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SHING CHI HOLDINGS LIMITED

成志控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1741)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2024

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 18.8% from approximately HK\$177.4 million for the continuing operations for the year ended 30 September 2023 to approximately HK\$144.0 million for the year ended 30 September 2024.
- Gross profit decreased by approximately 67.4% from approximately HK\$30.4 million for the year ended 30 September 2023 to approximately HK\$9.9 million for the year ended 30 September 2024..
- Gross profit margin decreased from approximately 17.2% for the year ended 30 September 2023 to approximately 6.9% for the year ended 30 September 2024..
- Loss for the year was approximately HK\$2.6 million for the year ended 30 September 2023 as compared to loss of approximately HK\$10.1 million for the year ended 30 September 2024.
- Basic and diluted loss per share from continuing and discontinued operations was approximately HK1.26 cents and HK0.22 cents for the years ended 30 September 2024 and 2023, respectively.
- The Board does not recommend the payment of any final dividend for the year ended 30 September 2024.

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Shing Chi Holdings Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 30 September 2024, together with the comparative figures for the year ended 30 September 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2024

	Note	2024 HK\$’000	2023 HK\$’000 (restated)
Continuing operations			
Revenue	4	143,956	177,420
Cost of sales		(134,065)	(146,972)
Gross profit		9,891	30,448
Other income, gains and losses	4	355	709
Administrative and other operating expenses		(33,286)	(29,182)
Net impairment losses on financial assets and contract assets		(115)	(1,640)
Operating (loss)/profit		(23,155)	335
Finance costs		(205)	(206)
(Loss)/profit before tax	5	(23,360)	129
Income tax expense	6	–	–
(Loss)/profit for the year from continuing operations		(23,360)	129
Discontinued operation			
Profit/(loss) for the year from discontinued operations	7	13,307	(2,738)
Loss for the year		(10,053)	(2,609)
Other comprehensive (expense)/income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Release of translation reserve upon disposal of subsidiaries		(213)	(207)
Exchange difference arising on translation of foreign operations		(753)	529
		(966)	322
Total comprehensive expense for the year		(11,019)	(2,287)

	<i>Note</i>	2024 HK\$'000	2023 HK\$'000 (restated)
(Loss)/profit for the year attributable to:			
Owners of the Company			
– from continuing operations		(23,360)	129
– from discontinued operations		<u>13,290</u>	<u>(1,898)</u>
		(10,070)	(1,769)
Non-controlling interests			
– from discontinued operations		<u>17</u>	<u>(840)</u>
		<u>(10,053)</u>	<u>(2,609)</u>
Total comprehensive (expense)/income attributable to:			
Owners of the Company			
– from continuing operations		(23,360)	129
– from discontinued operations		<u>12,398</u>	<u>(1,701)</u>
		(10,962)	(1,572)
Non-controlling interests			
– from discontinued operations		<u>(57)</u>	<u>(715)</u>
		<u>(11,019)</u>	<u>(2,287)</u>
Basic and diluted loss per share from continuing and discontinued operations (HK cents)			
	8	(1.26)	(0.22)
Basic and diluted (loss)/earnings per share from continuing operations (HK cents)			
	8	<u>(2.92)</u>	<u>0.02</u>

Details of dividends, if any, are disclosed in Note 9 to this announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

	<i>Note</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		–	3,942
Right-of-use assets		819	12,045
Interest in associates		–	504
Goodwill		–	6,153
		<u>819</u>	<u>22,644</u>
Current assets			
Inventory		–	2,897
Trade and other receivables	<i>10</i>	13,062	100,017
Contract assets		17,653	34,194
Amounts due from related parties		–	620
Bank deposits, balances and cash		32,558	41,450
		<u>63,273</u>	<u>179,178</u>
Total assets		<u>64,092</u>	<u>201,822</u>
EQUITY			
Capital and reserves			
Share capital	<i>11</i>	8,000	8,000
Share premium and reserves		26,702	37,664
		<u>34,702</u>	<u>45,664</u>
Equity attributable to owners of the Company		34,702	45,664
Non-controlling interests		–	(2,493)
		<u>34,702</u>	<u>43,171</u>
Total equity		<u>34,702</u>	<u>43,171</u>

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		<u>1,026</u>	<u>6,443</u>
		<u>1,026</u>	<u>6,443</u>
Current liabilities			
Trade and other payables	<i>12</i>	26,446	106,097
Contract liabilities		–	1,963
Lease liabilities		1,918	5,950
Bank borrowings		–	38,142
Income tax payable		<u>–</u>	<u>56</u>
		<u>28,364</u>	<u>152,208</u>
Total liabilities		<u>29,390</u>	<u>158,651</u>
Total equity and liabilities		<u>64,092</u>	<u>201,822</u>
Net current assets		<u>34,909</u>	<u>26,970</u>
Total assets less current liabilities		<u>35,728</u>	<u>49,614</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2024

1 GENERAL INFORMATION

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 and construction related consultancy services.

The Company was incorporated in the Cayman Islands on 3 January 2018 as an exempted company with limited liability under the Companies Act (as revised) 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.

Pursuant to the special resolution passed by the shareholders at the extraordinary general meeting of the Company held on 1 August 2024, the Company’s English name has been changed from “Ri Ying Holdings Limited” to “Shing Chi Holdings Limited”, and its dual foreign name in Chinese has been changed from “日赢控股有限公司” to “成志控股有限公司”. The certificate of incorporation on change of name was issued by the Registrar of Companies in the Cayman Islands on 1 August 2024 and the certificate of registration of alteration of name of registered non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 15 August 2024.

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

Its parent and ultimate holding company is Elite Bright Developments Limited, 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.

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 on 30 December 2024.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**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 financial instruments that are measured at fair values.

The preparation of consolidated 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.

3 APPLICATION OF AMENDMENTS TO HKFRSs

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

In the current year, the Group applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 October 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

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:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 ⁴
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³
HKFRS 18	Presentation and Disclosure in Financial Statements ⁵

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

⁴ Effective for annual periods beginning on or after 1 January 2026.

⁵ Effective for annual periods beginning on or after 1 January 2027.

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

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

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i> (restated)
Revenue		
Foundation and site formation works	42,310	83,859
General building works and associated services	24,945	41,419
Other construction works	67,299	43,543
Construction related consultancy services	9,402	8,599
	<u>143,956</u>	<u>177,420</u>
Other income, gains and losses		
Bank interest income	218	246
Gain on disposal of property, plant and equipment	10	–
Gain on lease termination	43	–
Dividend income from financial assets at fair value through profit or loss	–	349
Fair value change on financial assets at fair value through profit or loss	–	(3)
Others	84	117
	<u>355</u>	<u>709</u>

Segment information

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

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

Continuing operations:

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

Discontinued operations:

- Health management and consultancy business (including sales of health products, licencing and health management software development).

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

	Continuing operations			Discontinued operations	Total	
	Foundation and site formation works <i>HK\$*000</i>	General building works and associated services <i>HK\$*000</i>	Other construction works <i>HK\$*000</i>	Construction related consultancy services <i>HK\$*000</i>		Health management and consultancy business <i>HK\$*000</i>
Year ended 30 September 2024						
Segment revenue	<u>42,310</u>	<u>24,945</u>	<u>67,299</u>	<u>9,402</u>	<u>17,053</u>	<u>161,009</u>
Segment results	<u>1,858</u>	<u>2,029</u>	<u>4,603</u>	<u>1,401</u>	<u>12,105</u>	21,996
Other income, gains and losses						3,404
Administrative and other operating expenses						(73,291)
Net impairment losses on financial assets and contract assets						(115)
Share of losses of associates						(208)
Finance costs						(1,500)
Gain on disposal of subsidiaries						<u>39,698</u>
Loss before tax						<u>(10,016)</u>

	Continuing operations				Discontinued operations	Total <i>HK\$'000</i>
	Foundation and site formation works <i>HK\$'000</i>	General building works and associated services <i>HK\$'000</i>	Other construction works <i>HK\$'000</i>	Construction related consultancy services <i>HK\$'000</i>	Health management and consultancy business <i>HK\$'000</i>	
Year ended 30 September 2023 (restated)						
Segment revenue	<u>83,859</u>	<u>41,419</u>	<u>43,543</u>	<u>8,599</u>	<u>48,485</u>	<u>225,905</u>
Segment results	<u>13,732</u>	<u>6,861</u>	<u>8,727</u>	<u>1,128</u>	<u>32,252</u>	62,700
Other income, gains and losses						13,679
Administrative and other operating expenses						(75,227)
Net impairment losses on financial assets and contract assets						(1,746)
Share of losses of associates						(79)
Finance costs						<u>(1,860)</u>
Loss before tax						<u>(2,533)</u>

Geographical information

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i> (restated)
Continuing operations		
Hong Kong	143,956	177,420
Discontinued operations		
The People's Republic of China ("PRC")	<u>17,053</u>	<u>48,485</u>
	<u>161,009</u>	<u>225,905</u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i> (restated)
Continuing operations		
Hong Kong	819	6,317
Discontinued operations		
The PRC	—	16,327
	<u>819</u>	<u>22,644</u>

Information about major customers

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A ²	N/A ³	31,750
Customer B ¹	N/A ³	30,929
Customer C ¹	28,182	N/A ³
Customer D ¹	17,941	N/A ³
	<u>17,941</u>	<u> </u>

¹ Revenue from foundation and site formation works.

² Revenue from general building works and associated services.

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5 LOSS/(PROFIT) BEFORE TAX

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i> (restated)
Loss/(profit) before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	830	1,851
Depreciation of right-of-use assets	2,555	2,282
Short-term lease expenses	18	116
Auditors' remuneration	900	1,100
Employee benefit expenses, including Directors' emoluments	20,073	19,583
Net impairment losses on financial assets and contract assets	115	1,640
Impairment losses on property, plant and equipment	538	—
Impairment losses on right-of-use assets	2,184	—
	<u>2,184</u>	<u> </u>

6 INCOME TAX EXPENSE

	2024	2023
	HK\$'000	HK\$'000
		(restated)
Current tax:		
– Hong Kong profits tax	–	–
	<u>–</u>	<u>–</u>

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group companies has no assessable profits arising in or derived from Hong Kong or have sufficient tax losses brought forward to set off against the current year's estimated assessable profits for the years ended 30 September 2024 and 2023.

7 DISCONTINUED OPERATION

The Group disposed of its equity interests in Ri Ying Group Co., Limited and its subsidiaries (“**Ri Ying Group**”) during the year ended 30 September 2024. The Ri Ying Group carried out health management and consultancy business and comprised the “health management and consultancy business” reportable segment of the Group. The disposal of Ri Ying Group was effected in order to reduce the Group's continual exposure to further loss and capital requirements of, and further financial commitments to the Group's health management and consultancy business.

The loss for the year from the discontinued health management and consultancy business is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the financial performance of the health management and consultancy business as a discontinued operation.

Unaudited financial results of the Ri Ying Group for the period from 1 October 2023 to the disposal date of Ri Ying Group.

	Period from	Year ended
	1 October 2023 to	30 September
	the disposal date	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss of health management and consultancy business for the period/year	(26,391)	(2,738)
Gain on disposal of subsidiaries	39,698	–
	<u>13,307</u>	<u>(2,738)</u>

The results of the health management and consultancy business for the period from 1 October 2023 to the date of disposal of Ri Ying Group, which have been included in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 30 September 2024, were as follow:

	Period from 1 October 2023 to the disposal date <i>HK\$'000</i>	Year ended 30 September 2023 <i>HK\$'000</i>
Revenue	17,053	48,485
Cost of sales	(4,948)	(16,233)
Other income and gains	3,049	12,970
Administrative and other operating expenses	(40,005)	(46,151)
Share of losses of associates	(208)	(79)
Finance costs	(1,295)	(1,654)
	<hr/>	<hr/>
Loss before tax	(26,354)	(2,662)
Income tax expense	(37)	(76)
	<hr/>	<hr/>
Loss for the period/year	<u>(26,391)</u>	<u>(2,738)</u>
 8 (LOSS)/EARNINGS PER SHARE		
	2024	2023 (restated)
From continuing operations		
Loss attributable to owners of the Company (<i>HK\$'000</i>)	(10,070)	(1,769)
Less: (Profit)/loss for the year from discontinued operations (<i>HK\$'000</i>)	(13,290)	1,898
	<hr/>	<hr/>
(Loss)/profit for the purpose of basic (loss)/earnings per share from continuing operations (<i>HK\$'000</i>)	<u>(23,360)</u>	<u>129</u>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (in thousand)	<u>800,000</u>	<u>800,000</u>
From continuing and discontinued operations		
Basic loss per share (<i>HK cents</i>)	(1.26)	(0.22)
From continuing operations		
Basic (loss)/earnings per share (<i>HK cents</i>)	<u>(2.92)</u>	<u>0.02</u>

For the years ended 30 September 2024 and 2023, the calculation of the basic loss per share attributable to owners of the Company was based on (i) the loss for the year attributable to owners of the Company; and (ii) the weighted average number of ordinary shares in issue during the year.

The diluted loss per share is equal to the basic (loss)/earnings per share as there were no potential ordinary share in issue during the years ended 30 September 2024 and 2023.

From discontinued operation

Basic and diluted earnings per share for the discontinued operation is HK\$1.66 cents per share (2023: loss per share HK\$0.24 cent per share), based on the profit for the period from the discontinued operation of approximately HK\$13,290,000 (2023: loss for the year from the discontinued operation approximately HK\$1,898,000) and the denominators detailed above for both basic and diluted loss per share.

Note: For the year ended 30 September 2024, the calculation of basic earnings per share was based on the earnings attributable to the owners of the Company and on the basis of the weighted average number of 800,000,000 (2023: 800,000,000) ordinary shares in issue.

9 DIVIDENDS

The Board does not recommend the payment of a final dividend for the years ended 30 September 2024 and 2023.

10 TRADE AND OTHER RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	16,841	25,006
Less: provision for impairment losses	<u>(5,114)</u>	<u>(4,400)</u>
	<u>11,727</u>	<u>20,606</u>
Other receivables, deposits and prepayments	1,729	79,517
Less: provision for impairment losses	<u>(394)</u>	<u>(106)</u>
	<u>1,335</u>	<u>79,411</u>
	<u>13,062</u>	<u>100,017</u>

Notes:

- (a) The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on 30 days and stipulated in the contract, as appropriate.
- (b) The ageing analysis of the trade receivables (net of impairment losses) based on payment certificate date or invoice date is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0–30 days	5,729	11,320
31–60 days	3,316	4,650
61–90 days	1,230	668
Over 90 days	<u>1,452</u>	<u>3,968</u>
	<u>11,727</u>	<u>20,606</u>

11 SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 October 2022, 30 September 2023, 1 October 2023 and 30 September 2024	<u>2,000,000</u>	<u>20,000</u>
Issued and fully paid:		
As at 1 October 2022, 30 September 2023, 1 October 2023 and 30 September 2024	<u>800,000</u>	<u>8,000</u>

12 TRADE AND OTHER PAYABLES

	2024 HK\$'000	2023 HK\$'000
Trade payables	12,595	9,099
Retention payables	11,244	11,351
Accruals and other payables	<u>2,607</u>	<u>85,647</u>
	<u>26,446</u>	<u>106,097</u>

Notes:

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

	2024 HK\$'000	2023 HK\$'000
0 – 30 days	9,323	4,260
31 – 60 days	–	–
61 – 90 days	2,990	2,816
Over 90 days	<u>282</u>	<u>2,023</u>
	<u>12,595</u>	<u>9,099</u>

13 ARBITRATION

As disclosed in the announcement dated 20 January 2023, Fong On Construction Limited (“**Fong On**”), an indirect wholly-owned subsidiary of the Company, is involved in certain disputes (the “**Disputes**”) in connection to payments owed to Fong On as main contractor for carrying out certain design and construction works for a school in Hong Kong (the “**School**”). Fong On contends, among other things, that the School has failed and/or refused to pay Fong On in accordance with the payment terms agreed and has undervalued the works carried out (including variation works) by Fong On pursuant to the relevant contracts (the “**Contracts**”). The Group has recognised revenue from the Contracts in accordance with its revenue recognition accounting policies which amounted to approximately HK\$357,061,000 up until 30 September 2021, including revenue of approximately HK\$54,503,000 recognised in the financial year ended 30 September 2021. During the financial year ended 30 September 2022, the School failed to make payment for an interim payment certificate issued by the School during the year and subsequent to the end of the financial year, the School issued a further interim payment certificate with valuation date 9 December 2022 whereby the School significantly reduced the amount already certified by the School in previous interim payment certificates. Fong On by a letter dated 18 January 2023 requested the Disputes to be referred to mediation in accordance with the terms agreed pursuant to the Contracts. The conclusion of the mediation conference held on 9 May 2023, the parties were unable to reach a settlement agreement in relation to the Disputes.

Fong On has initiated arbitration proceedings against the School with respect to the Disputes (the “**Arbitration**”) on 18 April 2023. As part of the arbitration proceedings, the parties may exchange any documents by themselves for matters in issue but not previously appended to any of the pleadings and may submit to the Arbitrator and to the other party a Request to Produce documents by 27 December 2024. After such Request(s) to Produce, if any, the other party will respond to the request(s) before the Tribunal’s ruling on the request(s) and the exchange of witness statements.

Up to the date of approval for issuance of the consolidated financial statements, the directors of the Company have fully considered all the relevant facts and circumstances, including the nature of the claims, costs of arbitration and potential impact on the consolidated financial statements and engaged an external lawyer to consider and assess the strategies and defenses. The eventual outcome of the Disputes for the Group cannot be fully assessed at this stage.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

As at 30 September 2024, the Group had 25 construction projects on hand (including projects in progress and projects that are yet to commence) (2023: 23 construction projects on hand) with a total contract value of approximately HK\$324.6 million (2023: approximately HK\$341.4 million), out of which approximately HK\$175.3 million has been recognised as revenue up to 30 September 2024. The details of the Group’s projects on hand as at 30 September 2024 are as follows:

Number	Project awarded	Actual/expected commencement Date	Actual/expected Completion Date
1	Foundations, ELS and pile cap works for proposed commercial development in Sheung Wan	June 2018	September 2025
2	Slope works in Kwu Tung North New Development Areas	September 2020	February 2025
3	Site formation and infrastructure works in Tseung Kwan O	May 2022	January 2026
4	Supply and installation of flexible barrier at Ap Lei Chau	September 2022	January 2025
5	Minipiles works for a charity organisation at Shatin Racecourse	January 2023	December 2024
6	Slope improvement work for a university in Shatin	April 2023	March 2025
7	Supply and installation of flexible barrier in Yau Tong	May 2023	January 2025
8	Slope improvement work for a university in Shatin	June 2023	September 2025
9	Slope improvement work for a university in Shatin	June 2023	September 2025
10	Foundation works to escalator for the proposed residential development in Discovery Bay North	September 2023	September 2025
11	Construction a car park for a university in Shatin	November 2023	May 2025
12	Reconstruction sport facilities for a university in Shatin	February 2024	December 2024
13	Piling works for the proposed industrial building in Fanling	February 2024	November 2024
14	Construction for the proposed playground in Hung Hom	March 2024	March 2025
15	Design and supply of flexible barrier	March 2024	December 2024
16	Slope remedial works in Mid Level	April 2024	December 2024
17	Fence inspection works for a university in Shatin	May 2024	December 2026

Number	Project awarded	Actual/expected commencement Date	Actual/expected Completion Date
18	Ground investigation works for a charity organisation at Shatin Racecourse	May 2024	December 2024
19	Underground sewerage improvement works for a university in Shatin	June 2024	February 2025
20	Design review and repairing/replacement for flexible barrier in Lamma Island	June 2024	January 2025
21	Foundation reconditioning works in Central	July 2024	January 2025
22	Ground investigation works for a university in Shatin	August 2024	November 2024
23	Sewerage improvement works in Lantau Island	August 2024	July 2025
24	Ground investigation field works for the proposed industrial factory in Tseung Kwan O	September 2024	November 2024
25	Ground investigation works for a university in Shatin	October 2024	December 2024

Apart from undertaking construction works in Hong Kong, the Group also operated a health management and consultancy business in the PRC (the “**Health Management Business**”) primarily involve the sales of health products, which include Ginseng and related products as well as the health intelligent robots. As disclosed in the announcement of the Company dated 13 May 2024, the operations of certain subsidiaries engaged in the Health Management Business were disrupted as the access to the office of these subsidiaries were restricted by relevant authorities to investigate a potential fraud where Mr. Sun Wei, the former executive Director is allegedly involved in. As such, the revenue generated from the Group’s health management and consultancy business decreased from approximately HK\$48.5 million for the year ended 30 September 2023 to approximately HK\$17.1 million for the year ended 30 September 2024. On 13 September 2024, the Company and Mr. Wong Wa Kei (the “**Purchaser**”) entered into the sale and purchase agreement, pursuant to which the Company agreed to sell, and the Purchaser agreed to purchase, the entire issued share capital of Ri Ying Group Co., Limited (the “**Disposal**”) at the consideration of HK\$50,000. After the Disposal, the Group no longer engage in the Health Management Business in the PRC.

OUTLOOK

The Directors are of the view that the general outlook of the construction industry and the business environment in which the Group operates will remain challenging. Although the global economy has been improved in the post-pandemic era, the pace of recovery has been slow. With the rising geopolitical conflicts and tensions, soaring of interest rate and the inflationary pressure, the overall market sentiment have remained weak. Besides, it is also expected that the intense market competition from competitors with competitive pricing strategies, stringent budgets from customers as well as rising material costs and labour costs will continue to affect the Group's operations and performance in near future. In light of the uncertain business environment, the Group will continue to adopt prudent financial management and cost control in order to address the challenges of the current market conditions. Furthermore, the Group will continue to obtain additional qualifications and strengthen its financial resources to better position itself for tendering suitable projects in the public sector as a main contractor, and invest in the manpower and information system to enhance its operational capacity and efficiency. Meanwhile, the Group will continue to explore suitable business and investment opportunities to drive its business growth.

FINANCIAL REVIEW

Continuing operations

Revenue

The Group's revenue decreased by approximately HK\$33.4 million, or 18.8%, from approximately HK\$177.4 million for the year ended 30 September 2023 to approximately HK\$144.0 million for the year ended 30 September 2024. The following table sets out a breakdown of the Group's revenue during the years ended 30 September 2024 and 2023 by segments:

	Year ended 30 September			
	2024		2023	
	HK\$'000	%	HK\$'000	%
Foundation and site formation works	42,310	29.4	83,859	47.3
General building works and associated services	24,945	17.3	41,419	23.3
Other construction works	67,299	46.8	43,543	24.5
Construction related consultancy services	9,402	6.5	8,599	4.9
Total	<u>143,956</u>	<u>100.0</u>	<u>177,420</u>	<u>100.0</u>

The decrease in the Group's revenue was primarily due to the decrease in revenue contribution from foundation and site formation works as well as general buildings works and associated services as certain sizable projects were substantial completed during the year ended 30 September 2023 and lower value projects were commenced and undertaken during the year ended 30 September 2024. Such decrease was partially offset by the increase in revenue contributed from other construction works and construction related consultancy services as a result of the increase in number of projects undertaken during the year.

Cost of sales

Cost of sales decreased by approximately HK\$12.9 million, or 8.8%, from approximately HK\$147.0 million for the year ended 30 September 2023 to approximately HK\$134.1 million for the year ended 30 September 2024. Such decrease was mainly due to the decrease in works undertaken during the year ended 30 September 2024.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$20.5 million, or 67.4%, from approximately HK\$30.4 million for the year ended 30 September 2023 to approximately HK\$9.9 million for the year ended 30 September 2024. The Group's gross profit margin also decreased from 17.2% for the years ended 30 September 2023 to 6.9% for the year ended 30 September 2024.

During the year ended 30 September 2024, the Group recorded a decrease in gross profit margins for foundation and site formation works (2023: 16.4%; 2024: 4.4%), general building works and associated services (2023: 16.6%; 2024: 8.1%), and other construction works (2023: 20.0%; 2024: 6.8%), mainly due to the commencement of projects with lower profit margins as a result of the stringent and competitive market conditions during the year ended 30 September 2024 while some major projects with relatively higher margin have been substantial completed during the year ended 30 September 2023. Such decrease was partially offset by the increase in gross profit margin for construction related consultancy services (2023: 13.1%; 2024: 14.9%), which is primarily due to the increase in revenue as more projects were undertaken with relatively stable fixed operating costs incurred for the year ended 30 September 2024.

Other income, gains and losses

The other income, gains and losses remained relatively stable at HK\$0.7 million and HK\$0.4 million for the year ended 30 September 2023 and 2024, respectively.

Administrative and other operating expenses

The administrative and other operating expenses increased by approximately HK\$4.1 million, or 14.0%, from approximately HK\$29.2 million for the year ended 30 September 2023 to approximately HK\$33.3 million for the year ended 30 September 2024. Such increase was mainly attributable to the impairment losses recognised on property, plant and equipment as well as right-of-use assets during the year ended 30 September 2024.

Discontinued operation

On 13 September 2024, the Company and the Purchaser entered into the sale and purchase agreement, pursuant to which the Company agreed to sell, and the Purchaser agreed to purchase, the entire issued share capital of Ri Ying Group Co., Limited at the consideration of HK\$50,000. After the Disposal, the Group no longer engage in the Health Management Business in the PRC. During the year ended 30 September 2024, the Group recorded a net profit of approximately HK\$13.3 million from discontinued operation as compared to a net loss of approximately HK\$2.7 million for the year ended 30 September 2023, which was primarily attributable to the gain on disposal of subsidiaries engaged in the Health Management Business.

Loss for the year

As a result of the foregoing, for the year ended 30 September 2024, the net loss increased by approximately HK\$7.5 million from approximately HK\$2.6 million for the year ended 30 September 2023 to approximately HK\$10.1 million for the year ended 30 September 2024.

Contract assets

The Group's contract assets mainly included the Group's right to consideration for work performed but not yet billed (the "**Unbilled Revenue**") as well as the retention receivable as withheld by customers for contract works. The Group's contract assets decreased from approximately HK\$34.2 million as at 30 September 2023 to approximately HK\$17.7 million as at 30 September 2024, primarily due to the decrease in the Unbilled Revenue for work completed but not yet certified by customers before the end of the year. The Group have engaged an independent professional valuer to estimate the expected credit losses for contract assets and the simplified approach have been adopted under HKFRS 9. The management of the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate provisions for impairment losses are made for irrecoverable amounts on contract assets. The Group considers available reasonable and supportive forward-looking information. Based on such assessment, the Group's management considers the expected credit loss allowance on the contract assets is adequately provided as at 30 September 2024. As at the date of this announcement, approximately 17.0% of the Group's contract assets have been subsequently settled. All of the Unbilled Revenue have been subsequently transferred to trade receivables. Retention receivables would be settled based on the expiry of the defect liability period at the end of the reporting period was approximately HK\$5,741,000 within one year and HK\$14,077,000 after one year respectively.

Other receivables, deposits and prepayments

The following table sets forth the breakdown of other receivables, deposits and prepayments as at 30 September 2024 and 2023:

	As at 30 September 2024 <i>HK\$'000</i>	As at 30 September 2023 <i>HK\$'000</i>
Other receivables	448	4,640
Deposits	1,131	3,458
Prepayments	150	71,419
	<u>1,729</u>	<u>79,517</u>
Less: provision for impairment losses	(394)	(106)
	<u><u>1,335</u></u>	<u><u>79,411</u></u>

The Group's other receivables, deposits and prepayments decreased from approximately HK\$79.4 million as at 30 September 2023 to approximately HK\$1.3 million as at 30 September 2024. Such decrease was mainly due to the disposal of subsidiaries engaged in the Health Management Business. As at the date of this announcement, the subsequent settlement of the Group's other receivables, deposits and prepayments as at 30 September 2024 was minimal as the Group's other receivables, deposits and prepayments mainly comprised of the rental and utilities deposits which shall be settled upon the end of tenancy or services.

Accruals and other payables

The following table sets forth the breakdown of accruals and other payables as at 30 September 2024 and 2023:

	As at 30 September 2024 <i>HK\$'000</i>	As at 30 September 2023 <i>HK\$'000</i>
Accruals	2,507	19,835
Other payables	100	65,812
	<u>2,607</u>	<u>85,647</u>

The Group's accruals and other payables decreased from approximately HK\$85.6 million as at 30 September 2023 to approximately HK\$2.6 million as at 30 September 2024. Such decrease was mainly due to the disposal of subsidiaries engaged in the Health Management Business.

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 2024, the Group had net current assets of approximately HK\$34.9 million (2023: approximately HK\$27.0 million) and bank deposits, balances and cash of approximately HK\$32.6 million (2023: approximately HK\$41.5 million), which were denominated in Hong Kong dollars, Renminbi and United States dollars.

As at 30 September 2024, the Group's total equity attributable to owners of the Company amounted to approximately HK\$34.7 million (2023: approximately HK\$45.7 million), and the Group's total debt comprising bank borrowings and lease liabilities amounted to approximately HK\$2.9 million (2023: approximately HK\$50.5 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 2024, the gearing ratio of the Group, which is calculated as the total debt (comprising bank borrowings and lease liabilities) divided by total equity, was approximately 8.5% (2023: approximately 117.1%).

DIVIDENDS

The Board did not recommend the payment of any final dividend for the year ended 30 September 2024 (2023: Nil).

COMMITMENTS

As at 30 September 2024, the Group did not have any capital commitments (2023: Nil).

CONTINGENT LIABILITIES

As at 30 September 2024, 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\$13.1 million (2023: approximately HK\$3.6 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.

ARBITRATION

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

In addition to the aforementioned mediation, Fong On has also initiated arbitration proceedings against the School with respect to the Disputes (the “**Arbitration**”) on 18 April 2023. As part of the arbitration proceedings, the parties may exchange any documents by themselves for matters in issue but not previously appended to any of the pleadings and may submit to the Arbitrator and to the other party a Request to Produce documents by 27 December 2024. After such Request(s) to Produce, if any, the other party will respond to the request(s) before the Tribunal’s ruling on the request(s) and the exchange of witness statements. As at the date of this announcement, the Arbitration is still in its preliminary stages and hence the impacts of the Arbitration, if any, on the Company, cannot be fully assessed at this stage. The Company will make further disclosure as and when necessary or appropriately based on the progress of the Arbitration.

INFORMATION ON EMPLOYEES

As at 30 September 2024, the Group had 32 employees (2023: 242 employees). The number of employees decreased as the Group ceased to engage in the Health Management Business in the PRC upon the Disposal during the year ended 30 September 2024.

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 2024, the total staff cost (including Directors’ emoluments and mandatory provident funds contributions) amounted to approximately HK\$43.8 million (2023: approximately HK\$38.6 million).

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business strategies as set out in the prospectus of the Company dated 28 September 2018 (the "**Prospectus**") with actual business progress up to 30 September 2024.

Business strategies as stated in the Prospectus	Implementation activities up to 30 September 2024 as stated in the Prospectus	Actual business progress up to 30 September 2024
Apply for additional licences	<ul style="list-style-type: none">– Acquire one set of bored piling machine; one set of rock-socket piling machine; two sets of mini-piling machines and four air compressors; and maintain newly acquired machinery to fulfill plant requirements of the licenses– Acquire a piece of land for machinery storage– Increase the employed capital of Po Shing Construction Limited and Fong On Construction Limited	<p>The Group has acquired the bored piling machines, rock-socket piling machine and two air compressors. On 25 August 2023, the Board resolved to change the use of the unutilised net proceeds in the amounts of approximately HK\$30.3 million as originally allocated for acquisition of certain additional machinery and a piece of land to increase the general working capital of the Group. For details, please refer to the announcement of the Company dated 25 August 2023 (the "UOP Announcement").</p> <p>The Group has increased the employed capital of both subsidiaries.</p>
Fund the initial costs of the Group's construction projects	<ul style="list-style-type: none">– Finance the working capital requirement and upfront costs for the three of the Group's projects	<p>The funding costs for (i) the redevelopment of an outdoor activities centre at Stanley; (ii) the redevelopment at Sheung Wan; and (iii) the alterations and additions works for commercial building at North Point were fully utilised.</p>
Strengthening the Group's manpower	<ul style="list-style-type: none">– Recruit two project managers, two project engineers, two quantity surveyors, one safety officer, two site foremen and one mechanical fitter– Retain talents as recruited for this business strategy	<p>The Group has recruited two project managers, two project engineers, two quantity surveyors, one safety officer, two foremen and one mechanical fitter.</p> <p>The Group has utilised the proceeds for retaining the above newly recruited staffs to facilitate the business development.</p>
Investment in the new information system	<ul style="list-style-type: none">– Upgrade the existing hardware and acquire new computer facilities	<p>The Group has upgraded existing hardware and acquired new computer facilities.</p>

Business strategies as stated in the Prospectus	Implementation activities up to 30 September 2024 as stated in the Prospectus	Actual business progress up to 30 September 2024
	<ul style="list-style-type: none"> – Upgrade the accounting system to enhance documentation and manual procedures and upgrade the human resources management system to consolidate and automate attendance, payrolls and retirement fund contribution 	<p>The Group has upgraded the accounting system to enhance documentation. Having considered the current business size and the market conditions, no suitable human resources management system is identified and the expected time for the upgrade of the human resources management system is delayed. The Group will continue to approach different service providers to search for suitable human resources management system for the Group.</p>
	<ul style="list-style-type: none"> – Upgrade the engineering and design system to facilitate the planning, designing, and managing of construction projects through automatic generation of drawings and reports, design analysis, schedule simulation and facilities management 	<p>The Group has upgraded engineering and design system.</p>

USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds (the “**Net Proceeds**”) from the listing of the shares of the Company on the Main Board of the Stock Exchange on 16 October 2018 (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 and the UOP Announcement.

The below table sets out the proposed and actual applications of the net proceeds from the date of the Listing to 30 September 2024:

	Planned use of Net Proceeds as disclosed in the Prospectus and as amended in the UOP Announcement <i>HK\$ million</i>	Actual use of Net Proceeds from the date of the Listing to 30 September 2023 <i>HK\$ million</i>	Unutilised Net Proceeds brought forward as at 1 October 2023 <i>HK\$ million</i>	Net Proceeds utilised during the year ended 30 September 2024 <i>HK\$ million</i>	Unutilised Net Proceeds as at 30 September 2024 <i>HK\$ million</i>	Expected timeline for utilising the unutilised Net Proceeds
Apply for additional licences	9.2	9.2	-	-	-	N/A
Fund the initial costs of the Group's construction projects	21.8	21.8	-	-	-	N/A
Strengthening the Group's manpower	13.9	12.2	1.7	1.7	-	N/A
Investment in the new information system	2.7	2.1	0.6	0.2	0.4	30 September 2025
General working capital	39.0	20.5	18.5	18.5	-	N/A
	<u>86.6</u>	<u>65.8</u>	<u>20.8</u>	<u>20.4</u>	<u>0.4</u>	

During the year ended 30 September 2024, the Net Proceeds from the Listing were utilised and expected to be utilised in the manners as disclosed in the Prospectus and the UOP Announcement. Save as disclosed in the UOP Announcement, there has been no change in the use of Net Proceeds since the date of the Listing.

Up to 30 September 2024, approximately HK\$86.2 million out of the Net Proceeds had been utilised. The remaining unutilised Net Proceeds of approximately HK\$0.4 million were deposited in licensed banks in Hong Kong. The Company intends to apply the net proceeds in the manner as stated in the Prospectus and the UOP Announcement. The Directors will constantly evaluate the Group's business objectives and specific needs from time to time. Further announcement will be made if there are any changes on the use of Net Proceeds as and when appropriate. Such amounts are expected to be fully utilised on or before 30 September 2025.

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

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.

CHARGE ON GROUP ASSETS

As at 30 September 2024, the Group has pledged certain motor vehicles with net book value amounted to approximately HK\$0.8 million (2023: certain motor vehicles with net book value amounted to approximately HK\$0.5 million) under non-cancellable lease agreements.

As at 30 September 2024, no cash collateral were paid by the Group (2023: approximately HK\$1.1 million) to the insurance companies for the issuance of surety bonds.

FOREIGN EXCHANGE EXPOSURE

Upon the Disposal, all of the Group's business operations were conducted in Hong Kong. The Group's major revenue and expenses are denominated in Hong Kong dollars, while there are certain monetary assets that are denominated in Renminbi, 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.

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

On 13 September 2024, the Company and the Purchaser entered into the sale and purchase agreement, pursuant to which the Company agreed to sell, and the Purchaser agreed to purchase, the entire issued share capital of Ri Ying Group Co., Limited at the consideration of HK\$50,000. After the Disposal, the Group no longer engage in the Health Management Business in the PRC. For details, please refer to the announcement of the Company dated 13 September 2024. Save as disclosed in this announcement, during the year ended 30 September 2023, the Group did not have any significant investments held, material acquisitions or disposals of subsidiaries, associates or joint ventures.

Save as disclosed in this announcement, the Group did not have other plans for material investments or acquisition of capital assets as at 30 September 2024.

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 C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Company has fully complied with the CG Code during the year ended 30 September 2024.

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 C3 to 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 during the year ended 30 September 2024 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities (including sale of treasury shares) during the year ended 30 September 2024. As at 30 September 2024, there were no treasury shares (as defined under the Listing Rules) held by the Company.

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 is 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 oversee the financial reporting system, risk management and internal control systems and relationship with external auditors and to review arrangements to enable employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 30 September 2024, the Audit Committee held five meetings to review and comment on the Company’s 2023 annual results and 2024 interim results as well as the Company’s internal control system and risk management system; the audit planning meeting for both 2023 and 2024 annual audit; and discussion of the management accounts of the Group.

The Group’s consolidated financial statements for the year ended 30 September 2024 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 2024 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The figures in respect of the Group's consolidated statement of financial position as at 30 September 2024, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 September 2024 as set out in the preliminary announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 September 2024. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is the extract of the independent auditor's report from the external auditor of the Company:

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2024, 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 QUALIFIED OPINION

As disclosed in the consolidated financial statements, the Group disposed (the “**RY Disposal**”) of its entire equity interests in Ri Ying Group Co., Limited (“**Ri Ying**”) to a purchaser (the “**RY Purchaser**”) during the year ended 30 September 2024. Ri Ying and its subsidiaries and associates (collectively, the “**Ri Ying Group**”) were engaged in health management and consultancy business and comprised the “Health management and consultancy business” reportable segment of the Group. We were unable to have access to the accounting books, records and supporting documents of the Ri Ying Group. According to the directors of the Company, they have taken all reasonable steps and used their best endeavours to request the RY Purchaser to provide the access, but was given to understand that the RY Purchaser has failed to cooperate in providing documents and access to information of Ri Ying Group despite repeated demands made by the Group. As a result, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that (i) the financial performance of Ri Ying Group for the period from 1 October 2023 to the disposal date included in the determination of the Group’s loss for the year from discontinued operation, and the cash flows of Ri Ying Group for this same period, as disclosed in the consolidated financial statements; (ii) the carrying amounts of assets and liabilities of Ri Ying Group as at the disposal date as disclosed in the consolidated financial statements, which entered into the determination of the Group’s gain on disposal of Ri Ying Group; (iii) the gain on disposal of Ri Ying Group as disclosed in the consolidated financial statements, which was included in the determination of the Group’s loss for the year from discontinued operation; and (iv) the disclosures relating to Ri Ying Group included in the consolidated financial statements of the Group, were free from material misstatements. Consequently, we were unable to determine whether any adjustments to these amounts and disclosures were necessary.

There were no alternative audit procedures that could be performed by us to satisfy ourselves in relation to the abovementioned matters. Any adjustments found to be necessary to the abovementioned financial performance, cash flows and account balances might have consequential significant impacts on the loss and other comprehensive expense and cash flows of the Group for the year ended 30 September 2024, and the elements making up, and related disclosures in, the consolidated financial statements.

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.

THE MANAGEMENT’S POSITION, VIEW AND ASSESSMENT ON THE QUALIFIED OPINION

The management of the Company (the “**Management**”) has given careful consideration to the qualified opinion of the independent auditor’s report (the “**Qualified Opinion**”) and the basis of Qualified Opinion and has had ongoing discussion with the auditors of the Company (the “**Auditors**”) when preparing the Group’s consolidated financial statements for the year ended 30 September 2024. Regarding to the Qualified Opinion, the Management understood that the Qualified Opinion was expressed by the Auditors as it was unable to access the accounting books, records and supporting documents of the Ri Ying Group. The Management have taken all reasonable steps and used their best endeavours to request the Purchaser to provide the access of the accounting books, records and supporting documents of the Ri Ying Group. Nevertheless, the Purchaser has failed to cooperate in providing documents and access to information of Ri Ying Group despite repeated demands made by the Management.

Given that the Group has disposed Ri Ying Group during the year ended 30 September 2024 and ceased to engage the segment of Health Management Business, there will be no material financial effect relating to the Health Management Business for the year going forward after the Disposal. As discussed with the Auditors, it is expected that the Qualified Opinion will be removed in the Group's consolidated financial statements for the year ending 30 September 2026 as the financial information of the Ri Ying Group would also affect the comparative figures in its consolidated financial statements for the year ending 30 September 2025. As such, the Management considered that the Qualified Opinion has been addressed and it should not have any continuing effect on the Group's consolidated financial statements after the year ending 30 September 2025.

AUDIT COMMITTEE'S VIEW ON THE QUALIFIED OPINION

The Audit Committee has discussed with the Auditors and enquired the Management of their position and basis of assessment. The Audit Committee reviewed the audit modifications and understood that the Auditors was unable to obtain sufficient appropriate audit evidence in relation to the Ri Ying Group. The Audit Committee also reviewed and understood the position of the Management. Based on the above circumstances, the Audit Committee concurred with the view of the Management and the Auditors.

APPRECIATION

On behalf of the Board, I would like to express my sincerest gratitude to our 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.

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

Hong Kong, 30 December 2024

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