



RI YING HOLDINGS LIMITED

日赢控股有限公司

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

(Stock Code: 1741)

2024

INTERIM REPORT

Contents

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



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Lau Chi Wang (*Chairman*)

Mr. Lau Chi Ming

Dr. Lau Chi Keung (*Chief Executive Officer*)

Mr. Sun Wei

(*duties suspended on 13 May 2024*)

Ms. Lau Yan Ki Patricia

Independent Non-executive Directors

Mr. Leung Bing Kwong Edward

Mr. Pang Ka Hang

Mr. Wong Chun Nam

BOARD COMMITTEES

Audit Committee

Mr. Pang Ka Hang (*Chairman*)

Mr. Leung Bing Kwong Edward

Mr. Wong Chun Nam

Remuneration Committee

Mr. Wong Chun Nam (*Chairman*)

Mr. Lau Chi Ming

Mr. Leung Bing Kwong Edward

Mr. Pang Ka Hang

Nomination Committee

Mr. Leung Bing Kwong Edward (*Chairman*)

Dr. Lau Chi Keung

Mr. Pang Ka Hang

Mr. Wong Chun Nam

Investment Committee

Mr. Lau Chi Ming (*Chairman*)

Dr. Lau Chi Wang

Dr. Lau Chi Keung

Mr. Leung Bing Kwong Edward

Mr. Pang Ka Hang

Mr. Wong Chun Nam

COMPANY SECRETARY

Ms. Yim Sau Ping

AUTHORISED REPRESENTATIVES

Mr. Lau Chi Ming

Ms. Yim Sau Ping

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Windward 3

Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

COMPLIANCE ADVISER

Frontpage Capital Limited

26/F, Siu On Centre

188 Lockhart Road

Wan Chai, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

CFN Lawyers

Units 4101-04, 41/F

Sun Hung Kai Centre

30 Harbour Road

Wan Chai, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6/F, Kai Tak Commercial Building

Nos. 317-319 Des Voeux Road Central

Sheung Wan

Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKS

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

COMPANY'S WEBSITE

www.riyingholding.com

STOCK CODE

1741

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

For the six months ended 31 March 2024

	Note	Six months ended 31 March	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	4	92,109	107,635
Cost of sales		(74,469)	(88,809)
Gross profit		17,640	18,826
Other income, gains and losses	4	2,137	7,471
Administrative and other operating expenses		(35,577)	(35,923)
Net reversal of impairment losses/ (impairment losses) on financial assets and contract assets		190	(137)
Operating loss		(15,610)	(9,763)
Share of losses of associates		(135)	–
Finance costs	5	(892)	(516)
Loss before tax	6	(16,637)	(10,279)
Income tax expense	7	(37)	(14)
Loss for the period		(16,674)	(10,293)
Other comprehensive expense <i>Item that maybe reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(144)	(468)
Total comprehensive expense for the period		(16,818)	(10,761)

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

For the six months ended 31 March 2024

	Six months ended 31 March	
	2024	2023
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Loss for the period attributable to:		
Owners of the Company	(16,885)	(10,484)
Non-controlling interests	<u>211</u>	<u>191</u>
	<u>(16,674)</u>	<u>(10,293)</u>
Total comprehensive expense for the period attributable to:		
Owners of the Company	(17,004)	(10,808)
Non-controlling interests	<u>186</u>	<u>47</u>
	<u>(16,818)</u>	<u>(10,761)</u>
Basic and diluted loss per share (HK cents)	<i>8</i>	
	<u>(2.11)</u>	<u>(1.31)</u>

Interim Unaudited Condensed Consolidated Statement of Financial Position

As at 31 March 2024

		31 March 2024	30 September 2023
	<i>Note</i>	HK\$'000 <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	10	3,345	3,942
Right-of-use assets	10	12,768	12,045
Interest in associates		693	504
Goodwill		6,210	6,153
		<u>23,016</u>	<u>22,644</u>
Current assets			
Inventory		2,815	2,897
Trade and other receivables	11	74,366	100,017
Contract assets		23,513	34,194
Amounts due from related parties		–	620
Bank deposits, balances and cash	12	29,687	41,450
		<u>130,381</u>	<u>179,178</u>
Total assets		<u>153,397</u>	<u>201,822</u>
EQUITY			
Capital and reserves			
Share capital	13	8,000	8,000
Share premium and reserves		20,660	37,664
		<u>28,660</u>	<u>45,664</u>
Equity attributable to owners of the Company		28,660	45,664
Non-controlling interests		(2,307)	(2,493)
		<u>26,353</u>	<u>43,171</u>
Total equity		<u>26,353</u>	<u>43,171</u>

Interim Unaudited Condensed Consolidated Statement of Financial Position

As at 31 March 2024

		31 March 2024	30 September 2023
	<i>Note</i>	HK\$'000 <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
LIABILITIES			
Non-current liability			
Lease liabilities		<u>5,307</u>	<u>6,443</u>
Current liabilities			
Trade and other payables	15	89,365	106,097
Contract liabilities		1,578	1,963
Lease liabilities		7,874	5,950
Amount due to a non-controlling interest of a subsidiary		1,339	–
Bank borrowings		21,525	38,142
Income tax payable		<u>56</u>	<u>56</u>
		<u>121,737</u>	<u>152,208</u>
Total liabilities		<u>127,044</u>	<u>158,651</u>
Total equity and liabilities		<u>153,397</u>	<u>201,822</u>
Net current assets		<u>8,644</u>	<u>26,970</u>
Total assets less current liabilities		<u>31,660</u>	<u>49,614</u>

Interim Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2024

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

Interim Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2024

	Attributable to owners of the Company						Subtotal HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000 (Note 13)	Share premium HK\$'000	Other reserve HK\$'000 (Note (a))	Statutory reserve HK\$'000 (Note (b))	Exchange reserve HK\$'000	Accumulated losses HK\$'000			
At 1 October 2023									
(audited)	8,000	100,538	10,850	95	892	(74,711)	45,664	(2,493)	43,171
Loss for the period	-	-	-	-	-	(16,885)	(16,885)	211	(16,674)
Other comprehensive expense for the period	-	-	-	-	(119)	-	(119)	(25)	(144)
Total comprehensive expense for the period	-	-	-	-	(119)	(16,885)	(17,004)	186	(16,818)
At 31 March 2024									
(unaudited)	<u>8,000</u>	<u>100,538</u>	<u>10,850</u>	<u>95</u>	<u>773</u>	<u>(91,596)</u>	<u>28,660</u>	<u>(2,307)</u>	<u>26,353</u>

Notes:

- (a) The other reserve represents the difference between the nominal value of the shares issued by Ri Ying Holdings Limited (the “**Company**”) in exchange for the aggregate amount of the nominal value of the share capital of its subsidiaries held by the Company’s controlling shareholders: Dr. Lau Chi Wang, Mr. Lau Chi Ming, Dr. Lau Chi Keung and Elite Bright Developments Limited (the “**Controlling Shareholders**”), arising from the corporate reorganisation pursuant to which the Company become the holding company of the Group on 17 September 2018.
- (b) According to the People’s Republic of China (the “**PRC**”) Company Law, the PRC subsidiaries of the Group are required to transfer 10% of their respective after-tax profit, calculated in accordance with the PRC accounting standards and regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The statutory reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that the fund is maintained at a minimum level of 25% of the registered capital.

Interim Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 31 March 2024

	Six months ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net cash generated from/(used in) operations	10,040	(39,878)
Tax paid	(37)	(14)
Dividend received	–	7
	<u>10,003</u>	<u>(39,885)</u>
Net cash generated from/(used in) operating activities		
	<u>10,003</u>	<u>(39,885)</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(813)	(506)
Proceeds from disposal of property, plant and equipment	10	–
Net cash inflow on acquisition of a subsidiary	81	–
Advances to an associate	(324)	–
Interest received	103	139
	<u>(943)</u>	<u>(367)</u>
Net cash used in investing activities		
	<u>(943)</u>	<u>(367)</u>
Cash flows from financing activities		
Repayment of lease liabilities	(3,095)	(2,325)
New bank borrowings raised	91,552	99,401
Repayment of bank borrowings	(108,525)	(55,069)
Interest paid on bank borrowings	(619)	(355)
Interest paid on lease liabilities	(273)	(161)
	<u>(20,960)</u>	<u>41,491</u>
Net cash (used in)/generated from financing activities		
	<u>(20,960)</u>	<u>41,491</u>
Net (decrease)/increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	41,450	49,020
Effect of foreign exchange rate changes	137	94
	<u>29,687</u>	<u>50,353</u>
Cash and cash equivalents at end of the period		
	<u>29,687</u>	<u>50,353</u>
Analysis of cash and cash equivalents		
Cash at banks	11,908	43,681
Fixed deposits maturing within three months	17,779	6,672
	<u>29,687</u>	<u>50,353</u>

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

1 GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) is principally engaged in the provision of foundation and site formation works; general building works and associated services; other construction works; construction related consultancy services and health management and consultancy business. The Company was incorporated in the Cayman Islands on 3 January 2018 as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board (the “**Listing**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 16 October 2018.

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

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

These interim unaudited condensed consolidated financial statements of the Group for the six months ended 31 March 2024 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). These interim unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 30 September 2023 (the “**2023 Annual Financial Statements**”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRS**s”).

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

The interim unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2023 Annual Financial Statements, except for the accounting policy changes that are expected to be reflected in the annual financial statements of the Group for the year ending 30 September 2024. Details of any changes in accounting policies are set out in Note 2.

These interim unaudited condensed consolidated financial statements have been approved for issue by the board (the “**Board**”) of directors of the Company (the “**Directors**”) on 23 May 2024.

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Group has adopted the following new and amendments to HKFRSs issued by the HKICPA for the first time for the current accounting period, which are mandatory effective for the annual period beginning on or after 1 October 2023 for the preparation of the Group's interim unaudited condensed consolidated financial statements:

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

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

HKFRS 17 and amendments to HKFRS 17	Insurance Contracts and Related Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
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

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

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

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

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

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 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

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

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

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

The Group will apply the above HKFRSs when they become effective. The Group is in the process of assessing the impact of the above HKFRSs.

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

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

3 ESTIMATES

The preparation of these interim unaudited condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim unaudited condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 September 2023.

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

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

	Six months ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Foundation and site formation works	24,349	54,988
General building works and associated services	13,247	14,418
Other construction works	32,508	12,324
Construction related consultancy services	4,971	6,145
Sales of health products	17,034	19,760
	<u>92,109</u>	<u>107,635</u>

	Six months ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
A point in time	17,034	19,760
Over time	75,075	87,875
	<u>92,109</u>	<u>107,635</u>

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

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

	Six months ended 31 March	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Other income, gains and losses		
Bank interest income	103	139
Dividend income from financial assets at fair value through profit or loss	–	7
Fair value change on financial assets at fair value through profit or loss	–	692
Government grants (<i>Note</i>)	–	67
Gain/(loss) on disposal of property, plant and equipment	10	(332)
Gain on lease termination	–	3
Agency commission income	1,757	3,484
Compensation from legal claims	–	3,157
Others	267	254
	<u>2,137</u>	<u>7,471</u>

Note: The amount mainly represents Employment Support Scheme under the Anti-epidemic Fund of the Government of the Hong Kong Special Administrative Region (the “Government”). The Group had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group did not have any unfulfilled conditions relating to the grant during the six months ended 31 March 2023.

Segment information

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

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

- Foundation and site formation works;
- General building works and associated services;
- Other construction works;
- Construction related consultancy services; and
- Health management and consultancy business (including sales of health products, licencing and health management software development).

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

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

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

Segment revenue and results

	Foundation and site formation works <i>HK\$'000</i>	General building works and associated services <i>HK\$'000</i>	Other construction works <i>HK\$'000</i>	Construction related consultancy services <i>HK\$'000</i>	Health management and consultancy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 31 March 2024						
Segment revenue	<u>24,349</u>	<u>13,247</u>	<u>32,508</u>	<u>4,971</u>	<u>17,034</u>	<u>92,109</u>
Segment results	<u>407</u>	<u>3,286</u>	<u>1,685</u>	<u>165</u>	<u>12,097</u>	<u>17,640</u>
Other income, gains and losses						2,137
Administrative and other operating expenses						(35,577)
Net reversal of impairment losses on financial assets and contract assets						190
Share of losses of associates						(135)
Finance costs						<u>(892)</u>
Loss before tax						<u><u>16,674</u></u>

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

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

Segment revenue and results (continued)

	Foundation and site formation works 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
Six months ended 31 March 2023						
Segment revenue	54,988	14,418	12,324	6,145	19,760	107,635
Segment results	11,233	(11,675)	3,809	1,926	13,533	18,826
Other income, gains and losses						7,471
Administrative and other operating expenses						(35,923)
Net impairment losses on financial assets and contract assets						(137)
Finance costs						(516)
Loss before tax						<u>(10,279)</u>

Segment results mainly represented gross profit or loss incurred by each segment, excluding other income, gains and losses, administrative and other operating expenses, net reversal of impairment losses/(impairment losses) on financial assets and contract assets, share of losses of associates, finance costs and income tax expenses.

Geographical information

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

	Six months ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	75,075	87,875
The PRC	17,034	19,760
	<u>92,109</u>	<u>107,635</u>

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

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

Geographical information (continued)

Information about the Group's non-current assets is presented based on the geographical location of the assets:

	As at 31 March 2024 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 30 September 2023 <i>HK\$'000</i> <i>(Audited)</i>
The PRC	18,062	16,327
Hong Kong	<u>4,954</u>	<u>6,317</u>
	<u>23,016</u>	<u>22,644</u>

5 FINANCE COSTS

	Six months ended 31 March	
	2024 <i>HK\$'000</i> <i>(Unaudited)</i>	2023 <i>HK\$'000</i> <i>(Unaudited)</i>
Interest on bank borrowings	619	355
Interest on lease liabilities	<u>273</u>	<u>161</u>
	<u>892</u>	<u>516</u>

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

6 LOSS BEFORE TAX

	Six months ended 31 March	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Loss before tax has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	1,437	1,500
Depreciation of right-of-use assets	3,157	2,943
Short-term lease expenses	–	90
Auditors' remuneration	550	550
Employee benefit expenses, including Directors' emoluments	24,234	16,151
Net (reversal of impairment losses)/impairment losses on financial assets and contract assets	(190)	137
Research and development cost (including employee benefit expenses amounted approximately HK\$1,770,000 (six months ended 31 March 2023: approximately HK\$1,848,000))	<u>3,046</u>	<u>5,525</u>

7 INCOME TAX EXPENSE

	Six months ended 31 March	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Hong Kong profits tax		
– Current income tax	–	–
PRC Enterprise Income Tax		
– Current income tax	37	14
Deferred income tax (<i>Note 14</i>)	–	–
Income tax expense	<u>37</u>	<u>14</u>

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

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

According to the provisions of Caishui [2022] No.13 and Guoshui [2022] No.5, certain PRC subsidiaries of the Group are eligible to enjoy preferential income tax policies for the small and low profit enterprises during the current period.

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

8 LOSS PER SHARE

	Six months ended 31 March	
	2024 <i>(Unaudited)</i>	2023 <i>(Unaudited)</i>
Loss for the period attributable to owners of the Company (HK\$'000)	(16,885)	(10,484)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (in thousand)	<u>800,000</u>	<u>800,000</u>
Basic loss per share (HK cents)	<u>(2.11)</u>	<u>(1.31)</u>

For the six months ended 31 March 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 period attributable to owners of the Company; and (ii) the weighted average number of ordinary shares in issue during the period.

Diluted loss per share is equal to the basic loss per share as there was no dilutive potential shares in issue during the six months ended 31 March 2024 and 2023.

9 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2024 (six months ended 31 March 2023: Nil).

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

During the six months ended 31 March 2024, the Group acquired certain items of property, plant and equipment with a cost of approximately HK\$813,000 (six months ended 31 March 2023: approximately HK\$506,000).

The Group obtains rights to control the use of certain premises and motor vehicles for a period of time through lease arrangements. During the six months ended 31 March 2024, the addition to right-of-use assets was approximately HK\$542,000 (six months ended 31 March 2023: approximately HK\$7,731,000).

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

11 TRADE AND OTHER RECEIVABLES

	31 March 2024 <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2023 <i>HK\$'000</i> <i>(Audited)</i>
Trade receivables	18,985	25,006
Less: provision for impairment losses	<u>(4,431)</u>	<u>(4,400)</u>
	14,554	20,606
Other receivables, deposits and prepayments (<i>note (d)</i>)	59,922	79,517
Less: provision for impairment losses	<u>(110)</u>	<u>(106)</u>
	<u>59,812</u>	<u>79,411</u>
	<u><u>74,366</u></u>	<u><u>100,017</u></u>

Notes:

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

	31 March 2024 <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2023 <i>HK\$'000</i> <i>(Audited)</i>
0-30 days	8,450	11,320
31-60 days	1,216	4,650
61-90 days	1,619	668
Over 90 days	<u>3,269</u>	<u>3,968</u>
	<u><u>14,554</u></u>	<u><u>20,606</u></u>

As at 31 March 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$11,231,000 (30 September 2023: approximately HK\$13,583,000) which are past due as at the reporting date. Out of the past due balances, HK\$2,260,000 (30 September 2023: approximately HK\$2,857,000) 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.

- (c) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.
- (d) The prepayments were mainly the payments to the suppliers for the procurement of goods in relation to the agency commission income.

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

12 BANK DEPOSITS, BALANCES AND CASH

	31 March 2024 <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2023 <i>HK\$'000</i> <i>(Audited)</i>
Cash at banks	<u>29,687</u>	<u>41,450</u>
Bank balances	11,908	24,554
Deposits at banks		
– fixed deposits (maturing within three months)	<u>17,779</u>	<u>16,896</u>
	<u>29,687</u>	<u>41,450</u>

13 SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 October 2022, 30 September 2023 and 1 October 2023 and 31 March 2024	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
As at 1 October 2022, 30 September 2023 and 1 October 2023 and 31 March 2024	<u>800,000,000</u>	<u>8,000</u>

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

14 DEFERRED TAX ASSETS/LIABILITIES

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

	Depreciation allowance <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 October 2022	(1,116)	1,116	–
Credited/(charged) to profit or loss	<u>354</u>	<u>(354)</u>	<u>–</u>
At 30 September 2023 and 1 October 2023	(762)	762	–
Credited/(charged) to profit or loss	<u>275</u>	<u>(275)</u>	<u>–</u>
At 31 March 2024	<u>(487)</u>	<u>487</u>	<u>–</u>

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

	31 March 2024 <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2023 <i>HK\$'000</i> <i>(Audited)</i>
Deferred tax assets	487	762
Deferred tax liabilities	<u>(487)</u>	<u>(762)</u>
	<u>–</u>	<u>–</u>

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

15 TRADE AND OTHER PAYABLES

	31 March 2024	30 September 2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables	3,573	9,099
Retention payables	12,540	11,351
Accruals and other payables	73,252	85,647
	<u>89,365</u>	<u>106,097</u>

Notes:

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

	31 March 2024	30 September 2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 to 30 days	1,630	4,260
31 to 60 days	9	–
61 to 90 days	90	2,816
Over 90 days	1,844	2,023
	<u>3,573</u>	<u>9,099</u>

Except for retention payables of approximately HK\$10,801,000 as at 31 March 2024 (30 September 2023: approximately HK\$10,231,000), which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

- (b) As at 31 March 2024, included in other payables were amount due to a related party, 日贏投資控股集團有限公司(「日贏投資」) of approximately HK\$6,375,000 (30 September 2023: approximately HK\$4,774,000). 日贏投資 is controlled by Mr. Sun Wei, an executive Director, and a family member of Mr. Sun Wei. The amount were non-trade in nature, unsecured, non-interest bearing and had no fixed term of repayment.

Notes to The Interim Unaudited Condensed Consolidated Financial Statements

16 RELATED PARTY TRANSACTIONS

Key management compensation

Key management comprises Directors (executive and non-executive) and the chief executive of the Group. The compensation paid or payable to key management is disclosed as follows:

	Six months ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fee, discretionary bonuses, salaries and benefits in kind	3,784	3,435
Retirement benefit scheme contributions	8	3
	<u>3,792</u>	<u>3,438</u>

Management Discussion and Analysis

BUSINESS REVIEW

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

As at 31 March 2024, the Group had 24 construction projects on hand (including projects in progress and projects that are yet to commence) with a total contract value of approximately HK\$203.6 million. As at 30 September 2023, the Group had 23 construction projects on hand with a total contract value of approximately HK\$341.4 million. The details of the Group’s projects on hand as at 31 March 2024 are as follows:

Number	Project Award	Actual/expected commencement date	Actual/expected completion date
1	Foundation, ELS and pile cap works for proposed commercial development in Sheung Wan	June 2018	December 2024
2	Design and construct foundation and ELS works for proposed redevelopment of a building in Central	August 2020	March 2025
3	Slope works in Kwun Tung North New Development Areas	September 2020	September 2024
4	Site formation and infrastructure works in Tseung Kwan O	May 2022	August 2024
5	Foundation works for a proposed composite development in Cheung Sha Wan	August 2022	May 2024
6	Supply and installation of flexible barrier at Ap Lei Chau	September 2022	June 2024
7	Slope improvement work for a university in Shatin	December 2022	December 2024
8	Refurbishment of toilets and changing rooms at sport ground in Tuen Mun	February 2023	April 2024

Management Discussion and Analysis

Number	Project Award	Actual/expected commencement date	Actual/expected completion date
9	Slope improvement work for a university in Shatin	April 2023	March 2025
10	Supply and installation of flexible barrier in Pok Fu Lam South	May 2023	June 2024
11	Supply and installation of flexible barrier in Yau Tong	May 2023	June 2024
12	Construction of canopy and associated works for a building in North Point	June 2023	April 2024
13	Slope improvement work for a university in Shatin	June 2023	August 2024
14	Slope improvement work for a university in Shatin	June 2023	August 2024
15	Foundation works to escalator for the proposed residential development in Discovery Bay North	September 2023	June 2024
16	Slope remedial works in North Point	November 2023	May 2024
17	The proposed conversion work for a university in Shatin	November 2023	May 2024
18	Reconstruction works for sports facilities for a university in Shatin	February 2024	June 2024
19	Piling works for proposed industrial building in Fanling	February 2024	November 2024
20	Ground investigation works for ground water extraction in Sheung Shui	February 2024	May 2024
21	Ground investigation works for boundary fence wall in Tuen Mun	February 2024	April 2024
22	Supply and installation of flexible barrier in Lei Yue Mun	March 2024	December 2024
23	Construction of a playground in Hung Hom	March 2024	March 2025
24	Slope remedial works in Mid-Levels	April 2024	December 2024

Management Discussion and Analysis

Apart from undertaking construction works in Hong Kong, the Group also operates a health management and consultancy business in the PRC primarily involves the sales of health products on a wholesale basis. Initially, the Group sourced health products from suppliers who offered third-party brands, mainly including female hygiene products for female customers in the PRC. Having considered factors such as the growing ageing population in the PRC, the improvement of public health awareness and the recurrent outbreak of the novel coronavirus (COVID-19) epidemic (the “**Epidemic**”), the Group has ventured into marketing health products under its own brands for customers in the middle age or older demographic in the PRC, which include Ginseng and related products developed and produced via cooperation with biotechnology and pharmaceutical companies in the PRC. In addition, the Group has also expanded its offerings to include the health intelligent robots which allow users to conduct certain basic health check-ups and seek medical and health consultation online. The revenue generated from the Group’s health management and consultancy business decreased from approximately HK\$19.8 million for the six months ended 31 March 2023 to approximately HK\$17.0 million for the six months ended 31 March 2024.

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. As the pace of recovery from the COVID-19 pandemic remains slow and uneven, the economic activities still falls short of the pandemic path. The unstable international geopolitics with the outbreak of Russo-Ukrainian conflict and Israel-Hamas war has also hindered the recovery of the global economy. Besides, the monetary policies implemented by central banks to reduce the inflation by maintaining high interest rates have constrained the global economic growth. In light of the uncertain business environment, the Group will strive to adopt prudent financial management and cost control measures. Furthermore, the Group will continue to obtain additional licences and strengthen its financial resources to better position itself to tender suitable projects in the public sector as a main contractor, and strengthen its manpower and invest in its new information system to enhance its operational capacity and efficiency. Meanwhile, the Group will continue to explore suitable business and investment opportunities to drive its business growth.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK\$15.5 million, or approximately 14.4%, from approximately HK\$107.6 million for the six months ended 31 March 2023 to approximately HK\$92.1 million for the six months ended 31 March 2024. The following table sets out a breakdown of the Group's revenue during the six months ended 31 March 2023 and 2024 by segments:

	Six months ended 31 March			
	2024		2023	
	HK\$'000	%	HK\$'000	%
Foundation and site formation works	24,349	26.4	54,988	51.1
General building works and associated services	13,247	14.4	14,418	13.4
Other construction works	32,508	35.3	12,324	11.4
Construction related consultancy services	4,971	5.4	6,145	5.7
Health management and consultancy business	17,034	18.5	19,760	18.4
Total	<u>92,109</u>	<u>100.0</u>	<u>107,635</u>	<u>100.0</u>

The decrease in the Group's revenue was primarily driven by the decrease in revenue from foundation and site formation works, general building works and associate services, and construction related consultancy services. Such decrease was primarily due to (i) the decrease in number of projects undertaken for foundation and site formation works as well as construction related consultancy services; and (ii) the decrease in work performed of a sizeable general building works project during the six months ended 31 March 2024. The Group recorded an increase in revenue contributed from other construction works as a result of the increase in number of projects undertaken during the six months ended 31 March 2024. The decrease in revenue from health management and consultancy business was generally due to the decrease in sales of the health intelligent robot during the six months ended 31 March 2024.

Cost of sales

Cost of sales decreased by approximately HK\$14.3 million, or approximately 16.1%, from approximately HK\$88.8 million for the six months ended 31 March 2023 to approximately HK\$74.5 million for the six months ended 31 March 2024. Such decrease was mainly driven by the decrease in revenue.

Management Discussion and Analysis

Gross profit and gross profit margin

The gross profit decreased by approximately HK\$1.2 million, or 6.4%, from approximately HK\$18.8 million for the six months ended 31 March 2023 to approximately HK\$17.6 million for the six months ended 31 March 2024. The Group's gross profit margin was approximately 17.5% and 19.2% for the six months ended 31 March 2023 and 2024, respectively.

During the six months ended 31 March 2024, the Group's general building works and associated services recorded a turnaround from gross loss margin to gross profit margin (2023: gross loss margin of approximately 81.0%; 2024: gross profit margin of approximately 24.8%) as (i) the progress of a sizeable project which was delayed in previous year has resumed normal; and (ii) no further loss were incurred for a redevelopment project of a school with whom the Group have the disputes during the six months ended 31 March 2023. The gross profit margin of construction related consultancy services (2023: approximately 31.3%; 2024: approximately 3.3%) decreased as the revenue generated from the construction related consultancy services decreased while the costs incurred remained stable during the six months ended 31 March 2024. The gross profit margin of foundation and site formation works (2023: approximately 20.4%; 2024: approximately 1.7%) and other construction works (2023: approximately 30.9%; 2024: approximately 5.2%) decreased with relatively lower gross profit margin projects undertaken during the six months ended 31 March 2024. The Group's gross profit margin for health management and consultancy business remained relatively stable over the period in 2023 and 2024 (2023: approximately 68.5%; 2024: approximately 71.0%).

Other income, gains and losses

The other income, gains and losses decreased by approximately HK\$5.4 million from approximately HK\$7.5 million for the six months ended 31 March 2023 to approximately HK\$2.1 million for the six months ended 31 March 2024, primarily due to the decrease in agency commission income during the six months ended 31 March 2024 and the absence of the one-off compensation from legal claims received in the six months ended 31 March 2023.

Administrative and other operating expenses

Administrative and other operating expenses remained stable at approximately HK\$35.9 million and HK\$35.6 million for the six months ended 31 March 2023 and 2024, respectively.

Management Discussion and Analysis

Income tax expense

The Group recorded income tax expense of approximately HK\$37,000 for the six months ended 31 March 2024, primarily arising from the taxable profit for the PRC business during the six months ended 31 March 2024 (six months ended 31 March 2023: approximately HK\$14,000).

Loss and total comprehensive expense for the period

As a result of the foregoing, the Group recorded a loss of approximately HK\$10.3 million and approximately HK\$16.7 million for the six months ended 31 March 2023 and 2024, respectively.

COMPARISON OF BUSINESS STRATEGIES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business strategies as set out in the prospectus of the Company dated 28 September 2018 (the "**Prospectus**") with actual business progress up to 31 March 2024.

Business strategies as stated in the Prospectus	Implementation activities up to 31 March 2024 as stated in the Prospectus	Progress up to 31 March 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>

Management Discussion and Analysis

Business strategies as stated in the Prospectus	Implementation activities up to 31 March 2024 as stated in the Prospectus	Progress up to 31 March 2024
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 three of the Group's projects 	The funding costs for (i) the redevelopment of an outdoor activities centre at Stanley; (ii) the redevelopment at Sheung Wan; and (iii) the alterations and additions works for commercial building at North Point were fully utilised.
Strengthening the Group's manpower	<ul style="list-style-type: none"> – Recruit two project managers, two project engineers, two quantity surveyors, one safety officer, two site 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 and two site 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 – 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 – 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 existing hardware and acquired new computer facilities.</p> <p>The Group has upgraded the accounting system to enhance documentation. As no human resources management system suitable for the Group's business size and structure is identified, the expected time for the upgrade of the human resources management system is delayed. The Group has continued to approach different service providers to search for suitable human resources management system for the Group.</p> <p>The Group has upgraded the engineering and design system.</p>

Management Discussion and Analysis

USE OF NET PROCEEDS FROM LISTING

The net proceeds (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 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 31 March 2024:

	Planned use of Net Proceeds as disclosed in the Prospectus and as amended in the UOP Announcement	Actual use of proceeds from the date of the Listing to 30 September 2023	Unutilised Net Proceeds brought forward as at 1 October 2023	Net Proceeds utilised during the six months ended 31 March 2024	Unutilised Net Proceeds as at 31 March 2024	Expected timeline for utilising the unutilised Net Proceeds
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
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	0.1	0.5	30 September 2024
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>20.3</u>	<u>0.5</u>	

During the six months ended 31 March 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.

Management Discussion and Analysis

Up to 31 March 2024, approximately HK\$86.1 million out of the Net Proceeds had been used. The remaining unutilised Net Proceeds of approximately HK\$0.5 million were deposited in licensed banks in Hong Kong. The Company intends to apply the net proceeds in the manner as stated in the Prospectus 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 2024.

The business objectives, future plans and planned use of Net Proceeds as stated in the Prospectus 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.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

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

As at 31 March 2024, the Group had net current assets of approximately HK\$8.6 million (30 September 2023: approximately HK\$27.0 million) and bank balances and cash of approximately HK\$29.7 million (30 September 2023: approximately HK\$41.5 million), which were denominated in Hong Kong dollars, Renminbi and United States dollars.

As at 31 March 2024, the Group's total equity attributable to owners of the Company amounted to approximately HK\$28.7 million (30 September 2023: approximately HK\$45.7 million), and the Group's total debt comprising bank borrowings and lease liabilities amounted to approximately HK\$34.7 million (30 September 2023: approximately HK\$50.5 million), which were denominated in Hong Kong dollars and Renminbi. The bank borrowings carried interest rates at 4% and are repayable within one year. The Directors have confirmed that the Group will have sufficient financial resources to meet its obligations as they fall due in the foreseeable future. As of 31 March 2024, the Group has available banking facilities of approximately HK\$9.0 million (30 September 2023: nil), of which the unutilised banking facilities amounted to approximately HK\$9.0 million (30 September 2023: nil).

Management Discussion and Analysis

CONTINGENT LIABILITIES

As at 31 March 2024, the Group is required by certain customers of its construction contracts to issue guarantees for contract performance in the form of surety bonds, amounting to approximately HK\$5.6 million (30 September 2023: approximately HK\$3.6 million). The Company and the executive Directors have provided guarantees to insurance companies to secure these 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. On 24 November 2023, the Claimant, Fong On, served its Statement of Claim upon the School and its management committee. On 10 May 2024, the School and its management committee served its Statement of Defence and Counterclaim upon Fong On. The next step in the Arbitration process is for Fong On to serve its Statement of Reply and Defence to Counterclaim by 14 June 2024. As at the date of this interim report, the Arbitration is still in its preliminary stages and hence the impacts of the Arbitration, if any, on the Company, cannot be fully assessed at this stage. The Company will make further disclosure as and when necessary or appropriately based on the progress of the Arbitration.

Management Discussion and Analysis

PLEDGE OF ASSETS

As at 31 March 2024, the Group has pledged certain motor vehicles with net book value amounted to approximately HK\$0.9 million (30 September 2023: approximately HK\$0.5 million) under non-cancellable lease agreement.

As at 31 March 2024, the Group paid a cash collateral of approximately HK\$1.1 million (30 September 2023: approximately HK\$1.1 million) to the insurance companies for the issuance of surety bonds in favour of certain customers of the Group, which are included in other receivables, deposits and prepayments.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the six months ended 31 March 2024, the Group did not have any significant investments held, material acquisitions or disposals of subsidiaries, associates and joint ventures. Save as disclosed herein, the Group did not have other plans for material investments or acquisition of capital assets as at 31 March 2024.

CAPITAL COMMITMENTS

As at 31 March 2024, the Group did not have any capital commitments (30 September 2023: Nil).

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities as well as to meet its funding requirements all the time.

Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURE

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

GEARING RATIO

As at 31 March 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 131.7% (30 September 2023: approximately 117.1%). The increase in gearing ratio was mainly due to the increase in bank borrowings during the period.

EVENT AFTER THE REPORTING PERIOD

Suspension of duties of an executive Director

As disclosed in the announcement of the Company dated 13 May 2024, the Board was made aware through published news that Mr. Sun Wei (“**Mr. Sun**”), an executive Director, is alleged to be involved in a potential financial fraud (the “**Incident**”) in the PRC and the Incident is currently under investigation by relevant authorities in the PRC.

On 13 May 2024, the Board convened a meeting to discuss the Incident but was unable to directly contact or reach Mr. Sun to obtain further information regarding the Incident. Having considered the above circumstances and in order to alleviate any concerns among the shareholders of the Company and the public, the Board has resolved to suspend all duties and powers of Mr. Sun as the executive Director with immediate effect until further notice.

The Company is currently assessing the impact of the Incident on the Group and will seek advice from its legal advisors in relation to the Incident. The Board will continue to closely monitor the development of the Incident and further announcement(s) will be made by the Company as and when appropriate.

Save as otherwise disclosed in this interim report, the Board is not aware of any other significant events requiring disclosure that have taken place subsequent to 31 March 2024 and up to the date of this interim report.

Management Discussion and Analysis

INTERIM DIVIDEND

No dividend was paid, declared or proposed during the six months ended 31 March 2024. The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2024 (six months ended 31 March 2023: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2024, the Group had 210 employees (31 March 2023: 172 employees). The increase in the number of employees was mainly attributable to the staff recruitment in the health management and consultancy business in the PRC for business development. Total staff costs for the six months ended 31 March 2024 amounted to approximately HK\$24.2 million (six months ended 31 March 2023: approximately HK\$18.0 million). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of training were provided to the employees.

SEGMENT INFORMATION

The Group's reportable and operating segments are as follows: (i) foundation and site formation works; (ii) general building works and associated services; (iii) other construction works; (iv) construction related consultancy services; and (v) health management and consultancy business. Details of the segmental information of the Group is disclosed in Note 4 of the notes to the interim unaudited condensed consolidated financial statements of this interim report.

Other Information

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

As at 31 March 2024, the interests and short positions of each of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Future Ordinance (the “SFO”)) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in the shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares held/interested	Percentage of shareholding
Dr. CW Lau (<i>Note</i>)	Interest of a controlled corporation	408,000,000	51%
Mr. CM Lau (<i>Note</i>)	Interest of a controlled corporation	408,000,000	51%
Dr. CK Lau (<i>Note</i>)	Interest of a controlled corporation	408,000,000	51%

Note: 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.

Other Information

Save as disclosed above, as at 31 March 2024, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

So far as known to the Directors or chief executive of the Company, as at 31 March 2024, the following persons and entity (not being the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name	Capacity/Nature of interest	Number of shares held/interested	Percentage of shareholding
Elite Bright	Beneficial owner	408,000,000	51%
Ms. Ng Lai Mui Theresa (Note 1)	Interest of spouse	408,000,000	51%
Ms. Ng Kooi Har (Note 2)	Interest of spouse	408,000,000	51%
Ms. Kwong Shun Man Jessie (Note 3)	Interest of spouse	408,000,000	51%

Other Information

Notes:

- (1) Ms. Ng Lai Mui Theresa is the spouse of Dr. CW Lau. Therefore, Ms. Ng Lai Mui Theresa is deemed to be, or taken to be, interested in the same number of shares of the Company in which Dr. CW Lau is interested for the purpose of the SFO.
- (2) Ms. Ng Kooi Har is the spouse of Mr. CM Lau. Therefore, Ms. Ng Kooi Har is deemed to be, or taken to be, interested in the same number of shares of the Company in which Mr. CM Lau is interested for the purpose of the SFO.
- (3) Ms. Kwong Shun Man Jessie is the spouse of Dr. CK Lau. Therefore, Ms. Kwong Shun Man Jessie is deemed to be, or taken to be, interested in the same number of shares of the Company in which Dr. CK Lau is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2024, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section “Directors’ and chief executive’s interest and short positions in the shares, underlying shares and debentures of the Company and its associated corporations” above, had or were deemed to have, interests or short positions in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 31 March 2024.

Other Information

COMPETING INTERESTS

During the six months ended 31 March 2024, none of the Directors or the Controlling Shareholders and any of their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

Non-Competition Undertaking

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Dr. CW Lau, Mr. CM Lau, Dr. CK Lau and Elite Bright (each a “**Covenantor**” and collectively the “**Covenantors**”) have entered into the deed of non-competition with the Company (for itself and for and on behalf of its subsidiaries) on 17 September 2018 (the “**Deed of Non-competition**”). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and for and on behalf of its subsidiaries) that, during the period the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Other Information

Each of the Covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the section headed “Relationship with our Controlling Shareholders – Non-Competition Undertakings” in the Prospectus.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as the code of conduct regulating securities transactions by the Directors. Having made specific enquiry of all Directors (except for Mr. Sun), all Directors (except for Mr. Sun) have confirmed that they have fully complied with the required standards set out in the Model Code during the six months ended 31 March 2024. Given the unavailability of Mr. Sun and the ongoing investigation into the Incident, the Company has been unable to seek his confirmation regarding compliance with the Model Code. The Board has suspended Mr. Sun’s duties and powers as an executive Director with effect from 13 May 2024. For details, please refer to the announcement of the Company dated 13 May 2024.

SHARE OPTION SCHEME

The Company’s share option scheme (the “**Scheme**”) was adopted pursuant to resolutions passed on 17 September 2018 as to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

Under the Scheme, the Board may, at their absolute discretion and subject to the terms of the Scheme, grant any employee (full-time or part-time), Director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe for shares of the Company. The basis of eligibility of any participant to the grant of any option shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date must not in aggregate exceed 10% of all the shares in issue as at the date of approval of the Scheme and any other share schemes of the Company (the “**Scheme Mandate Limit**”). The Scheme Mandate Limit may be refreshed once every three years

Other Information

by obtaining approval of the Company's shareholders in general meeting provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. No options may be granted under the Scheme or any other share option schemes of the Company if this will result in the Scheme Mandate Limit being exceeded.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options in excess of such limit, such further grant must be separately approved by shareholders of the Company in general meeting with such grantee and his/her close associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective close associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK\$5 million must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

An offer for the grant of options must be accepted in writing within 7 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Other Information

The subscription price shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's share on the offer date of grant of the option.

The Scheme will remain in force for a period of ten years commencing on 17 September 2018 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders at a general meeting of the Company. As at the date of this report, the Scheme had a remaining life of approximately four years.

As at 31 March 2024, the number of share options available for grant under the Scheme was 80,000,000 (30 September 2023: 80,000,000). During the six months ended 31 March 2024, no share option was granted, exercised, expired, lapsed or cancelled and there is no outstanding share option under the Scheme. As such, no shares of the Company may be issued in respect of options granted under all share schemes of the Company during the six months ended 31 March 2024.

CORPORATE GOVERNANCE PRACTICE

The Company is committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtain and maintain the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company. The Company has adopted the principles and code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix C1 of the Listing Rules. The Company has fully complied with the CG Code during the six months ended 31 March 2024 and up to the date of this interim report.

Other Information

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 17 September 2018. The chairman of the Audit Committee is Mr. Pang Ka Hang, the independent non-executive Director, and other members include Mr. Leung Bing Kwong Edward and Mr. Wong Chun Nam, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange’s website and on the Company’s website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group’s interim unaudited condensed consolidated financial statements for the six months ended 31 March 2024 have not been audited nor reviewed by the Company’s independent auditors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the interim unaudited condensed consolidated financial statements of the Group for the six months ended 31 March 2024 with the management.

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

Hong Kong, 23 May 2024