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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$325.2 million for the year ended 30 September 2019, representing a decrease of approximately 14.3% as compared with that for the year ended 30 September 2018.
- Gross profit decreased by approximately 43.1% from approximately HK\$40.1 million for the year ended 30 September 2018 to approximately HK\$22.8 million for the year ended 30 September 2019.
- Gross profit margin decreased from approximately 10.6% for the year ended 30 September 2018 to approximately 7.0% for the year ended 30 September 2019.
- Loss attributable to the owners of the Company was approximately HK\$11.1 million for the year ended 30 September 2019 as compared to profit of approximately HK\$9.9 million for the year ended 30 September 2018.
- Basic loss per share was approximately HK1.40 cents for the year ended 30 September 2019, and basic earnings per share was approximately HK1.65 cents for the year ended 30 September 2018.
- The Board does not recommend the payment of any final dividend for the year ended 30 September 2019.

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Ri Ying Holdings Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 30 September 2019, together with the comparative figures for the year ended 30 September 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2019

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

* Less than HK\$1,000

Details of dividends are disclosed in Note 8 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Note	2019 HK\$'000	2018 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		8,548	3,616
Deferred tax assets		92	41
		<u>8,640</u>	<u>3,657</u>
Current assets			
Inventory		273	–
Trade and other receivables	9	37,156	103,959
Contract assets		60,457	–
Amounts due from customers for contract work		–	51,516
Financial assets at fair value through profit or loss		323	344
Tax recoverable		542	–
Bank balances and cash		179,970	88,167
		<u>278,721</u>	<u>243,986</u>
Total assets		<u>287,361</u>	<u>247,643</u>
EQUITY			
Capital and reserves			
Share capital	10	8,000	–*
Share premium and reserves		185,301	91,929
		<u>193,301</u>	<u>91,929</u>
Equity attributable to owners of the Company		193,301	91,929
Non-controlling interests		–*	–
		<u>193,301</u>	<u>91,929</u>
Total equity		<u>193,301</u>	<u>91,929</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		62	227
Finance lease liabilities		657	–
		<u>719</u>	<u>227</u>

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current liabilities			
Trade and other payables	<i>11</i>	73,002	119,285
Contract liabilities		14,188	–
Amounts due to customers for contract work		–	28,816
Finance lease liabilities		1,914	2,212
Income tax payable		4,237	5,174
		<u>93,341</u>	<u>155,487</u>
Total liabilities		<u>94,060</u>	<u>155,714</u>
Total equity and liabilities		<u>287,361</u>	<u>247,643</u>
Net current assets		<u>185,380</u>	<u>88,499</u>
Total assets less current liabilities		<u>194,020</u>	<u>92,156</u>

* Less than HK\$1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2019

1 GENERAL INFORMATION

The Company is an investment holding company. The Group is principally engaged in provision of foundation works and site formation works, general building works and associated services, other construction works, construction related consultancy services and health management and consultancy business.

The Company was incorporated in the Cayman Islands on 3 January 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 October 2018.

The address of the Company’s registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the Company’s principal place of business is 6/F, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Sheung Wan, Hong Kong.

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

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

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

2 BASIS OF PREPARATION

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

3 APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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

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

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

Summary of effects arising from initial application of HKFRS 15

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

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

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

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

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

Notes:

- (a) In relation to construction contracts previously accounted for under HKAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to the date of initial application of HKFRS 15. Under HKAS 11, contract costs are recognised as expenses by reference to the stage of completion, which is measured by reference to work performed to date as a percentage of total contract value. Under HKFRS 15, costs that related to satisfied performance obligations are expensed as incurred. Construction costs of approximately HK\$11,132,000 included in gross amounts due from/to customers for contract work were adjusted to retained earnings. The related tax effect of approximately HK\$3,730,000 was recognised in income tax payable and retained earnings.
- (b) At the date of initial application, retention receivables of approximately HK\$53,312,000 arising from the construction contracts was reclassified from trade and other receivables to contract assets.
- (c) At the date of initial application, amount of approximately HK\$43,832,000 arising from the construction contracts are for work completed and not billed because the rights are conditioned on factors other than passage of time, and such amount was reclassified from gross amounts due from/to customers for contract work to contract assets.
- (d) At the date of initial application, receipts in advance of approximately HK\$28,865,000 arising from the construction contracts was reclassified from trade and other payables and gross amounts due from/to customers for contract work to contract liabilities.

HKFRS 9 *Financial Instruments*

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

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

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

Summary of effects arising from initial application of HKFRS 9

Classification of financial assets and financial liabilities

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

Under HKFRS 9, the classification for all of the Group's financial assets and financial liabilities measured at amortised cost remain the same. The carrying amounts for all financial assets and financial liabilities at 1 October 2018 have not been impacted by the initial application of HKFRS 9.

Impairment under ECL Model

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

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

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

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

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

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

HK\$'000

Retained earnings

Recognition of impairment loss	(4,185)
Tax effect	689

Impact at 1 October 2018	<u>(3,496)</u>
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Summary of effects arising from initial application of HKFRS 9 and HKFRS 15

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

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

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

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

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

Segment information

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

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

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

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>
Year ended 30 September 2019						
Segment revenue	<u>95,015</u>	<u>97,973</u>	<u>125,626</u>	<u>6,052</u>	<u>538</u>	<u>325,204</u>
Segment results	<u>8,215</u>	<u>6,200</u>	<u>8,517</u>	<u>139</u>	<u>(251)</u>	22,820
Other income, gains and losses						2,835
Administrative and other operating expenses						(34,869)
Net impairment losses on financial assets and contract assets						(1,134)
Finance costs						(137)
Loss before tax						<u>(10,485)</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>	Total <i>HK\$'000</i>
Year ended 30 September 2018					
Segment revenue	<u>124,061</u>	<u>178,684</u>	<u>65,515</u>	<u>11,315</u>	<u>379,575</u>
Segment results	<u>18,046</u>	<u>14,783</u>	<u>2,800</u>	<u>4,505</u>	40,134
Other income, gains and losses					4,914
Administrative and other operating expenses					(29,954)
Net reversal of impairment losses on financial assets					195
Finance costs					<u>(48)</u>
Profit before tax					<u>15,241</u>

Geographical information

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

Information about major customers

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A ¹	32,981	119,745
Customer B ^{1 and 2}	<u>35,177</u>	<u>108,284</u>

¹ Revenue from general building works and associated services.

² Revenue from foundation and site formation works.

5 (LOSS)/PROFIT BEFORE TAX

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

6 INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong profits tax:		
– Current income tax	112	4,825
– Underprovision in prior years	–	217
Deferred income tax	<u>473</u>	<u>97</u>
Income tax expense	<u>585</u>	<u>5,139</u>

7 (LOSS)/EARNINGS PER SHARE

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

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

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

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

8 DIVIDENDS

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

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

9 TRADE AND OTHER RECEIVABLES

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

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

Notes:

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

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

10 SHARE CAPITAL

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

* Less than HK\$1,000

Notes:

- (a) Upon incorporation of the Company, the authorised share capital was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One fully-paid Share was allotted and issued to the subscriber on 3 January 2018, which was subsequently transferred to Elite Bright on the same date.
- (b) On 17 September 2018, the Company resolved to increase its authorised share capital from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each by the creation of 1,962,000,000 additional shares, each ranking pari passu with the shares then in issue in all respects.
- (c) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued shares of Mass Strength, Peaceful Fluent, Bright Dance Group Limited and Precious Castle, respectively, from Elite Bright, on 17 September 2018, 9,999 Shares, credited as fully paid, were allotted and issued to Elite Bright.
- (d) Pursuant to the written resolution passed by the shareholder on 17 September 2018, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the share offer, the directors of the Company are authorised to allot and issue a total of 599,990,000 ordinary shares, by way of capitalisation of the sum of approximately HK\$5,999,900 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholder on the register of members of the Company at the close business on 17 September 2018.
- (e) On 16 October 2018, the Company issued 200,000,000 ordinary shares of HK\$0.01 each pursuant to the Company listing on the Stock Exchange by way of share offer at a price of HK\$0.625 per share for a total consideration of HK\$125,000,000.

11 TRADE AND OTHER PAYABLES

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

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

Note:

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0-30 days	10,750	20,253
31-60 days	—	3,030
61-90 days	—	1,477
Over 90 days	3,828	3,815
	<u>14,578</u>	<u>28,575</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a construction contractor in Hong Kong principally providing (i) foundation and site formation works, which mainly include piling works, ELS works, pile cap construction and ground investigation works; (ii) general building works and associated services, which mainly include development of superstructures, alteration and addition works; and (iii) other construction works, which mainly include slope works and demolition works. The Group is able to undertake construction works as either a main contractor or a subcontractor. Besides construction, the Group also provides construction related consultancy services including engineering consulting on construction designs and works supervision, and construction contract administration services. During the year ended 30 September 2019, the Group commenced business in health management and consultancy in the People's Republic of China (the "PRC"), which mainly include sales of health products and body check up.

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

OUTLOOK

The shares of the Company were listed on the Main Board of the Stock Exchange (the "Listing") on 16 October 2018 (the "Listing Date") by way of public offer and placing (the "Share Offer"). The Directors believe that the Listing could enhance the Group's profile and recognition which will enhance the customers' confidence in the Group. In addition, the net proceeds from the Share Offer will provide additional resources for the Group to expand its business.

FINANCIAL REVIEW

Revenue

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

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

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

Cost of sales

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

Gross profit and gross profit margin

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

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

Other income, gains and losses

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

Administrative and other operating expenses

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

Income tax expense

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

As at 30 September 2019, the Group's total equity attributable to owners of the Company amounted to approximately HK\$193.3 million (2018: HK\$91.9 million), and the Group's total debt comprising finance lease liabilities amounted to approximately HK\$2.6 million (2018: HK\$2.2 million). The Directors have confirmed that the Group will have sufficient financial resources to meet its obligations as they fall due in the foreseeable future.

GEARING RATIO

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

DIVIDENDS

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

CAPITAL COMMITMENTS

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

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

CONTINGENT LIABILITIES

As at 30 September 2019, certain customers of construction contracts undertaken by the Group require the Group to issue guarantee for the performance of contract works in the form of surety bonds of approximately HK\$15.4 million (2018: HK\$10.9 million). The Company and the executive Directors have provided guarantee to the insurance companies to secure certain surety bonds. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

INFORMATION ON EMPLOYEES

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

Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of training were provided to the employees.

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

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

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

Business strategies as stated in the Prospectus	Business objectives up to 30 September 2019 as stated in the Prospectus	Actual business progress up to 30 September 2019
Apply for additional licences	– Acquire bored piling machines and mini-piling machines to fulfill plant requirements of the licences	The Group has acquired the bored piling machines and is identifying suitable mini-piling machines.
	– Acquire a piece of land for machinery storage	The Group is in the course of identifying suitable land for machinery storage. Due to the Group’s specific requirements on the land premises and the property market condition of Hong Kong, the Group has taken more time to identify suitable land.
	– Increase the employed capital of Po Shing Construction Limited and Fong On Construction Limited	The Group has increased the employed capital of both subsidiaries.
Fund the initial costs of the Group’s construction projects	– Finance the working capital requirement and upfront costs for three of the Group’s projects	The funding costs for (i) the redevelopment of an outdoor activities centre at Stanley; (ii) the redevelopment at Sheung Wan; and (iii) the alterations and additions works for a commercial building at North Point were fully utilised.
Strengthening the Group’s manpower	– Recruit two project managers, two project engineers, two quantity surveyors, one safety officer, two site foremens and one mechanical fitter	The Group has recruited certain project management team members accordingly. However, there was delay in the recruitment schedule due to availability of suitable candidates.
Investment in the new information system	– Upgrade our existing hardware and acquire new computer facilities	The Group has acquired certain new hardware and software for system upgrade.
	– Upgrade our accounting system to enhance documentation and manual procedures and upgrade our human resources management system to consolidate and automate attendance, payrolls and retirement fund contribution	The Group is in the course of identifying suitable service providers for the system upgrades.

USE OF PROCEEDS FROM THE SHARE OFFER

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

The below table sets out the proposed and actual applications of the net proceeds from the Listing Date to 30 September 2019:

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

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

TREASURY POLICY

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

CAPITAL STRUCTURE

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.

CHARGE ON GROUP ASSETS

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

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

FOREIGN EXCHANGE EXPOSURE

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

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

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

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

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules. The Company has fully complied with the CG Code since the date of the Listing up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 September 2019.

AUDIT COMMITTEE

The audit committee (the "**Audit Committee**") of the Company 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 included 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 Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 30 September 2019. The final results announcement of the Group for the year ended 30 September 2019 has been reviewed by the Audit Committee.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The figures in respect of the Group's consolidated statement of financial position as at 30 September 2019, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 September 2019 as set out in the preliminary announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 September 2019. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

APPRECIATION

Dr. Lau Chi Wang, the chairman of the Board, would like to express his sincerest gratitude to the shareholders, customers, suppliers and subcontractors for the continuous support. He would also like to send his warmest thanks to all the management and staff members of the Group for the hard work and dedication throughout the year.

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

Hong Kong, 23 December 2019

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.