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RI YING HOLDINGS LIMITED

日贏控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1741)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Ri Ying Holdings Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 31 March 2023, together with the comparative figures for the corresponding period in 2022 as follow:

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

For the six months ended 31 March 2023

	<i>Note</i>	Six months ended 31 March	
		2023	2022
		HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
Revenue	3	107,635	89,138
Cost of sales		<u>(88,809)</u>	<u>(101,046)</u>
Gross profit/(loss)		18,826	(11,908)
Other income, gains and losses	3	7,471	2,562
Administrative and other operating expenses		(35,923)	(28,439)
Net (impairment losses)/reversal of impairment losses on financial assets and contract assets		<u>(137)</u>	<u>588</u>
Operating loss		(9,763)	(37,197)
Finance costs	4	<u>(516)</u>	<u>(244)</u>
Loss before tax	5	(10,279)	(37,441)
Income tax expense	6	<u>(14)</u>	<u>(12)</u>
Loss for the period		<u>(10,293)</u>	<u>(37,453)</u>

		Six months ended 31 March	
		2023	2022
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Other comprehensive expense			
<i>Item that maybe reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>(468)</u>	<u>(85)</u>
Total comprehensive expense for the period		<u>(10,761)</u>	<u>(37,538)</u>
(Loss)/profit for the period attributable to:			
Owners of the Company		(10,484)	(36,505)
Non-controlling interests		<u>191</u>	<u>(948)</u>
		<u>(10,293)</u>	<u>(37,453)</u>
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		(10,808)	(36,642)
Non-controlling interests		<u>47</u>	<u>(896)</u>
		<u>(10,761)</u>	<u>(37,538)</u>
Basic and diluted loss per share (HK cents)	7	<u>(1.31)</u>	<u>(4.56)</u>

INTERIM UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Note</i>	31 March 2023 HK\$'000 (Unaudited)	30 September 2022 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	<i>9</i>	3,747	5,021
Right-of-use assets	<i>9</i>	11,529	6,861
Goodwill		6,555	6,383
		<u>21,831</u>	<u>18,265</u>
Current assets			
Inventory		2,181	2,222
Trade and other receivables	<i>10</i>	76,182	51,530
Contract assets		24,738	23,090
Financial assets at fair value through profit or loss		4,844	4,152
Amounts due from related parties		972	852
Bank deposits, balances and cash	<i>11</i>	50,353	49,020
		<u>159,270</u>	<u>130,866</u>
Total assets		<u>181,101</u>	<u>149,131</u>
EQUITY			
Capital and reserves			
Share capital		8,000	8,000
Share premium and reserves		28,428	39,236
Equity attributable to owners of the Company		36,428	47,236
Non-controlling interests		(5,456)	(5,503)
Total equity		<u>30,972</u>	<u>41,733</u>

		31 March	30 September
		2023	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liability			
Lease liabilities		<u>6,026</u>	<u>3,694</u>
Current liabilities			
Trade and other payables	12	81,044	92,789
Contract liabilities		5,242	2,526
Lease liabilities		5,372	2,429
Amount due to a non-controlling interest of a subsidiary		7,261	5,902
Bank borrowings		45,124	–
Income tax payable		<u>60</u>	<u>58</u>
		<u>144,103</u>	<u>103,704</u>
Total liabilities		<u>150,129</u>	<u>107,398</u>
Total equity and liabilities		<u>181,101</u>	<u>149,131</u>
Net current assets		<u>15,167</u>	<u>27,162</u>
Total assets less current liabilities		<u>36,998</u>	<u>45,427</u>

NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

Its parent and ultimate holding company is Elite Bright Developments Limited, a company incorporated in the British Virgin Islands and wholly-owned by Dr. Lau Chi Wang, Mr. Lau Chi Ming and Dr. Lau Chi Keung in equal shares.

These interim unaudited condensed consolidated financial statements of the Group for the six months ended 31 March 2023 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). These interim unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 30 September 2022 (the “**2022 Annual Financial Statements**”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”).

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

The interim unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 Annual Financial Statements, except for the accounting policy changes that are expected to be reflected in the annual financial statements of the Group for the year ending 30 September 2023. Details of any changes in accounting policies are set out in Note 2.

These interim unaudited condensed consolidated financial statements have been approved for issue by the Board on 31 May 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Group has adopted the following new and amendments to HKFRSs issued by the HKICPA for the first time for the current accounting period, which are mandatory effective for the annual period beginning on or after 1 October 2022 for the preparation of the Group’s interim unaudited condensed consolidated financial statements:

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

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

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

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

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

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

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

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

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

Six months ended 31 March

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

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.

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

Segment revenue and results

	Foundation and site formation works <i>HK\$'000</i>	General building works and associated services <i>HK\$'000</i>	Other construction works <i>HK\$'000</i>	Construction related consultancy services <i>HK\$'000</i>	Health management and consultancy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 31 March 2023						
Segment revenue	<u>54,988</u>	<u>14,418</u>	<u>12,324</u>	<u>6,145</u>	<u>19,760</u>	<u>107,635</u>
Segment results	<u>11,233</u>	<u>(11,675)</u>	<u>3,809</u>	<u>1,926</u>	<u>13,533</u>	<u>18,826</u>
Other income, gains and losses						7,471
Administrative and other operating expenses						(35,923)
Net impairment losses on financial assets and contract assets						(137)
Finance costs						<u>(516)</u>
Loss before tax						<u><u>(10,279)</u></u>
	Foundation and site formation works <i>HK\$'000</i>	General building works and associated services <i>HK\$'000</i>	Other construction works <i>HK\$'000</i>	Construction related consultancy services <i>HK\$'000</i>	Health management and consultancy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 31 March 2022						
Segment revenue	<u>48,191</u>	<u>5,479</u>	<u>29,666</u>	<u>3,068</u>	<u>2,734</u>	<u>89,138</u>
Segment results	<u>6,539</u>	<u>(19,189)</u>	<u>427</u>	<u>(1,700)</u>	<u>2,015</u>	<u>(11,908)</u>
Other income, gains and losses						2,562
Administrative and other operating expenses						(28,439)
Net reversal of impairment losses on financial assets and contract assets						588
Finance costs						<u>(244)</u>
Loss before tax						<u><u>(37,441)</u></u>

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

Geographical information

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

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

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

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

4 FINANCE COSTS

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

5 LOSS BEFORE TAX

Six months ended 31 March
2023 2022
HK\$'000 **HK\$'000**
(Unaudited) **(Unaudited)**

Loss before tax has been arrived at after charging/(crediting):

Depreciation of property, plant and equipment	1,500	1,130
Depreciation of right-of-use assets	2,943	3,161
Short-term lease expenses	90	750
Auditors' remuneration	550	490
Employee benefit expenses, including Directors' emoluments	16,151	12,785
Net impairment losses/(reversal of impairment losses) on financial assets and contract assets	137	(588)
Research and development cost (including employee benefit expenses amounted approximately HK\$1,848,000)	5,525	–
	<u>5,525</u>	<u>–</u>

6 INCOME TAX EXPENSE

Six months ended 31 March
2023 2022
HK\$'000 **HK\$'000**
(Unaudited) **(Unaudited)**

Hong Kong profits tax		
– Current income tax	–	–
PRC Enterprise Income Tax		
– Current income tax	14	12
Deferred income tax	–	–
Income tax expense	<u>14</u>	<u>12</u>

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

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

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

7 LOSS PER SHARE

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

For the six months ended 31 March 2023 and 2022, the calculation of the basic loss per share attributable to owners of the Company was based on (i) the loss for the period attributable to owners of the Company; and (ii) the weighted average number of ordinary shares in issue during the period.

Diluted loss per share is equal to the basic loss per share as there was no dilutive potential shares in issue during the six months ended 31 March 2023 and 2022.

8 DIVIDENDS

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

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

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

The Group obtains rights to control the use of certain premises for a period of time through lease arrangements. During the six months ended 31 March 2023, the addition to right-of-use assets was approximately HK\$7,731,000 (six months ended 31 March 2022: approximately HK\$859,000).

10 TRADE AND OTHER RECEIVABLES

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

Notes:

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

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

As at 31 March 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$12,192,000 (30 September 2022: approximately HK\$8,335,000) which are past due as at the reporting date. Out of the past due balances, nil (30 September 2022: Nil) has been past due 90 days or more and is not considered as in default. The Group does not hold any collateral over these balances.

11 BANK DEPOSITS, BALANCES AND CASH

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

12 TRADE AND OTHER PAYABLES

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

Notes:

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

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

BUSINESS REVIEW

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

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

Number	Project awarded	Actual/expected commencement date	Actual/expected completion date
1	Foundation, excavation and lateral support and pile cap works for a commercial building in Sheung Wan	June 2018	June 2023
2	Slope works at Kwu Tung North New Development Areas	October 2020	September 2024
3	Maintenance for external works for a university in Shatin	April 2021	July 2023
4	Re-construction work of a building at Jordan	December 2021	July 2023
5	Foundation works for composite development in Cheung Sha Wan	July 2022	December 2023
6	Slope improvement work for a university in Shatin	January 2022	August 2023
7	Slope improvement work for a university in Shatin	December 2022	December 2023
8	Foundation works for the kindergarten education centre in Siu Sai Wan	January 2023	May 2023
9	Rectification works after periodic slope inspection in Mid-levels	February 2023	April 2023
10	Re-construction work of a public facility at Tuen Mun	February 2023	December 2023
11	Slope repairs works at Shouson Hill	March 2023	April 2023
12	Ground Investigation for the alteration and addition works erection of caretaker office in Repulse Bay	April 2023	October 2023
13	Slope improvement work for a university in Shatin	June 2023	December 2023
14	Slope improvement work for a university in Shatin	June 2023	December 2023
15	Slope improvement work at the Peak	July 2023	October 2023
16	Ground investigation and underground services investigation at Yuen Long	July 2023	February 2024

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

OUTLOOK

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

FINANCIAL REVIEW

Revenue

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

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

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

Cost of sales

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

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

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

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

Other income, gains and losses

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

Administrative and other operating expenses

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

Income tax expenses

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

Loss and total comprehensive expense for the period

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

Comparison of Business Strategies with Actual Business Progress

The following is a comparison of the Group's business strategies as set out in the prospectus of the Company dated 28 September 2018 (the "Prospectus") with actual business progress up to 31 March 2023.

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

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

Business strategies as stated in the Prospectus	Implementation activities up to 31 March 2023 as stated in the Prospectus	Progress up to 31 March 2023
Investment in the new information system	<ul style="list-style-type: none"> <li data-bbox="448 257 948 378">– Upgrade the existing hardware and acquire new computer facilities <li data-bbox="448 421 948 751">– 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 <li data-bbox="448 963 948 1338">– 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 data-bbox="983 257 1520 378">The Group has upgraded existing hardware and acquired new computer facilities.</p> <p data-bbox="983 421 1520 921">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 data-bbox="983 963 1520 1038">The Group has upgraded the engineering and design system.</p>

USE OF NET PROCEEDS FROM LISTING

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

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

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

During the six months ended 31 March 2023, the net proceeds from the Listing were utilised and expected to be utilised in the manners as disclosed in the Prospectus and there has been no change in the use of proceeds.

Up to 31 March 2023, approximately HK\$52.1 million out of the net proceeds from the Listing had been used. The remaining unutilised net proceeds of approximately HK\$34.5 million were deposited in licensed banks in Hong Kong. The Company intends to apply the net proceeds in the manner as stated in the Prospectus. However, due to the unstable economic environment under the prolonged outbreak of COVID-19, the Group will utilise the remaining balance in a conservative manner. The Directors will constantly evaluate the Group's business objectives and specific needs from time to time. The Company will make further announcement if there are any changes on the use of proceeds as and when appropriate. Such amounts are expected to be fully utilised on or before 30 September 2023.

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

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

CONTINGENT LIABILITIES

As at 31 March 2023, certain customers of construction contracts undertaken by the Group require the Group to issue guarantee for the performance of contract works in the form of surety bonds of approximately HK\$21.0 million (30 September 2022: approximately HK\$25.3 million). The Company and the executive Directors have provided guarantee to the insurance companies to secure certain surety bonds. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

MATERIAL PROCEEDINGS

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

In addition to the aforementioned mediation, Fong On has also initiated arbitration proceedings against the School with respect to the Disputes (the “**Arbitration**”) on 18 April 2023. As at the date of this 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.

PLEDGE OF ASSETS

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

As at 31 March 2023, the Group paid a cash collateral of approximately HK\$4.2 million (30 September 2022: approximately HK\$5.1 million) to the insurance companies for the issuance of surety bonds, which are included in other receivables, deposits and prepayments.

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

During the six months ended 31 March 2023, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries and affiliated companies. Save as disclosed herein, the Group did not have other plans for material investments or acquisition of capital assets as at 31 March 2023.

CAPITAL COMMITMENTS

As at 31 March 2023, the Group did not have any capital commitments (31 March 2022: Nil).

TREASURY POLICIES

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

FOREIGN EXCHANGE EXPOSURE

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

GEARING RATIO

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

EVENT AFTER THE REPORTING PERIOD

Save as otherwise disclosed in this announcement, the Board is not aware of any other significant events requiring disclosure that have taken place subsequent to 31 March 2023 and up to the date of this announcement.

INTERIM DIVIDEND

No dividend was paid, declared or proposed during the six months ended 31 March 2023. The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2023 (six months ended 31 March 2022: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group had 172 employees (31 March 2022: 164 employees). The increase in the number of employees was mainly attributable to the staff recruitment in the health management and consultancy business in the PRC for business development. Total staff costs for the six months ended 31 March 2023 amounted to approximately HK\$18.0 million (six months ended 31 March 2022: approximately HK\$12.8 million). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of training were provided to the employees.

SEGMENT INFORMATION

The Group's reportable and operating segments are as follows: (i) foundation and site formation works; (ii) general building works and associated services; (iii) other construction works; (iv) construction related consultancy services; and (v) health management and consultancy business. Details of the segmental information of the Group is disclosed in Note 3 of the notes to the interim unaudited condensed consolidated financial statements of this announcement.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 March 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

SHARE OPTION SCHEME

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

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

The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date must not in aggregate exceed 10% of all the shares in issue as at the date of approval of the Scheme and any other share schemes of the Company (the “**Scheme Mandate Limit**”). The Scheme Mandate Limit may be refreshed once every three years by obtaining approval of the Company’s shareholders in general meeting provided that the total number of Company’s shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company’s shares in issue as at the date of approval of the refreshed limit. No options may be granted under the Scheme or any other share option schemes of the Company if this will result in the Scheme Mandate Limit being exceeded.

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

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

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

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

The Scheme will remain in force for a period of ten years commencing on 17 September 2018 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders at a general meeting of the Company.

For the six months ended 31 March 2023, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

CORPORATE GOVERNANCE PRACTICE

The Company is committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtain and maintain the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company. The Company has adopted the principles and code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules. The Company has fully complied with the CG Code during the six months ended 31 March 2023 up to the date of this announcement.

AUDIT COMMITTEE

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

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

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

The Group's interim unaudited condensed consolidated financial statements for the six months ended 31 March 2023 have not been audited nor reviewed by the Company's independent auditors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the interim unaudited condensed consolidated financial statements of the Group for the six months ended 31 March 2023 with management.

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

Hong Kong, 31 May 2023

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