, the Group owns a quality management system in accordance with the ISO9001 standard, which establishes the procedure to manage the non-conformity detected during construction process. When non-conforming work is identified, the Group will review the situation and stop these substandard works from continuing or re-occurring. If the defect is likely to recur, the Group will require remedial action by the subcontractor and shall more closely supervise these works whenever practicable. The Group also carries out trainings and has established a management system covering various aspects including management of quality of construction staff, quality control on raw material, site management and quality management system, so as to ensure the timely and efficient completion of our projects.

ANTI-CORRUPTION

The Group is committed to maintaining the integrity of its corporate culture. Staff members are not allowed to solicit or accept any advantages. The Group sets out the relevant policies in the employee handbook and guides the employees to abide by the code of conduct. The code of conduct provides a clear definition of the provision and acceptance of interests, such as gifts and souvenirs, and ways to deal with conflicts of interest.

Directors and employees are required to make a declaration to the management through the reporting channels when actual or potential conflict of interest arises. Employees cannot receive any gifts from any external parties (i.e. customers, suppliers, contractors, etc.) unless approval is obtained from the management.

The Group has whistle-blowing procedures in effect, encouraging the employees to report directly to the chairman of the Audit Committee for any misconduct and dishonest behaviour, such as bribery, fraud and other offences. Furthermore, the Group has specified in the employee handbook that the Group is entitled to terminate the employment contract with any employee who is bribed with money, gifts or commission, etc., and reserves the right to take further actions against such person.

During the Reporting Period, the Group complied with the relevant laws and regulations regarding anti-corruption and money laundering and had no concluded legal case regarding corrupt practices brought against the issuer or its employees.

COMMUNITY INVESTMENT

The Group understands well of the importance for making positive contribution to the community where it operates and considers community benefits as one of its social responsibility. The Group considers that enterprises and communities are inseparable as a whole. Enterprise development has played a leading role in the economic and social development of the community, such as providing employment opportunities and increasing taxes. At the same time, enterprise development is also inseparable from community's support and help. In order to better fulfil its social responsibilities, the Group is very concerned about environmental and health issues and sponsors relevant activities or organisations when necessary.

The Group has made donations to the Community Chest for the Love Teeth Day organised by the organisation and the Food Angel by Bo Charity Foundation, showing the support to assist in rescuing edible surplus food from different sectors of the food industry and redistributed to serve the under privileged communities in Hong Kong. In addition, sponsorship has also been made by the Group to The Hong Kong Polytechnic University, for the research project "Development of a Robotic System for Robotic-dug caisson construction in Hong Kong". This innovative technology from the research project may be utilised in the future which will be beneficial to the construction industry.

The Group will continue to explore other means to contribute more to the community and strive to facilitate the building of a healthy and sustainable society.

Environmental performance indicators are summarized in the following tables:

Table 16: Environmental Performance Indicators

Aspect A1: Emissions

Performance indicator		**2018/19 Data**	**2017/18 Data**	**HKEx ESG Reporting Guide KPI**
Emission	Total nitrogen oxides (NOx) emissions (tonnes)	0.01	0.03	KPI A1.1
	Total Particulate Matter (PM) emissions (tonnes)	0.0002	0.0001	KPI A1.1
	Total sulphur oxides (SOx) emissions (tonnes)	0.001	0.002	KPI A1.1
	Total GHGs emissions – scope 1 (tonnes)	28.98	*17.4	KPI A1.2
	Total GHGs emissions – scope 2 (tonnes)	58.71	*65.32	KPI A1.2
Non-hazardous solid waste	Total inert construction waste disposal at Government Waste Disposal Facilities (tonnes)	26,678.69	**–	KPI A1.4
	Total mixed construction waste disposal at Government Waste Disposal Facilities (tonnes)	3,900.44	658.15	KPI A1.4
	Total used A3 & A4 papers (reams)	350	635	KPI A1.4

* Figure has been adjusted to conform current year's presentation.

** The Group had not developed any mechanism for collecting theses information in 2018.

Aspect A2: Use of resources

Performance indicator		**2018/19 Data**	**2017/18 Data**	**HKEx ESG Reporting Guide KPI**
Electricity	Total electricity consumption (kWh)	88,320	110,392	KPI A2.1
Water	Total water consumption (cubic meters)	4,453	1,852	KPI A2.2

Table 17: Social Performance Indicators

Aspect B1: Employees

Performance indicator		2018/19 Data	2017/18 Data	HKEx ESG Reporting Guide KPI
Number of employees as at 30 September 2019	By Region			KPI B1.1
	– Hong Kong (person)	43	41	
	– PRC (person)	49	–	
	– Total (person)	92	41	
	Gender			KPI B1.1
	– Male employees (person)	64	32	
	– Female employees (person)	28	9	
	Age			KPI B1.1
	– Below 30 years old (person)	22	12	
	– Between 30 to 50 years old (person)	54	16	
	– Over 50 years old (person)	16	13	
Employee recruit	Gender			KPI B1.1
	– Male employees (person)	82	6	
	– Female employees (person)	63	2	
Employee turnover	Gender			KPI B1.2
	– Male employees (person)	45	1	
	– Female employees (person)	43	–	
	Age			KPI B1.2
	– Below 30 years old (person)	32	1	
	– Between 30 to 50 years old (person)	54	–	
	– Over 50 years old (person)	2	–	

Aspect B2: Health and safety

Performance indicator	2018/19 Data	2017/18 Data	HKEx ESG Reporting Guide KPI
Number of work injuries (per person)	4	2	KPI B2.1
Rate of work injury (per thousand employees)	93.02	28.57	KPI B2.1

Aspect B3: Development and training

Performance indicator		2018/19 Data	2017/18 Data	HKEx ESG Reporting Guide KPI
The percentage of employees trained in Hong Kong	Percentage of employees receiving training by gender			KPI B3.1
	– Male employees (percentage)	17%	78%	
	– Female employees (percentage)	0%	89%	
Average training hours completed per employee in Hong Kong	Average training hours by gender			KPI B3.2
	– Male employees (hours)	14	8	
	– Female employees (hours)	–	2	

Directors' Report

The Board would like to present the annual report together with the audited consolidated financial statements of the Group for the year ended 30 September 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the provision of (i) foundation and site formation works; (ii) general building works and associated services; (iii) other construction works; (iv) construction related consultancy services in Hong Kong; and (v) health management and consultancy business in the PRC. Details of the principal activities of its subsidiaries are set out in Note 12 to the consolidated financial statements of this annual report. There were no significant changes in the nature of the Group's principal activities during the year.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on 3 January 2018 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. In preparation for the Listing, the companies now comprising the Group underwent the corporate reorganisation (the "**Reorganisation**") pursuant to which the Company became the holding company of the Group on 17 September 2018. For details of the Reorganisation, please refer to the section headed "History, Development and Reorganisation" in the Prospectus.

The Company's shares have been listed on the Stock Exchange since 16 October 2018.

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") on 21 December 2018. According to the Dividend Policy, in deciding whether to propose any dividend payout, the Board shall also take into account, inter alia:–

- the Group's actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each member of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;

- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

- other factors that the Board deems appropriate.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 30 September 2019 and the state of affairs of the Company and of the Group as at 30 September 2019 are set out in the consolidated statement of profit and loss and other comprehensive income, Note 13 to the consolidated financial statements, and the consolidated statement of financial position, respectively, on pages 58 to 129 of this annual report.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on 18 March 2020 (the "**AGM**"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 13 March 2020 to 18 March 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 12 March 2020.

BUSINESS REVIEW

The review of the business of the Group during the year ended 30 September 2019 and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. The description of principal risks and uncertainties facing the Group and key financial performance indicators are set out in the section headed "Management Discussion and Analysis". The financial risk management objectives and policies of the Group are set out in Note 3 to the consolidated financial statements of this annual report. No important event affecting the Group has occurred since the end of the financial year ended 30 September 2019 and up to the date of this annual report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for each of the five financial years ended 30 September is set out on page 130 of this annual report. Such summary does not form part of the audited consolidated financial statements of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 30 September 2019 are set out in Note 14 to the consolidated financial statements of this annual report.

Directors' Report

DONATION

Charitable and other donations made by the Group during the year ended 30 September 2019 amounted to approximately HK$5,000 (2018: HK$2,000).

SHARE CAPITAL

Details of the Company's share capital is set out in Note 22 to the consolidated financial statements of this annual report.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was conditionally adopted on 17 September 2018. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to the Prospectus.

During the year ended 30 September 2019, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in Note 32 to the consolidated financial statements of this annual report and in the consolidated statement of changes in equity, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's memorandum and articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

CONNECTED AND RELATED PARTY TRANSACTIONS

As disclosed in the Prospectus, upon the Listing, a non-exempt continuing connected transaction has been entered into and will continue to be carried out between the Group and Hip Shing Construction & Engineering Limited ("**Hip Shing**"). Details of which are set out below:

Directors' Report

Hip Shing Framework Agreement

On 10 September 2018, Po Shing Construction Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with Hip Shing (the "**Hip Shing Framework Agreement**") for a term from the Listing Date and ending on 30 September 2019, pursuant to which Hip Shing has agreed to provide project management services in the capacity of a subcontractor, for the purposes of allowing the Group to deliver project management services efficiently and effectively.

Hip Shing is a construction and engineering contractor and consultant in Hong Kong. Hip Shing is a company owned as to approximately 33.3% and 66.7% by Mr. Lee Yung Ling Christopher ("**Mr. Christopher Lee**") and Ms. Leung Siu Lan Teresa (the spouse of Mr. Christopher Lee), respectively. As Mr. Christopher Lee was a director of Po Shing Construction Limited from January 2004 to December 2017, Hip Shing is therefore a connected person of the Company at the subsidiary level under the Listing Rules until December 2018.

As Hip Shing is a connected person under Chapter 14A of the Listing Rules, the transactions contemplated under the Hip Shing Framework Agreement will constitute continuing connected transactions for the Company under the Listing Rules after Listing. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted the Company, a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules. For the year ended 30 September 2019, subcontracting fees incurred by the Group to Hip Shing amounted to approximately HK$0.6 million (2018: HK$5.5 million).

The Directors, including the independent non-executive Directors, consider that the continuing connected transactions above and the annual caps are fair and reasonable, and that such transactions have been entered into and will be carried out in the ordinary and usual course of the business of the Group, on normal commercial terms, are fair and reasonable, and in the interests of the Group and holder(s) of the Share(s) (the "**Shareholder(s)**") as a whole.

The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Save for the subcontracting fee to Hip Shing, the related party transactions as disclosed in Note 29 to the consolidated financial statements of this annual report did not constitute connected transactions or continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules as such transactions were all ceased or completed prior to the Listing.

Save as disclosed in this annual report, during the year ended 30 September 2019, the Company had no connected transactions or continuing connected transactions which fell to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DISTRIBUTABLE RESERVES

Further details of the Company's distributable reserve as at 30 September 2019 are set out in Note 32 to the consolidated financial statements of this annual report.

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

During the year ended 30 September 2019, the percentage of the Group's aggregate turnover attributable to the Group's largest customer was approximately 10.8% (2018: 31.6%), while the percentage of the Group's total turnover attributable to the five largest customers in aggregate was approximately 45.2% (2018: 78.1%).

During the year ended 30 September 2019, the percentage of the Group's largest supplier was approximately 7.0% (2018: 2.2%) of the total cost of sales for the year, while the percentage of the Group's five largest suppliers accounted for approximately 10.8% (2018: 6.2%) of the total cost of sales.

During the year ended 30 September 2019, the percentage of the Group's largest subcontractor was approximately 19.1% (2018: 14.1%) of the total cost of sales for the year, while the percentage of the Group's five largest subcontractors accounted for approximately 49.7% (2018: 40.3%) of the total cost of sales.

None of the Directors, or any of their close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or suppliers or subcontractors.

DIRECTORS

The Directors during the year ended 30 September 2019 and up to the date of this annual report were as follows:

Executive Directors

Dr. Lau Chi Wang *(Chairman)*
Mr. Lau Chi Ming
Dr. Lau Chi Keung *(Chief Executive Officer)*
Mr. Sun Wei *(appointed on 25 April 2019)*

Independent non-executive Directors

Mr. Leung Bing Kwong Edward
Mr. Pang Ka Hang
Mr. Wong Chun Nam

In accordance with the Company's memorandum and articles of association, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Pursuant to Article 108 and 112 of the Company's articles of association, Mr. CM Lau, Mr. Sun and Mr. Duffy Wong will retire at the forthcoming annual general meeting and, all being eligible, will offer themselves for re-election in the said meeting.

A list of names of all the directors who have served on the board of the Company's subsidiaries during the year end and up to the date of this annual report is available on the Company's website at www.riyingholding.com.

Directors' Report

PERMITTED INDEMNITY PROVISION

Every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company and/or any of its subsidiaries, which is not terminable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and senior management and the five highest paid individuals of the Group are set out in Note 9 to the consolidated financial statements of this annual report.

The remuneration of the senior management of the Group for the year ended 30 September 2019 falls within the following band:

Remuneration Band	Number of senior management
Up to HK$1,000,000	2
HK$1,000,001 to up to HK$1,500,000	1

EMOLUMENT POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes discretionary bonus and other merit payments), considering other factors such as their experience, level of responsibility, individual performance, the profit performance of the Group and general market conditions.

The Remuneration Committee will meet at least once for each year to discuss remuneration related matters (including the remuneration of Directors and the senior management) and review the remuneration policy of the Group. It has been decided that the Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and the senior management.

RETIREMENT BENEFITS PLANS

Details of retirement benefits plans of the Group as at 30 September 2019 are set out in Note 8 to the consolidated financial statements of this annual report.

Directors' Report

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the Prospectus and in this annual report, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders (the "**Controlling Shareholders**") or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or their subsidiaries, during the year ended 30 September 2019.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transactions disclosed in Note 29 to the consolidated financial statements of this annual report, no Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 30 September 2019.

MANAGEMENT CONTRACTS

As at 30 September 2019, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" below, at no time during the year ended 30 September 2019 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2019, the following Directors and chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) 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 and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Listing Rules:

Long positions in Shares and underlying Shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares held/interested	Percentage of shareholding
Dr. CW Lau *(Note)*	Interest of a controlled corporation	600,000,000	75%
Mr. CM Lau *(Note)*	Interest of a controlled corporation	600,000,000	75%
Dr. CK Lau *(Note)*	Interest of a controlled corporation	600,000,000	75%

Note: Elite Bright Developments Limited ("**Elite Bright**") is 100% owned by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau in equal shares. Therefore, Dr. CW Lau, Mr. CM Lau and Dr. CK Lau are deemed to be, or taken to be, interested in all the shares of the Company held by Elite Bright for the purpose of the SFO.

Save as disclosed above, as at 30 September 2019, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and 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 he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to the Directors, as at 30 September 2019, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares, underlying shares and debentures of the Company which would fall 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 required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

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

Notes:

(1) Ms. Ng Lai Mui Theresa is the spouse of Dr. CW Lau. Therefore, Ms. Ng Lai Mui Theresa is deemed to be, or taken to be, interested in the same number of shares of the Company in which Dr. CW Lau is interested for the purpose of the SFO.

(2) Ms. Ng Kooi Har is the spouse of Mr. CM Lau. Therefore, Ms. Ng Kooi Har is deemed to be, or taken to be, interested in the same number of shares of the Company in which Mr. CM Lau is interested for the purpose of the SFO.

(3) Ms. Kwong Shun Man Jessie is the spouse of Dr. CK Lau. Therefore, Ms. Kwong Shun Man Jessie is deemed to be, or taken to be, interested in the same number of shares of the Company in which Dr. CK Lau is interested for the purpose of the SFO.

Save as disclosed above, as at 30 September 2019, 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 paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had any interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the Reorganisation as disclosed in the Prospectus, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 September 2019.

COMPETING BUSINESS

During the year ended 30 September 2019, none of the Directors or the Controlling Shareholders and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

Non-Competition Undertakings

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 that 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.

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.

During the year ended 30 September 2019, the Company had not received any information in writing from any of the Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Controlling Shareholders or their associates (other than any member of the Group), and the Company has received an annual written confirmation from each Controlling Shareholder of the Company in respect of him/it and his/its associates in compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders had complied with the Deed of Non-competition.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" of this annual report.

EQUITY-LINKED AGREEMENTS

Save as disclosed in Note 23 to the consolidated financial statements of this annual report, no equity-linked agreements were entered into by the Company during the year ended 30 September 2019.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information available in the public domain concerning the Company, at least 25% of the Company's issued share capital was held by the public as at the date of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent.

INDEPENDENT AUDITORS

The consolidated financial statements of the Group for the year ended 30 September 2019 were audited by HLB Hodgson Impey Cheng Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint HLB Hodgson Impey Cheng Limited as the auditors of the Company.

ON BEHALF OF THE BOARD
Ri Ying Holdings Limited
Lau Chi Wang
Chairman and Executive Director

Hong Kong, 23 December 2019

Independent Auditors' Report

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE MEMBERS OF RI YING HOLDINGS LIMITED
(FORMERLY KNOWN AS SHING CHI HOLDINGS LIMITED)
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Ri Ying Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 58 to 129, which comprise the consolidated statement of financial position as at 30 September 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter (Continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue and costs from construction contracts and contract assets and contract liabilities	
We identified recognition of revenue and costs from construction contracts and contract assets and contract liabilities as a key audit matter as significant management's estimations and judgements are involved in the determination of the outcome of construction contracts and the progress towards completion of construction works.	Our audit procedures in relation to recognition of revenue and costs from construction contracts and contract assets and contract liabilities mainly included: • Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management; • Understanding from management about how the budgets were prepared and the respective progress towards completion of construction works were determined; • Evaluating the reasonableness of progress towards completion of construction works by obtaining the certificates issued by customers or payment application confirmed by internal surveyor; • Testing the actual costs incurred on construction works; • Assessing the reasonableness of the budgets by comparing the actual outcome against management's estimation of similar contracts; and • Assessing the appropriateness and accuracy of the disclosures made in the consolidated financial statements.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors’ Report

Responsibilities of Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditors' Report

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Chan Ching Pang.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 23 December 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 September 2019

	Note	**2019 HK$'000**	2018 HK$'000
Revenue	5	**325,204**	379,575
Cost of sales		**(302,384)**	(339,441)
Gross profit		**22,820**	40,134
Other income, gains and losses	5	**2,835**	4,914
Administrative and other operating expenses		**(34,869)**	(29,954)
Net (impairment losses)/reversal of impairment losses on financial assets and contract assets	3.1(ii)	**(1,134)**	195
Operating (loss)/profit		**(10,348)**	15,289
Finance costs	6	**(137)**	(48)
(Loss)/profit before tax	7	**(10,485)**	15,241
Income tax expense	10	**(585)**	(5,139)
(Loss)/profit for the year		**(11,070)**	10,102
Other comprehensive expense			
Item that maybe reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(2)**	–
Total comprehensive (expense)/income for the year		**(11,072)**	10,102
(Loss)/profit for the year attributable to:			
Owners of the Company		**(11,070)**	9,909
Non-controlling interests		**–***	193
		(11,070)	10,102
Total comprehensive (expense)/income attributable to:			
Owners of the Company		**(11,072)**	9,909
Non-controlling interests		**–***	193
		(11,072)	10,102
Basic and diluted (loss)/earnings per share (HK cents)	11	**(1.40)**	1.65

* Less than HK$1,000

Details of dividends are disclosed in Note 13 to the consolidated financial statements.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 September 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**8,548**	3,616
Deferred tax assets	25	**92**	41
		8,640	3,657
Current assets			
Inventory	16	**273**	–
Trade and other receivables	17	**37,156**	103,959
Contract assets	18	**60,457**	–
Amounts due from customers for contract work	19	**–**	51,516
Financial assets at fair value through profit or loss	20	**323**	344
Tax recoverable		**542**	–
Bank balances and cash	21	**179,970**	88,167
		278,721	243,986
Total assets		**287,361**	247,643
EQUITY			
Capital and reserves			
Share capital	22	**8,000**	–*
Share premium and reserves		**185,301**	91,929
Equity attributable to owners of the Company		**193,301**	91,929
Non-controlling interests		**–***	–
Total equity		**193,301**	91,929
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	25	**62**	227
Finance lease liabilities	24	**657**	–
		719	227

Consolidated Statement of Financial Position

As at 30 September 2019

	Note	2019 HK$'000	2018 HK$'000
Current liabilities			
Trade and other payables	26	**73,002**	119,285
Contract liabilities	18	**14,188**	–
Amounts due to customers for contract work	19	**–**	28,816
Finance lease liabilities	24	**1,914**	2,212
Income tax payable		**4,237**	5,174
		93,341	155,487
Total liabilities		**94,060**	155,714
Total equity and liabilities		**287,361**	247,643
Net current assets		**185,380**	88,499
Total assets less current liabilities		**194,020**	92,156

* Less than HK$1,000

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 23 December 2019 and are signed on its behalf by:

Lau Chi Wang
Director

Lau Chi Keung
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 September 2019

	Attributable to owners of the Company							
	Share capital HK$'000 *(Note 22)*	**Share premium** HK$'000	**Other reserve** HK$'000 *(Note)*	**Exchange reserve** HK$'000	**Retained earnings** HK$'000	**Subtotal** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 October 2017	10,819	–	–	–	84,517	95,336	1,624	96,960
Profit and total comprehensive income for the year	–	–	–	–	9,909	9,909	193	10,102
Dividends *(Note 13)*	–	–	–	–	(15,064)	(15,064)	–	(15,064)
Issue of shares of subsidiaries	31	–	–	–	–	31	–	31
Acquisition of non-controlling interests – James Lau & Associates Limited *(Note 31)*	–	–	–	–	1,717	1,717	(1,817)	(100)
Reorganisation	(10,850)	–	10,850	–	–	–	–	–
At 30 September 2018	–*	–	10,850	–	81,079	91,929	–	91,929
At 30 September 2018	**–***	**–**	**10,850**	**–**	**81,079**	**91,929**	**–**	**91,929**
Adjustments *(Note 2.1)*	**–**	**–**	**–**	**–**	**3,906**	**3,906**	**–**	**3,906**
At 1 October 2018 (restated)	**–***	**–**	**10,850**	**–**	**84,985**	**95,835**	**–**	**95,835**
Loss for the year	**–**	**–**	**–**	**–**	**(11,070)**	**(11,070)**	**–***	**(11,070)**
Other comprehensive expense for the year	**–**	**–**	**–**	**(2)**	**–**	**(2)**	**–**	**(2)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(2)**	**(11,070)**	**(11,072)**	**–***	**(11,072)**
Capitalisation issue	**6,000**	**(6,000)**	**–**	**–**	**–**	**–**	**–**	**–**
Shares issued under share offer	**2,000**	**123,000**	**–**	**–**	**–**	**125,000**	**–**	**125,000**
Shares issuance costs	**–**	**(16,462)**	**–**	**–**	**–**	**(16,462)**	**–**	**(16,462)**
At 30 September 2019	**8,000**	**100,538**	**10,850**	**(2)**	**73,915**	**193,301**	**–***	**193,301**

* Less than HK$1,000

Note: The other reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the aggregate amount of the nominal value of the share capital of its subsidiaries held by the controlling shareholders arising from the Reorganisation.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 September 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	27(a)	**(6,814)**	6,982
Tax paid		**(5,321)**	(9,509)
Dividend received		**11**	11
Net cash used in operating activities		**(12,124)**	(2,516)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(4,557)**	(763)
Proceeds from disposal of property, plant and equipment		**186**	3
Advances to related parties		**–**	(9,192)
Increase in fixed deposits with maturity over three months		**(77,333)**	–
Decrease in fixed deposits with maturity over three months		**23,333**	–
Interest received		**1,248**	15
Net cash used in investing activities		**(57,123)**	(9,937)
Cash flows from financing activities			
Proceeds from issue of shares under share offer		**125,000**	–
Shares issuance costs		**(16,462)**	–
Acquisition of non-controlling interests		**–**	(100)
Repayment of finance leases		**(1,349)**	(455)
Interest paid on finance leases		**(137)**	(48)
Repayments to a related party		**–**	(1)
Dividends paid		**–**	(24)
Net cash generated from/(used in) financing activities		**107,052**	(628)
Net increase/(decrease) in cash and cash equivalents		**37,805**	(13,081)
Cash and cash equivalents at beginning of year		**88,167**	101,248
Effect of foreign exchange rate changes		**(2)**	–
Cash and cash equivalents at end of year		**125,970**	88,167
Represented by			
Current and saving accounts	21	**37,659**	88,167
Fixed deposits maturing within three months	21	**88,311**	–
		125,970	88,167

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2019

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company is an investment holding company. The Group is principally engaged in provision of foundation works 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 Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the Company's principal place of business is 6/F, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Sheung Wan, Hong Kong.

Its parent and ultimate holding company is Elite Bright Developments Limited ("**Elite Bright**"), a company incorporated in the British Virgin Islands ("**BVI**") and wholly-owned by Dr. Lau Chi Wang ("**Dr. CW Lau**"), Mr. Lau Chi Ming ("**Mr. CM Lau**") and Dr. Lau Chi Keung ("**Dr. CK Lau**"), the controlling shareholders of the Company.

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company's shares on the Stock Exchange (the "**Reorganisation**"), the group entities were under the control of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 17 September 2018. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau prior to and after the Reorganisation.

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation where this is a shorter period.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 December 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for the subsequent remeasurement of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

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

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 1	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(a) New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 October 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that were not yet completed at 1 October 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Foundation and site formation works
- General building works and associated services
- Other construction works
- Construction related consultancy services
- Sales of health products and services

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Notes 5 and 2.22 respectively.

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on retained earnings at 1 October 2018.

	HK$'000
Retained earnings	
Recognition of construction costs	11,132
Tax effect	(3,730)
Impact at 1 October 2018	7,402

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(a) New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 October 2018. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 30 September 2018** HK$'000	**Impact** HK$'000	**Carrying amounts under HKFRS 15 at 1 October 2018*** HK$'000
Current assets				
Trade and other receivables	(b)	103,959	(53,312)	50,647
Amounts due from customers for contract work	(a),(c)&(d)	51,516	(51,516)	–
Contract assets	(b)&(c)	–	97,144	97,144
Current liabilities				
Trade and other payables	(d)	119,285	(18,865)	100,420
Amounts due to customers for contract work	(a),(c)&(d)	28,816	(28,816)	–
Contract liabilities	(d)	–	28,865	28,865
Income tax payable	(a)	5,174	3,730	8,904
Capital and reserves				
Retained earnings	(a)	81,079	7,402	88,481

* The amounts in this column are before the adjustments from the application of HKFRS 9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(a) New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

Notes:

(a) In relation to construction contracts previously accounted for under HKAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to the date of initial application of HKFRS 15. Under HKAS 11, contract costs are recognised as expenses by reference to the stage of completion, which is measured by reference to work performed to date as a percentage of total contract value. Under HKFRS 15, costs that related to satisfied performance obligations are expensed as incurred. Construction costs of approximately HK$11,132,000 included in gross amounts due from/to customers for contract work were adjusted to retained earnings. The related tax effect of approximately HK$3,730,000 was recognised in income tax payable and retained earnings.

(b) At the date of initial application, retention receivables of approximately HK$53,312,000 arising from the construction contracts was reclassified from trade and other receivables to contract assets.

(c) At the date of initial application, amount of approximately HK$43,832,000 arising from the construction contracts are for work completed and not billed because the rights are conditioned on factors other than passage of time, and such amount was reclassified from gross amounts due from/to customers for contract work to contract assets.

(d) At the date of initial application, receipts in advance of approximately HK$28,865,000 arising from the construction contracts was reclassified from trade and other payables and gross amounts due from/to customers for contract work to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 30 September 2019 and its consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected and basic and diluted loss per share for the current year. Line items that were not affected by the changes have not been included.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(a) New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

Impact on the consolidated statement of financial position

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current assets			
Trade and other receivables	37,156	45,658	82,814
Amounts due from customers for contract work	–	41,934	41,934
Contract assets	60,457	(60,457)	–
Current liabilities			
Trade and other payables	73,002	14,188	87,190
Amounts due to customers for contract work	–	40,861	40,861
Contract liabilities	14,188	(14,188)	–
Income tax payable	4,237	(1,736)	2,501
Capital and reserves			
Retained earnings	73,915	(11,990)	61,925

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(a) New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

Impact on the consolidated statement of profit or loss and other comprehensive income

	As reported HK$'000	**Adjustments** HK$'000	**Amounts without application of HKFRS 15** HK$'000
Cost of sales	(302,384)	(2,594)	(304,978)
Gross profit	22,820	(2,594)	20,226
Operating loss	(10,348)	(2,594)	(12,942)
Loss before tax	(10,485)	(2,594)	(13,079)
Income tax expense	(585)	(1,994)	(2,579)
Loss for the year	(11,070)	(4,588)	(15,658)
Total comprehensive expense for the year	(11,072)	(4,588)	(15,660)

Impact on the basic and diluted loss per share

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
Basic and diluted loss per share (HK cent)	(1.40)	(0.58)	(1.98)

The explanations of the above changes affected in the current year by the application of HKFRS 15 as compared to HKAS 11, HKAS 18 and the related interpretations are similar to the explanations set out in notes (a) to (d) above for describing the adjustments made to the consolidated statement of financial position at 1 October 2018 upon adoption of HKFRS 15.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(a) New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; (ii) expected credit losses ("**ECL**") for financial assets and other items (for example, contract assets); and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 October 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 October 2018. The difference between the carrying amounts as at 30 September 2018 and the carrying amounts as at 1 October 2018 are recognised in the opening retained earnings and other component of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from applications of HKFRS 9 are disclosed in Note 2.10.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(a) New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 9 Financial Instruments (Continued)

Summary of effects arising from initial application of HKFRS 9

Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, the classification for all of the Group's financial assets and financial liabilities remain the same.

Impairment under ECL Model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. Except for those which had been determined as credit impaired under HKAS 39, contract assets and trade receivables have been assessed individually with significant balances and the remaining balances are grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including other receivables and cash and bank balances, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 October 2018, additional credit loss allowance of approximately HK$4,185,000 has been recognised against retained earnings. The additional loss allowance is charged against the respective asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(a) New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 9 Financial Instruments (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

Impairment under ECL Model (Continued)

All loss allowances as at 30 September 2018 reconciled to the opening loss allowances as at 1 October 2018 are as follows:

	Contract assets HK$'000	**Trade and other receivables** HK$'000
At 30 September 2018 – HKAS 39	–	781
Amount remeasured through opening retained earnings	2,421	1,764
At 1 October 2018 – HKFRS 9	2,421	2,545

The following table summarises the impact of transition to HKFRS 9 on retained earnings at 1 October 2018:

	HK$'000
Retained earnings	
Recognition of impairment loss	(4,185)
Tax effect	689
Impact at 1 October 2018	(3,496)

Summary of effects arising from initial application of HKFRS 9 and HKFRS 15

As a result of the changes in the Group's accounting policies above, the table below illustrates the overall application on HKFRS 9 and HKFRS 15 at the date of initial application, 1 October 2018. Line items that were not affected by the changes have not been included.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(a) New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 9 Financial Instruments (Continued)

Summary of effects arising from initial application of HKFRS 9 and HKFRS 15 (Continued)

	30 September 2018	**HKFRS 15**	**HKFRS 9**	**1 October 2018 (Restated)**
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current asset				
Deferred tax assets	41	–	466	507
Current assets				
Trade and other receivables	103,959	(53,312)	(1,764)	48,883
Amounts due from customers for contract work	51,516	(51,516)	–	–
Contract assets	–	97,144	(2,421)	94,723
Non-current liabilities				
Deferred tax liabilities	227	–	(223)	4
Current liabilities				
Trade and other payables	119,285	(18,865)	–	100,420
Amounts due to customers for contract work	28,816	(28,816)	–	–
Contract liabilities	–	28,865	–	28,865
Income tax payable	5,174	3,730	–	8,904
Capital and Reserves				
Retained earnings	81,079	7,402	(3,496)	84,985

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 30 September 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 October 2018 as disclosed above.

The adoption of these standards has no impact on the net cash flow from operating, investing and financing activities on the consolidated statement of cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (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:

		Effective for the annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 3	Definition of a Business	*(Note)*
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019

Note: 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

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

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for the finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

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

HKFRS 16 Leases (Continued)

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 September 2019, the Group has non-cancelable operating lease commitments of approximately HK$7,210,000 as disclosed in Note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon the application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect 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 applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

The directors of the Company anticipates that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchase of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Merger accounting for common control combinations

The consolidated financial statements incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised profit or loss.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of that reporting period;

(ii) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

The property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or lease term, where applicable, as follows:

– Furniture and fixtures	20%
– Office equipment	20%
– Leasehold improvements	Shorter of lease term or 20%
– Motor vehicles	20%
– Machinery	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss.

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.9 Construction contracts (prior to 1 October 2018)

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in or deducted from contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total contract value.

In the consolidated statement of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets

Accounting policies applied from 1 October 2018

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**") or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

Accounting policies applied from 1 October 2018 (Continued)

Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

Accounting policies applied from 1 October 2018 (Continued)

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Accounting policies applied until 30 September 2018

Classification

The Group classifies its financial assets as at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "amounts due from related parties" and "cash and cash equivalent" in the consolidated statement of financial position.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the statement of profit or loss within "Revenue" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss as part of other income when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

Accounting policies applied until 30 September 2018 (Continued)

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "**loss event**") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.11 Inventories

Finished goods are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences, arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax liabilities are not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits obligations

The Group operates a defined contribution plan and pays contributions to a privately administered pension insurance plan on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition

Accounting policies applied from 1 October 2018

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when“control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition (Continued)

Accounting policies applied from 1 October 2018 (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its construction contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition (Continued)

Accounting policies applied until 30 September 2018

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met. Revenue is shown after eliminating sales within the Group.

Revenue from construction contracts is recognised based on the stage of completion of the contracts as detailed in Note 2.9 above.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivable is recognised using the original effective interest rate.

Service income is recognised in the accounting period in which the services are rendered.

Rental income is recognised based on the straight-line basis over the lease terms.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's consolidated financial statements in the period in which the dividends are declared by the directors in case of interim dividends or approved by the Company's shareholders in case of final dividends.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Related Parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

or;

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk, price risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Interest rate risk

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises from finance lease. Finance lease obtained with variable rates expose the Group to cash flow interest rate risk which is partially offset by cash deposited at variable rates. The Group has not hedged its cash flow interest rate risks.

As at 30 September 2019, if the interest rate on variable-rate finance lease had been 100 basis points higher/lower with all other variables held constant, the Group's loss (2018: profit) after income tax for the year would have been increased/decreased (2018: decreased/increased) by approximately HK$11,000 (2018: HK$18,000), mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

(ii) Credit risk and impairment assessment

Credit risk arises mainly from trade and other receivables, contract assets and bank balances and cash. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In order to minimise the credit risk on trade receivables and contract assets, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate provisions for impairment losses are made for irrecoverable amounts on trade receivable and contract assets. Under HKAS 39, provisions for impairment losses are made for irrecoverable amounts. Upon the application of HKFRS 9 on 1 October 2018, the Group applies simplified approach on trade receivables and contract assets to provide for ECL prescribed by HKFRS 9. To measure the ECL of trade receivables and contract assets, other than significant balances which are assessed individually, the remaining balances have been grouped based on shared credit risk characteristics. In this regard, the management of the Group considers that the credit risk on trade receivables and contract assets is significantly reduced.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(ii) Credit risk and impairment assessment (Continued)

As at 30 September 2019, the Group has concentration of credit risk as 53.2% (2018: 63.5%) of the Group's trade receivables and contract assets (2018: trade and retention receivables) were due from the Group's five largest trade debtors.

For other receivables, the management of the Group makes individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information starting from 1 October 2018. The management of the Group believes that there is no material credit risk inherent in the Group's other receivables as at 1 October 2018 and 30 September 2019 and considers that the ECL on the balances is insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit impaired	12-m ECL – not credit impaired
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit impaired	Lifetime ECL – not credit impaired
Loss	There is evidence indicating the asset is credit impaired	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(ii) Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets at amortised cost and contract assets, which are subject to ECL assessment:

As at 30 September 2019	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised cost				
Trade receivables	17	Note 1	Lifetime ECL	23,421
	17	Note 1	Credit impaired	4,393
				27,814
Other receivables	17	Note 2	12m ECL	11,766
Other item				
Contract assets	18	Note 1	Lifetime ECL	60,865
	18	Note 1	Credit impaired	790
				61,655

Notes:

1. For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the credit loss allowance at lifetime ECL.

2. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. All of these balances are not past due/no fixed repayment terms at 30 September 2019.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(ii) Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach.

	Lifetime ECL (not credit impaired)		Lifetime ECL (credit impaired)		
	Trade receivables HK$'000	Contract assets HK$'000	Trade receivables HK$'000	Contract assets HK$'000	Total HK$'000
At 30 September 2018 under HKAS 39	–	–	781	–	781
Adjustment upon application of HKFRS 9	440	2,154	1,324	267	4,185
As at 1 October 2018 – As restated	440	2,154	2,105	267	4,966
Impairment loss recognised	1,032	150	2,187	523	3,892
Impairment loss reversed	(440)	(1,896)	(422)	–	(2,758)
As at 30 September 2019	1,032	408	3,870	790	6,100

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

(iii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk from investments, the Group diversifies its portfolio.

The Group's investments are publicly traded and listed in the Stock Exchange.

(iv) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group may be required to pay:

	On demand or within one year HK$'000	**Between one and two years HK$'000**	**Between two and five years HK$'000**	**Total HK$'000**
At 30 September 2019				
Trade and other payables	**73,002**	**–**	**–**	**73,002**
Finance lease liabilities	**2,024**	**628**	**59**	**2,711**
	75,026	**628**	**59**	**75,713**

	On demand or within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
At 30 September 2018				
Trade and other payables	100,420	–	–	100,420
Finance lease liabilities	2,324	–	–	2,324
	102,744	–	–	102,744

3.2 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities divided by the total equity.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (Continued)

The gearing ratios of the Group are as follows:

	2019 HK$'000	2018 HK$'000
Finance lease liabilities *(Note 24)*	**2,571**	2,212
Total equity	**193,301**	91,929
Gearing ratio	**1.33%**	2.41%

3.3 Fair value estimation

The below analyses the Group's financial instruments carried at fair value as at 30 September 2019 and 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At 30 September 2019 and 2018, financial assets at fair value through profit or loss held by the Group are measured at level 1.

There were no transfers between levels during the years.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 represent investments listed in Hong Kong stock market.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Construction contracts

The Group recognises its contract over time by reference to the progress towards complete satisfaction of a performance obligation at the end of the reporting period, measured based on the surveys of work performed to date of the individual contract of construction works relative to total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

5 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION

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

	2019 **HK$'000**	2018 HK$'000
Revenue from contract with customers		
Foundation and site formation works	**95,015**	124,061
General building works and associated services	**97,973**	178,684
Other construction works	**125,626**	65,515
Construction related consultancy services	**6,052**	11,315
Sales of health products	**97**	–
Sales of health services	**441**	–
	325,204	379,575
Other income, gains and losses		
Rental income	**–**	8
Bank interest income	**1,248**	15
Gain/(loss) on disposal of property, plant and equipment	**131**	(26)
Dividend income from financial assets at fair value through profit or loss	**11**	11
Fair value change on financial assets at fair value through profit or loss	**(20)**	3
Insurance claims	**–**	4,445
Agency commission income	**911**	–
Others	**554**	458
	2,835	4,914

5 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION (CONTINUED)

Disaggregation of revenue from contracts with customers

	2019 HK$'000
Type of services	
Foundation and site formation works	**95,015**
General building works and associated services	**97,973**
Other construction works	**125,626**
Construction related consultancy services	**6,052**
Sales of health products	**97**
Sales of health services	**441**
	325,204
Timing of revenue recognition	
A point in time	**538**
Over time	**324,666**
	325,204

Performance obligations for contracts with customers

The Group provides foundation and site formation works, general building works and associated services, other construction works and construction related consultancy services to customers. Such services are recognised as performance obligations satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue for these works is therefore recognised over time. The Group measures progress using an output method. Specifically, progress is based on surveys of the relevant services completed by the Group to the end of the current reporting period with reference to certificates issued by customers or payment applications confirmed by internal surveyor. The directors of the Company consider that this method faithfully depicts the Group's performance towards complete satisfaction of these performance obligations in these contracts under HKFRS 15.

Sales of health products and services are recognised at a point in time when control of the goods and services is transferred to customers.

5 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION (CONTINUED)

Transaction price allocated to the remaining performance obligations from contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 September 2019 and the expected timing of recognising revenue are as follows:

	Foundation and site formation works HK$'000	General building works and associated services HK$'000	Other construction works HK$'000
Within one year	10,087	155,564	73,781
More than one year but not more than two years	8,955	23,171	6,072
More than two years	–	26,237	–
	19,042	204,972	79,853

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its construction related consultancy services and sales of health products and services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for construction related consultancy services and sales of health products and services that had an original expected duration of one year or less.

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 of the Company, 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.

5 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION (CONTINUED)

Transaction price allocated to the remaining performance obligations from contracts with customers (Continued)

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

Segment revenue and results

	Foundation and site formation works HK$'000	General building works and associated services HK$'000	Other construction works HK$'000	Construction related consultancy services HK$'000	Health management and consultancy business HK$'000	Total HK$'000
Year ended 30 September 2019						
Segment revenue	95,015	97,973	125,626	6,052	538	325,204
Segment results	8,215	6,200	8,517	139	(251)	22,820
Other income, gains and losses						2,835
Administrative and other operating expenses						(34,869)
Net impairment losses on financial assets and contract assets						(1,134)
Finance costs						(137)
Loss before tax						(10,485)

5 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

	Foundation and site formation works HK$'000	General building works and associated services HK$'000	Other construction works HK$'000	Construction related consultancy services HK$'000	Total HK$'000
Year ended 30 September 2018					
Segment revenue	124,061	178,684	65,515	11,315	379,575
Segment results	18,046	14,783	2,800	4,505	40,134
Other income, gains and losses					4,914
Administrative and other operating expenses					(29,954)
Net reversal of impairment losses on financial assets					195
Finance costs					(48)
Profit before tax					15,241

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment results, mainly represented profit earned by each segment, excluding other income, gains and losses, administrative and other operating expenses, impairment losses on financial assets and contract assets, finance costs and income tax expenses.

Geographical information

No geographical segment information is presented as substantially all of the Group's revenue are derived from Hong Kong and substantially all of the Group's non-current assets are located in Hong Kong by physical location of assets.

5 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2019	2018
	HK$'000	HK$'000
Customer A[1]	**32,981**	119,745
Customer B[1 and 2]	**35,177**	108,284

1 Revenue from general building works and associated services.
2 Revenue from foundation and site formation works.

6 FINANCE COSTS

	2019	2018
	HK$'000	HK$'000
Interest on finance leases	**137**	48

7 (LOSS)/PROFIT BEFORE TAX

	2019 HK$'000	2018 HK$'000
(Loss)/profit before tax has been arrived at after charging/(crediting):		
Depreciation	**1,656**	675
Operating lease payments	**2,817**	1,242
Auditors' remuneration	**930**	900
Employee benefit expenses, including directors' emoluments *(Note 8)*	**22,901**	17,663
Listing expenses	**5,065**	15,461
Net impairment losses/(reversal of impairment losses) on financial assets and contract assets	**1,134**	(195)

8 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	**20,191**	19,351
Discretionary bonuses	**2,107**	1,583
Retirement benefit scheme contributions	**603**	622
	22,901	21,556
Less: Amount included in amounts due from/to customers for contract work	**–**	(3,893)
	22,901	17,663

The Group operates a defined contribution scheme in Hong Kong which complies with the requirements under the Mandatory Provident Fund ("**MPF**") Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

The employees of the Group's subsidiaries established in the People's Republic of China ("**PRC**") are required to participate in a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a certain percentage of basic payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

9 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive for the years ended 30 September 2019 and 2018 is set out below:

	Fee HK$'000	Salaries and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 30 September 2019					
Executive directors					
Dr. CW Lau	–	1,488	480	–	1,968
Mr. CM Lau	–	1,488	480	–	1,968
Dr. CK Lau *(Chief Executive Officer)*	–	1,489	480	18	1,987
Mr. Sun Wei	–	52	–	3	55
Independent non-executive directors					
Mr. Leung Bing Kwong Edward ("**Mr. Leung**")	–	119	–	–	119
Mr. Pang Ka Hang ("**Mr. Pang**")	–	119	–	–	119
Mr. Wong Chun Nam ("**Mr. Duffy Wong**")	–	119	–	–	119
	–	4,874	1,440	21	6,335

9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

	Fee HK$'000	Salaries and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 30 September 2018					
Executive directors					
Dr. CW Lau	–	1,670	–	–	1,670
Mr. CM Lau	–	1,543	–	18	1,561
Dr. CK Lau *(Chief Executive Officer)*	–	1,538	–	18	1,556
Independent non-executive directors					
Mr. Leung	–	–	–	–	–
Mr. Pang	–	–	–	–	–
Mr. Duffy Wong	–	–	–	–	–
	–	4,751	–	36	4,787

Mr. Sun Wei was appointed as executive director of the Company on 25 April 2019.

Mr. Leung, Mr. Pang and Mr. Duffy Wong were appointed as independent non-executive directors of the Company on 17 September 2018.

Dr. CW Lau, Mr. CM Lau and Dr. CK Lau were appointed as directors of the Company on 3 January 2018 and re-designated as executive directors on 12 February 2018. Dr. CK Lau was also re-designated as the chief executive officer of the Company on 12 February 2018. They were also directors of certain subsidiaries of the Company during the year ended 30 September 2018 and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees before their appointment as directors of the Company.

During the years ended 30 September 2019 and 2018, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the years ended 30 September 2019 and 2018.

9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, three (2018: three) of them are directors for the year ended 30 September 2019 whose emoluments are disclosed above. The emoluments in respect of the remaining two (2018: two) individuals during the year are as follows:

	2019	2018
	HK$'000	HK$'000
Salaries and allowances	**1,677**	1,583
Discretionary bonuses	**371**	227
Retirement benefit scheme contributions	**36**	36
	2,084	1,846

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands (in HK$)		
Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**1**	1

During the years ended 30 September 2019 and 2018, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group.

10 INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Hong Kong profits tax:		
– Current income tax	**112**	4,825
– Underprovision in prior years	**–**	217
Deferred income tax *(Note 25)*	**473**	97
Income tax expense	**585**	5,139

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year.

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 group entities 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 years ended 30 September 2019 and 2018.

The taxation on the Group's (loss)/profit before tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2019 HK$'000	2018 HK$'000
(Loss)/profit before tax	**(10,485)**	15,241
Calculated at a tax rate of 16.5%	**(1,730)**	2,515
Expenses not deductible for tax purposes	**1,320**	2,627
Temporary differences not recognised	**89**	–
Income not subject to tax	**(176)**	(55)
Underprovision in prior years	**–**	217
Tax loss not recognised	**1,247**	–
Others	**(165)**	(165)
Income tax expense	**585**	5,139

11 (LOSS)/EARNINGS PER SHARE

	2019	2018
(Loss)/profit attributable to owners of the Company (HK$'000)	**(11,070)**	9,909
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (in thousand)	**791,781**	600,000
Basic (loss)/earnings per share (HK cents)	**(1.40)**	1.65

For the year ended 30 September 2019, the calculation of the basic loss per share attributable to owners of the Company was based on (i) the loss attributable to owners of the Company and (ii) the weighted average number of ordinary shares in issue during the year.

For the year ended 30 September 2018, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company and (ii) the weighted average number of 600,000,000 shares (comprising 10,000 shares in issue and 599,990,000 shares to be issued under the capitalisation issue) as if these 600,000,000 shares were outstanding throughout the year.

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential ordinary share in issue during the years ended 30 September 2019 and 2018.

12 SUBSIDIARIES

The following is a list of the principal subsidiaries at 30 September 2019:

Name	Place of incorporation/ operation	Principal activities	Particulars of issued share capital/registered capital	Percentage of interest held
Peaceful Fluent International Limited ("**Peaceful Fluent**")	BVI	Investment holding	Ordinary share United States dollars ("**US$**") 1,098	100% (direct)
Precious Castle Holdings Limited ("**Precious Castle**")	BVI	Investment holding	Ordinary share US$1,098	100% (direct)
Bright Dance Group Limited ("**Bright Dance**")	BVI	Investment holding	Ordinary share US$1,098	100% (direct)
Mass Strength Limited ("**Mass Strength**")	BVI	Investment holding	Ordinary share US$1,098	100% (direct)
RI YING Group Co., Limited	BVI	Investment holding	Ordinary share US$10,000	100% (direct)
Fong On Construction Limited ("**Fong On Construction**")	Hong Kong	Provision of construction and consultancy services	Ordinary share HK$24,300,000	100% (indirect)
Fong On Geotechnics Limited ("**Fong On Geotechnics**")	Hong Kong	Provision of construction and consultancy services	Ordinary share HK$100,020	100% (indirect)
Po Shing Construction Limited ("**Po Shing Construction**")	Hong Kong	Provision of construction and consultancy services	Ordinary share HK$5,200,002	100% (indirect)
James Lau & Associates Limited ("**James Lau & Associates**")	Hong Kong	Provision of construction and consultancy services	Ordinary share HK$18,500	100% (indirect)
Hong Kong RI YING Holdings International Group Co., Limited	Hong Kong	Investment holding	Ordinary share HK$10,000	100% (indirect)

12 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ operation	Principal activities	Particulars of issued share capital/registered capital	Percentage of interest held
上海財康樂健康管理有限公司	PRC	Health management and consultancy	Registered capital Renminbi (“**RMB**”) 50,000,000	100% (indirect)
上海郎姿健康科技有限公司	PRC	Health management and consultancy	Registered capital RMB5,000,000	51% (indirect)
滕州愛啤士生物科技有限公司	PRC	Health management and consultancy	Registered capital RMB1,000,000	90% (indirect)
財康樂企業管理有限公司	PRC	Health management and consultancy	Registered capital RMB80,000,000	100% (indirect)
唐山雲華聖翼供應鏈有限公司	PRC	Health management and consultancy	Registered capital RMB50,000,000	51% (indirect)

13 DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 30 September 2019.

During the year ended 30 September 2018, dividends of HK$15,064,000 were appropriated to the then shareholder of Peaceful Fluent, Precious Castle and Mass Strength of HK$9,998,000, HK$3,158,000 and HK$1,908,000 respectively, of which approximately HK$15,040,000 was set off against the amounts due from directors and approximately HK$24,000 was settled by cash.

14 PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Machinery HK$'000	Total HK$'000
Cost						
At 1 October 2017	620	1,503	93	2,520	–	4,736
Additions	–	43	62	–	3,288	3,393
Disposals	–	–	–	(63)	–	(63)
At 30 September 2018	620	1,546	155	2,457	3,288	8,066
Accumulated depreciation						
At 1 October 2017	574	767	93	2,375	–	3,809
Charge for the year	16	220	2	53	384	675
Disposals	–	–	–	(34)	–	(34)
At 30 September 2018	590	987	95	2,394	384	4,450
Net book value						
At 30 September 2018	30	559	60	63	2,904	3,616
Cost						
At 1 October 2018	**620**	**1,546**	**155**	**2,457**	**3,288**	**8,066**
Additions	**1,995**	**1,000**	**21**	**2,305**	**1,322**	**6,643**
Disposals	**–**	**–**	**–**	**(967)**	**–**	**(967)**
At 30 September 2019	**2,615**	**2,546**	**176**	**3,795**	**4,610**	**13,742**
Accumulated depreciation						
At 1 October 2018	**590**	**987**	**95**	**2,394**	**384**	**4,450**
Charge for the year	**164**	**318**	**16**	**375**	**783**	**1,656**
Disposals	**–**	**–**	**–**	**(912)**	**–**	**(912)**
At 30 September 2019	**754**	**1,305**	**111**	**1,857**	**1,167**	**5,194**
Net book value						
At 30 September 2019	**1,861**	**1,241**	**65**	**1,938**	**3,443**	**8,548**

As at 30 September 2019, certain machinery and motor vehicles were held under finance leases with carrying amounts of approximately HK$3,894,000 (2018: HK$2,904,000).

15 FINANCIAL INSTRUMENTS BY CATEGORY

	2019 HK$'000	2018 HK$'000
Financial assets		
At amortised costs		
Trade and other receivables excluding non-financial assets	**34,678**	–
Bank balances and cash	**179,970**	–
	214,648	–
Loans and receivables		
Trade and other receivables excluding non-financial assets	**–**	103,642
Bank balances and cash	**–**	88,167
	–	191,809
Financial assets at fair value through profit or loss		
Financial assets at fair value through profit or loss	**323**	344
Total	**214,971**	192,153
Financial liabilities		
At amortised cost		
Trade and other payables excluding non-financial liabilities	**73,002**	100,420
Finance lease liabilities	**2,571**	2,212
Total	**75,573**	102,632

16 INVENTORY

	2019 HK$'000	2018 HK$'000
Finished goods	**273**	–

17 TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**27,814**	43,246
Less: Provision for impairment losses	**(4,902)**	(781)
	22,912	42,465
Retention receivables*	**–**	53,312
Other receivables, deposits and prepayments	**14,244**	8,182
	37,156	103,959

* Upon application of HKFRS 15, the retention receivables were reclassified to contract assets.

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

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 or invoice date is as follows:

	2019 **HK$'000**	2018 HK$'000
0-30 days	**11,534**	34,850
31-60 days	**6,704**	1,787
61-90 days	**2,236**	702
Over 90 days	**2,438**	5,126
	22,912	42,465

As at 30 September 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$16,280,000 which are past due as at the reporting date. Out of the past due balances, approximately HK$2,288,000 has been past due 90 days or more and is not considered as in default. The Group does not hold any collateral over these balances.

Trade receivables of approximately HK$34,850,000 as at 30 September 2018 were not yet past due and approximately HK$7,615,000 as at 30 September 2018 were past due but not impaired. These relate to trade receivables from a number of customers of whom there is no recent history of default and no provision has therefore been made.

Ageing of trade receivables which are past due but not impaired:

	2018 HK$'000
0-30 days	1,787
31-60 days	702
61-90 days	498
Over 90 days	4,628
	7,615

Movements in the Group's provision for impairment of trade receivables are as follows:

	2018 HK$'000
At beginning of year	976
Impairment loss reversal	(195)
At end of year	781

Except for retention receivables of approximately HK$20,751,000 as at 30 September 2018, which are expected to be recovered after one year, all of the remaining retention receivables are expected to be recovered within one year.

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

18 CONTRACT ASSETS AND CONTRACT LIABILITIES

	2019 HK$'000	2018* HK$'000
Contract assets		
Provision for construction services	**61,655**	97,144
Less: Provision for impairment losses	**(1,198)**	(2,421)
	60,457	94,723
Contract liabilities		
Provision for construction services	**12,233**	28,865
Sales of health product and services	**1,955**	–
	14,188	28,865

* The amounts in this column are after the adjustments from the application of HKFRS 9 and HKFRS 15.

The contract assets primarily relate to the Company's right to consideration for work completed and not billed because the rights are conditioned on factors other than passage of time. The contract assets are transferred to trade receivables when the rights become unconditional.

Included in contract assets comprises retention receivables of approximately HK$46,800,000 as at 30 September 2019, after recognition of impairment loss of approximately HK$1,142,000, the carrying amount of retention receivables was approximately HK$45,658,000.

Retention receivables represented the monies withheld by customers of contract works fully recoverable within 1 to 2 years from the date of completion of construction contracts, in accordance with the terms specified in the relevant contracts. Generally, upon satisfactory completion of contract work as set out in the contract, partial of the retention money of such contract work will be released to the Company, while the remaining will be released to the Company upon the expiration of the defects liability period.

The retention receivables, before recognition of impairment loss, would be settled, based on the expiry of the defect liability period, at the end of the reporting period as follow:

	2019 HK$'000
Within one year	**11,890**
After one year	**34,910**
	46,800

18 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	2019
	HK$'000
Provision for construction services	
Revenue recognised that was included in the contract liability balance at the beginning of the year	**6,632**

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Provision for construction services

When the Group receives a deposit before services is rendered, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

Sales of health products and services

The Group receives a deposit from customers when they sign the sale and purchase agreement, this will give rise to contract liabilities at the start of a contract.

19 AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2019	2018
	HK$'000	HK$'000
Contract costs incurred plus recognised profits less recognised losses	–	1,059,974
Less: Progress billings received and receivable	–	(1,037,274)
	–	22,700
Included in current assets/(liabilities) are the following:		
Amounts due from customers for contract work	–	51,516
Amounts due to customers for contract work	–	(28,816)
	–	22,700

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Held for trading investments include:		
Listed fund, at quoted price in Hong Kong	**323**	344

21 BANK BALANCES AND CASH

	2019 HK$'000	2018 HK$'000
Cash at banks	**179,970**	88,167
By maturity:		
Bank balances		
– current and saving accounts	**37,659**	88,167
– fixed deposits (maturing within three months)	**88,311**	–
– fixed deposits (maturing over three months)	**54,000**	–
	179,970	88,167

Notes:

(a) The carrying amount of cash and bank balances were denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	**158,242**	88,165
US$	**20,330**	2
RMB	**1,398**	–
Cash at banks	**179,970**	88,167

(b) As at 30 September 2019, the bank balances and deposits bore interest at rates from 0.01% to 2.50% per annum (2018: 0.01%).

22 SHARE CAPITAL

	Notes	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
On 3 January 2018 (date of incorporation)	a	38,000,000	380
Increase in authorised share capital	b	1,962,000,000	19,620
As at 30 September 2018 and 1 October 2018 and 30 September 2019		2,000,000,000	20,000
Issued and fully paid:			
On 3 January 2018 (date of incorporation)	a	1	–*
Reorganisation	c	9,999	–*
At 30 September 2018 and 1 October 2018		10,000	–*
Capitalisation issue	d	599,990,000	6,000
Shares issued under share offer	e	200,000,000	2,000
At 30 September 2019		800,000,000	8,000

* Less than HK$1,000

Notes:

(a) Upon incorporation of the Company, the authorised share capital was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. One fully-paid Share was allotted and issued to the subscriber on 3 January 2018, which was subsequently transferred to Elite Bright on the same date.

(b) On 17 September 2018, the Company resolved to increase its authorised share capital from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 shares of HK$0.01 each by the creation of 1,962,000,000 additional shares, each ranking pari passu with the shares then in issue in all respects.

(c) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued shares of Mass Strength, Peaceful Fluent, Bright Dance and Precious Castle, respectively, from Elite Bright, on 17 September 2018, 9,999 shares, credited as fully paid, were allotted and issued to Elite Bright.

(d) Pursuant to the written resolution passed by the shareholder on 17 September 2018, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the share offer, the directors of the Company are authorised to allot and issue a total of 599,990,000 ordinary shares, by way of capitalisation of the sum of approximately HK$5,999,900 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholder on the register of members of the Company at the close business on 17 September 2018.

(e) On 16 October 2018, the Company issued 200,000,000 ordinary shares of HK$0.01 each pursuant to the Company listing on the Stock Exchange by way of share offer at a price of HK$0.625 per share for a total consideration of HK$125,000,000.

23 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.

23 SHARE OPTION SCHEME (CONTINUED)

Under the Scheme, the board of directors 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 of directors 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 approval by the independent non-executive directors of the Company (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 of directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

23 SHARE OPTION SCHEME (CONTINUED)

The subscription price shall be a price solely determined by the board of directors of the Company 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.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 30 September 2019 and 2018.

24 FINANCE LEASE LIABILITIES

As at 30 September 2019 and 2018, the Group had finance leases repayable as follows (ignoring the effect of demand clause):

	2019		2018	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within one year	**1,454**	**1,559**	859	930
More than one year but not more than two years	**1,059**	**1,093**	893	930
More than two years but not more than five years	**58**	**59**	460	464
	2,571	**2,711**	2,212	2,324
Less: total future interest expense		**(140)**		(112)
Present value of lease obligations		**2,571**		2,212

The Group's machinery and motor vehicles with aggregate net book value of approximately HK$3,894,000 as at 30 September 2019 (2018: HK$2,904,000) were secured as the rights to the leased assets revert to the lessors in the event of default and by personal guarantee given by Dr. CW Lau (2018: personal guarantees given by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau).

The finance lease facilities bore interest from 0.98% to 4.82% per annum as at 30 September 2019 (2018: 3.85% per annum).

The Group did not breach financial bank covenant during the years ended 30 September 2019 and 2018.

25 DEFERRED TAX ASSETS/LIABILITIES

The following is the deferred tax assets and liabilities recognised and movements thereon during the years ended 30 September 2019 and 2018:

	Depreciation allowance HK$'000	Tax losses HK$'000	ECL provision HK$'000	Total HK$'000
At 1 October 2017	(89)	–	–	(89)
(Charged)/credited to profit or loss *(Note 10)*	(138)	41	–	(97)
At 30 September 2018 and 1 October 2018	(227)	41	–	(186)
Adjustment *(Note 2.1)*	–	–	689	689
At 1 October 2018 (restated)	(227)	41	689	503
(Charged)/credited to profit or loss *(Note 10)*	(602)	(41)	170	(473)
At 30 September 2019	**(829)**	**–**	**859**	**30**

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

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**92**	41
Deferred tax liabilities	**(62)**	(227)
	30	(186)

At the end of the reporting period, the Group has unused tax losses of approximately HK$19.0 million available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

26 TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**14,578**	28,575
Retention payables	**26,609**	27,259
Accruals and other payables	**31,815**	44,586
Receipts in advance*	**–**	18,865
	73,002	119,285

* Upon application of HKFRS 15, the receipts in advance were reclassified to contract liabilities.

Notes:

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

	2019 HK$'000	2018 HK$'000
0-30 days	**10,750**	20,253
31-60 days	–	3,030
61-90 days	–	1,477
Over 90 days	**3,828**	3,815
	14,578	28,575

Except for retention payables of approximately HK$19,080,000 as at 30 September 2019 (2018: HK$8,952,000), 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 30 September 2019, included in trade payable was amount due to a related party, 上海蜂妮醫藥科技有限公司(「**上海蜂妮**」) of approximately HK$330,000 (2018: Nil). 上海蜂妮 is controlled by a family member of Mr. Sun Wei.

27 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of (loss)/profit before tax to net cash (used in)/generated from operations

	2019 HK$'000	2018 HK$'000
(Loss)/profit before tax	**(10,485)**	15,241
Adjustments for:		
Depreciation	**1,656**	675
Interest expense	**137**	48
Interest income	**(1,248)**	(15)
Dividend income	**(11)**	(11)
Net impairment losses/(reversal of impairment losses) on financial assets and contract assets	**1,134**	(195)
(Gain)/loss on disposal of property, plant and equipment	**(131)**	26
Operating (loss)/profit before working capital changes	**(8,948)**	15,769
Increase in inventory	**(273)**	–
Decrease/(increase) in trade and other receivables	**9,370**	(23,601)
Decrease in contract assets	**35,489**	–
Increase in amounts due from customers for contract work	**–**	(28,799)
Decrease/(increase) in financial assets at fair value through profit or loss	**21**	(3)
(Decrease)/increase in trade and other payables	**(27,796)**	26,971
Decrease in contract liabilities	**(14,677)**	–
Increase in amounts due to customers for contract work	**–**	16,645
Net cash (used in)/generated from operations	**(6,814)**	6,982

Notes to the Consolidated Financial Statements

For the year ended 30 September 2019

27 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	As at 1 October 2018 HK$'000	**Cash flows HK$'000**	**Non-cash changes HK$'000**	**As at 30 September 2019 HK$'000**
Finance lease liabilities *(Note i)*	**2,212**	**(1,349)**	**1,708**	**2,571**
Total liabilities from financing activities	**2,212**	**(1,349)**	**1,708**	**2,571**

	As at 1 October 2017 HK$'000	Cash flows HK$'000	Non-cash changes HK$'000	As at 30 September 2018 HK$'000
Amount due to a related party	1	(1)	–	–
Finance lease liabilities *(Note i)*	37	(455)	2,630	2,212
Total liabilities from financing activities	38	(456)	2,630	2,212

Note:

(i) Non-cash changes represent additions to property, plant and equipment financed by finance lease arrangement.

28 OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2019 HK$'000	2018 HK$'000
Within one year	**3,067**	870
In the second to fifth years inclusive	**4,143**	102
	7,210	972

The leases typically run for an initial period of 1 to 3 years (2018: 1 to 5 years), with an option to renew the leases whereby all terms are renegotiated. As at 30 September 2018, the operating leases in respect of the office premises were secured by personal guarantee given by Dr. CW Lau.

29 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties at terms mutually agreed by both parties.

(a) Transactions

	2019 **HK$'000**	2018 HK$'000
Rental income from Hip Shing Construction & Engineering Limited ("**Hip Shing**")	**–**	8
Purchases from 上海蜂妮	**330**	–
Revenue from Maxwell Contract Services Company Limited ("**Maxwell Contract Services**")	**–**	1,347
Subcontracting fee to Hip Shing	**–**	1,266

Hip Shing is a company owned by Mr. Christopher Lee, a director of a subsidiary of the Company.

Maxwell Contract Services is a company owned by Dr. CW Lau.

(b) Key management compensation

Key management comprises the directors of the Company. The compensation paid or payable to directors is disclosed in Note 9.

(c) Guarantee/security

As at 30 September 2018, the Group has banking facilities secured/guaranteed by (i) personal guarantees given by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau and spouse of Mr. CM Lau and (ii) a property held by Mr. CM Lau and his spouse.

30 SURETY BONDS AND CONTINGENT LIABILITIES

As at 30 September 2019, 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$15,383,000 (2018: HK$10,900,000). Dr. CW Lau, Mr. CM Lau and Dr. CK Lau 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.

As at 30 September 2019, the Group paid a cash collateral of approximately HK$4,603,000 (2018: HK$2,788,000) to the insurance companies for the issuance of surety bonds and are included in other receivables, deposits and prepayments.

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

31 ACQUISITION OF NON-CONTROLLING INTERESTS

On 19 December 2017, Mass Strength acquired 2,500 shares of James Lau & Associates, representing approximately 14% of its issued shares, from Mr. Luk Wah Shing (brother-in-law of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau) at a consideration of HK$50,000.

On 18 January 2018, Mass Strength acquired 1,000 shares of James Lau & Associates, representing approximately 5% of its issued shares, from Mr. Luk Wang Kwon at a consideration of HK$50,000.

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position

	Note	**2019 HK$'000**	2018 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries		**95,614**	95,536
Current assets			
Trade and other receivables		**78**	–
Amounts due from subsidiaries		**98,527**	–
Bank balances and cash		**920**	–
		99,525	–
Total assets		**195,139**	95,536
EQUITY			
Capital and reserves			
Share capital		**8,000**	–*
Reserves	32(b)	**185,901**	90,894
Total equity		**193,901**	90,894
LIABILITIES			
Current liabilities			
Trade and other payables		**1,160**	–
Amounts due to subsidiaries		**78**	4,642
		1,238	4,642
Total equity and liabilities		**195,139**	95,536
Net current assets/(liabilities)		**98,287**	(4,642)
Total assets less current liabilities		**193,901**	90,894

* Less than HK$1,000

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 23 December 2019 and are signed on its behalf by:

Lau Chi Wang
Director

Lau Chi Keung
Director

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement

	Share premium HK$'000	Special reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
On 3 January 2018 (date of incorporation)	–	–	–	–
Loss and total comprehensive expense for the period	–	–	(4,642)	(4,642)
Reorganisation	–	95,536	–	95,536
At 30 September 2018	–	95,536	(4,642)	90,894
At 1 October 2018	**–**	**95,536**	**(4,642)**	**90,894**
Loss and total comprehensive expense for the year	**–**	**–**	**(5,531)**	**(5,531)**
Capitalisation issue	**(6,000)**	**–**	**–**	**(6,000)**
Shares issued under share offer	**123,000**	**–**	**–**	**123,000**
Share issuance costs	**(16,462)**	**–**	**–**	**(16,462)**
At 30 September 2019	**100,538**	**95,536**	**(10,173)**	**185,901**

Special reserve

Special reserve represents the difference between the total equity of its subsidiaries acquired pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange therefore.

Financial Summary

RESULTS

	For the year ended 30 September				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**325,204**	379,575	359,311	426,951	390,423
Cost of sales	**(302,384)**	(339,441)	(318,351)	(390,797)	(355,513)
Gross profit	**22,820**	40,134	40,960	36,154	34,910
(Loss)/profit before tax	**(10,485)**	15,241	28,910	24,399	28,779
Income tax expense	**(585)**	(5,139)	(4,901)	(3,975)	(4,736)
(Loss)/profit for the year	**(11,070)**	10,102	24,009	20,424	24,043
Other comprehensive expense	**(2)**	–	–	–	–
Total comprehensive (expense)/income	**(11,072)**	10,102	24,009	20,424	24,043

ASSETS AND LIABILITIES

	As at 30 September				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**287,361**	247,643	211,229	206,299	144,182
Total liabilities	**(94,060)**	(155,714)	(114,269)	(130,348)	(96,705)
	193,301	91,929	96,960	75,951	47,477
Total equity	**193,301**	91,929	96,960	75,951	47,477