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YAT SING HOLDINGS LIMITED

日成控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3708)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

(All in Hong Kong dollar)

| | Six months ended 31 December | |
|---------------------------------|-------------------------------------|---------------|
| | 2019 | 2018 |
| Revenue | \$202 million | \$240 million |
| Gross profit | \$11 million | \$19 million |
| Net (loss) profit | (\$2.2 million) | \$4.4 million |
| Basic earnings per share | 0.04 cents | 0.10 cents |

RESULTS

The board (the “Board”) of directors (the “Directors”) of Yat Sing Holdings Limited (the “Company”) hereby present the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 31 December 2019 (the “Period”), together with the comparative figures for the corresponding period in 2018.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 31 December 2019

| | Notes | Six months ended 31 December | |
|---|-------|--|--|
| | | 2019 <i>HK\$'000</i> (Unaudited) | 2018 <i>HK\$'000</i> (Unaudited) |
| Revenue | 3 | 202,155 | 239,910 |
| Cost of sales | | (191,584) | (221,038) |
| Gross profit | | 10,571 | 18,872 |
| Other income | | 1,545 | 880 |
| Gain on fair value change on contingent payable | | — | 12,770 |
| Administrative expenses | | (14,242) | (23,783) |
| Finance costs | 4 | (64) | (2,702) |
| (Loss) profit before taxation | | (2,190) | 6,037 |
| Income tax expenses | 5 | — | (1,621) |
| (Loss) profit for the period | 6 | (2,190) | 4,416 |
| Other comprehensive income (expenses) for the period | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translating a foreign operation | | — | (2,284) |
| Item that will not be classified subsequently to profit or loss: | | | |
| Change in fair value of equity investment at fair value through other comprehensive income (expenses) | | 2,541 | (586) |
| | | 2,541 | (2,870) |
| Total comprehensive income for the period | | 351 | 1,546 |
| Profit (loss) and total comprehensive income (expenses) for the period attributable to: | | | |
| Owners of the Company | | 244 | 5,510 |
| Non-controlling interests | | 107 | (3,964) |
| | | 351 | 1,546 |
| Earnings per share (HK cents) | | | |
| Basic and diluted | 8 | 0.04 | 0.10 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

| | | 31 December 2019 <i>HK\$'000</i> (Unaudited) | 30 June 2019 <i>HK\$'000</i> (Audited) |
|--|-------|---|---|
| | Notes | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 3,096 | 4,802 |
| Right-of-use assets | | 2,360 | — |
| Financial assets at fair value through other comprehensive income | | 4,490 | 1,949 |
| Rental deposit | | 137 | 178 |
| Loan receivables | | — | 9,965 |
| | | 10,083 | 16,894 |
| Current assets | | | |
| Tax recoverable | | 433 | 433 |
| Loan receivables | | 9,822 | — |
| Consideration receivables | | 21,400 | 21,400 |
| Trade and other receivables | 10 | 66,525 | 59,919 |
| Contract assets | | 82,015 | 72,836 |
| Time deposits with original maturity over three months | | 30,000 | 10,000 |
| Pledged bank deposits | | 1,418 | 1,411 |
| Bank balances and cash | | 26,131 | 48,172 |
| | | 237,744 | 214,171 |
| Current liabilities | | | |
| Trade and other payables | 11 | 82,581 | 64,676 |
| Lease liabilities | | 1,348 | — |
| Obligations under finance leases — due within one year | | — | 696 |
| Bank borrowing | 12 | — | 2,146 |
| Tax payable | | 267 | 267 |
| | | 84,196 | 67,785 |
| Net current assets | | 153,548 | 146,386 |
| Total assets less current liabilities | | 163,631 | 163,280 |

| | | 31 December | 30 June |
|----------------------------------|-------|------------------------|------------------------|
| | | 2019 | 2019 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | Notes | (Unaudited) | (Audited) |
| Non-current liabilities | | | |
| Long service payment obligations | | 432 | 432 |
| Deferred tax liabilities | | 456 | 456 |
| | | <u>888</u> | <u>888</u> |
| Net assets | | <u>162,743</u> | <u>162,392</u> |
| Capital and reserves | | | |
| Share capital | 13 | 11,189 | 11,189 |
| Reserves | | 150,919 | 150,568 |
| Equity attributable to: | | | |
| Owners of the Company | | 162,108 | 161,757 |
| Non-controlling interests | | 635 | 635 |
| Total equity | | <u>162,743</u> | <u>162,392</u> |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Yat Sing Holdings Limited and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 December 2019 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 30 June 2019.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are effective for the Group’s financial year beginning 1 July 2019.

| | |
|-----------------------|--|
| HKFRS 16 | Leases |
| HK(IFRIC) — Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015 — 2017 Cycle |

The adoption of HKFRS 16 resulted in changes in the Group’s accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The application of the new and amendments to HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 July 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

The major impacts of the adoption of HKFRS 16 on the Group's condensed consolidated financial statements are described below.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 ranges from 3.61% to 6.65%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments — the Group applied this approach to all other leases.

The Group leases a number of motor vehicles. These leases were classified as finance leases under HKAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under HKAS 17 immediately before that date. Accordingly, the obligations under finance leases are now included within lease liabilities, and the carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The following table summarises the impact of transition to HKFRS 16 as at 1 July 2019. Line items that were not affected by the adjustments have not been included.

| | | Carrying amount previously reported as at 30 June 2019 <i>HK\$'000</i> | Impact on adoption of HKFRS 16 <i>HK\$'000</i> | Carrying amount as restated at 1 July 2019 <i>HK\$'000</i> |
|---------------------------------|-------|---|---|---|
| | Notes | | | |
| Right-of-use assets | (a) | — | 3,237 | 3,237 |
| Property, plant and equipment | | 4,802 | (1,404) | 3,398 |
| Lease liabilities — current | (a) | — | 2,488 | 2,488 |
| Lease liabilities — non-current | (a) | — | 40 | 40 |
| Obligations under finance lease | | <u>696</u> | <u>(696)</u> | <u>—</u> |

Notes:

- (a) As at 1 July 2019, right-of-use assets were measured at an amount equal to the lease liability of approximately HK1,833,000 as if HKFRS 16 had been applied since the commencement date.

2.2 Practical expedients applied

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-4 Determining whether an Arrangement contains a Lease
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics reliance on previous assessments on whether leases are onerous by applying HKAS 37 as an alternative to performing an impairment review
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

3. SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the chairman of the Board, being the chief operating decision maker (the "CODM") for the purposes of resources allocation and performance assessment focuses on types of goods sold or services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

- i) Building maintenance; and
- ii) Renovation;

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended 31 December 2019

| | Building maintenance HK\$'000 (Unaudited) | Renovation HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) |
|------------------------------|--|--|---|
| Segment revenue | <u>134,525</u> | <u>67,630</u> | <u>202,155</u> |
| Segment profit | <u>8,162</u> | <u>2,409</u> | 10,571 |
| Unallocated corporate income | | | 1,545 |
| Central administration costs | | | (14,242) |
| Finance costs | | | <u>(64)</u> |
| Profit before taxation | | | <u>(2,190)</u> |

For the six months ended 31 December 2018

| | Building maintenance HK\$'000 (Unaudited) | Renovation HK\$'000 (Unaudited) | Sales of visible light photocatalysis products HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) |
|------------------------------|--|--|--|---|
| Segment revenue | <u>215,974</u> | <u>22,837</u> | <u>1,099</u> | <u>239,910</u> |
| Segment profit | <u>16,816</u> | <u>1,354</u> | <u>12,148</u> | 30,318 |
| Unallocated corporate income | | | | 944 |
| Central administration costs | | | | (22,523) |
| Finance costs | | | | <u>(2,702)</u> |
| Profit before taxation | | | | <u>6,037</u> |

The revenue from provision of building maintenance service and renovation service were recognised over time and the sales of visible light photocatalysis were recognised at a point of time.

An operating segment regarding the sales of visible light photocatalysis products were discontinued since April 2019.

The accounting policies of the reporting and operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of certain unallocated corporate income, central administration costs and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

There were no inter-segment sales between different business segments for the periods ended 31 December 2019 and 2018.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

| | 31 December 2019 HK\$'000 (Unaudited) | 30 June 2019 HK\$'000 (Audited) |
|---|--|--|
| Segment assets | | |
| Building maintenance | 85,666 | 43,278 |
| Renovation | <u>44,253</u> | <u>—</u> |
| Total segment assets | 129,919 | 133,603 |
| Unallocated corporate assets | <u>117,908</u> | <u>76,062</u> |
| | <u>247,827</u> | <u>209,665</u> |
| Assets relating to discounted operation | <u>—</u> | <u>21,400</u> |
| Total assets | <u>247,827</u> | <u>231,065</u> |
| Segment liabilities | | |
| Building maintenance | 47,826 | 49,510 |
| Renovation | <u>28,658</u> | <u>7,934</u> |
| Total segment liabilities | 76,484 | 57,444 |
| Unallocated corporate liabilities | <u>8,600</u> | <u>11,229</u> |
| | <u>85,084</u> | <u>68,673</u> |
| Total liabilities | <u>85,084</u> | <u>68,673</u> |

4. FINANCE COSTS

| | Six months ended 31 December | |
|------------------------------------|---------------------------------|-----------------|
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Interest on: | | |
| — Bank borrowings | 25 | 2,665 |
| — Obligations under finance leases | — | 37 |
| — Lease liabilities | 39 | — |
| | <u>64</u> | <u>2,702</u> |

5. INCOME TAX EXPENSES

| | Six months ended 31 December | |
|-----------------------|---------------------------------|-----------------|
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Current tax: | | |
| Hong Kong Profits Tax | — | 791 |
| Deferred tax | — | 830 |
| | <u>—</u> | <u>1,621</u> |

6. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging (crediting):

| | Six months ended 31 December | |
|---|---------------------------------|-----------------|
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Bank interest income | (293) | (189) |
| Loan interest income | (657) | (416) |
| Amount of inventories recognised as expenses | — | 463 |
| Net exchange losses | — | 4 |
| Other income (<i>Note</i>) | (595) | (41) |
| Net gain on disposal of property, plant and equipment | — | (37) |
| Rental income, net of nil direct outgoings | — | (197) |
| Amortisation of prepaid lease payments | — | 558 |
| Depreciation of property, plant and equipment | 407 | 1,536 |
| Minimum lease payments paid under operating leases | — | 2,387 |
| | <u>—</u> | <u>2,387</u> |

Note: During the period ended 31 December 2019, other income of approximately HK\$595,000 which is mainly represented the net income from the sales of construction materials of HK\$19.1 million (included in other receivables) net of cost of goods sold of approximately HK\$18.8 million and the overstated staff cost of approximately HK\$237,000.

7. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 31 December 2019 (2018: nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the following data:

| | Six months ended | |
|--|-------------------------|--------------|
| | 31 December | |
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Earnings | | |
| Earnings for the purpose of basic earnings per share | <u>244</u> | <u>5,510</u> |

| | Six months ended | |
|--|-------------------------|------------------|
| | 31 December | |
| | 2019 | 2018 |
| | '000 | '000 |
| | (Unaudited) | (Unaudited) |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | <u>5,594,000</u> | <u>5,594,000</u> |

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares during the periods ended 31 December 2019 and 2018.

9. PROPERTY, PLANT AND EQUIPMENT

No acquisition or disposal for the six months ended 31 December 2019. During the six months ended 31 December 2018, the Group acquired motor vehicles amounting to approximately HK\$1,312,000. Motor vehicles with a net carrying value of approximately HK\$937,000 were disposed of by the Group during the six months ended 31 December 2018 for cash proceeds of HK\$974,000.

10. TRADE AND OTHER RECEIVABLES

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, for the building maintenance and renovation services. For the sales of visible light photocatalysis products, the Group generally allows an average credit period of 120 days to the customers. The following is an ageing analysis of trade receivables, presented based on the certified report and/or based on invoice dates which approximate revenue recognition date at the end of the reporting period:

| | 31 December 2019 HK\$'000 (Unaudited) | 30 June 2019 HK\$'000 (Audited) |
|-----------------|--|--|
| Within 90 days | 7,903 | 25,410 |
| 91 to 180 days | 18,701 | 5,879 |
| 181 to 365 days | 10,980 | 11,156 |
| 1 to 2 years | 4,095 | 12,150 |
| Over 2 years | 940 | 940 |
| | <u>42,619</u> | <u>55,535</u> |

11. TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

| | 31 December 2019 HK\$'000 (Unaudited) | 30 June 2019 HK\$'000 (Audited) |
|-----------------|--|--|
| Within 90 days | 25,055 | 21,842 |
| 91 to 180 days | 1,372 | 9,675 |
| 181 to 365 days | 21,903 | 5,190 |
| 1 to 2 years | 14,467 | 5,750 |
| Over 2 years | 4,401 | 4,628 |
| | <u>67,198</u> | <u>47,085</u> |

12. BANK BORROWING

| | 31 December 2019 HK\$'000 (Unaudited) | 30 June 2019 HK\$'000 (Audited) |
|---|--|--|
| Secured and guaranteed | — | 2,146 |
| Carrying amount of bank borrowings repayable (based on scheduled repayment dates set out in the loan agreement) | | |
| — Within one year | — | 2,146 |
| — After one year but within two years | — | — |
| — After two years but within five years | — | — |
| | <u>—</u> | <u>2,146</u> |
| Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause | — | — |
| Carrying amount of bank borrowings that are repayable within one year from the end of the reporting period and contain a repayment on demand clause | — | — |
| Carrying amount repayable within one year | <u>—</u> | <u>2,146</u> |
| Amounts shown under current liabilities | — | 2,146 |
| Amounts shown under non-current liabilities | — | — |
| | <u>—</u> | <u>2,146</u> |

All the bank borrowings were repaid during the current interim period.

As at 30 June 2019, bank borrowings for Hong Kong carried at Hong Kong Interbank Offered Rate (“HIBOR”) plus 2.5% which is 3.30% to 3.67% per annum. The bank borrowings and general banking facilities were secured and/or guaranteed by the corporate guarantee given by the Company and the Group’s pledged bank deposits.

As at 30 June 2019, bank borrowings for the PRC carried at a fixed interest rate of 6.00% to 6.87% per annum. The bank borrowings and general banking facilities were secured and/or guaranteed given by an independent third party and the Group’s prepaid lease payments.

13. SHARE CAPITAL

| Ordinary share | Number of Ordinary shares | Nominal value of ordinary shares HK\$'000 |
|--|--------------------------------------|--|
| Authorised: | | |
| Ordinary share of HK\$0.002 each at 30 June 2019 (audited) and 31 December 2019 (unaudited) | <u>10,000,000,000</u> | <u>20,000</u> |
| Issued and fully paid: | | |
| Ordinary share of HK\$0.002 each at 30 June 2019 (audited) and 31 December 2019 (unaudited) | <u>5,594,000,000</u> | <u>11,189</u> |

14. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to the written resolution passed on 18 December 2014 to attract and retain high quality staff, to provide additional incentive to eligible participants and to promote the success of the business of the Group.

Eligible participants of the share option scheme include employees (full-time and part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group.

No share options are granted since the adoption of the share option scheme and there are no outstanding share options as at 31 December 2019 and 30 June 2019.

15. CONTINGENT LIABILITIES

(a) Contingent liabilities in respect of legal claims

One subsidiary of the Group is defendant in a number of claims, lawsuits and potential claims relating to employees' compensation cases and personal injuries claims. The directors of the Company considered that the possibility of any outflow in settling the legal claims was remote as these claims were well covered by insurance and subcontractors' indemnity. Accordingly, no provision for the contingent liabilities in respect of the litigations is necessary, after due consideration of each case and with reference to the legal opinion.

(b) Guarantee issued

At the end of each reporting period, the Group had provided guarantees to bank in respect of the following:

| | 31 December 2019 HK\$'000 (Unaudited) | 30 June 2019 HK\$'000 (Audited) |
|---|--|--|
| Performance bonds in favor of its clients | <u>2,822</u> | <u>2,822</u> |

As at 31 December 2019, HK\$2,822,000 (30 June 2019: HK\$2,822,000) of performance bonds were given by a bank in favour of some of the Group's customers as security for the due performance and observance of the Group's obligations under the service contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the bank to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work for the relevant customers.

16. PLEDGE OF ASSETS

As at 31 December 2019, the Group had pledged bank deposits of approximately HK\$1,418,000 (30 June 2019: HK\$1,411,000) to banks to secure the banking facilities granted to the Group.

In addition, the Group's obligations under finance leases were secured by the lessors' title to the leased motor vehicles with carrying value of approximately HK\$1,299,000 (30 June 2019: HK\$1,751,000).

17. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel during the period were as follows:

| | Six months ended 31 December | |
|--------------------------|--|---------------------------------|
| | 2019 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) |
| Short-term benefits | 4,970 | 6,787 |
| Post-employment benefits | 67 | 76 |
| | <u>5,037</u> | <u>6,863</u> |

18. MAJOR NON-CASH TRANSACTION

No major non-cash transaction for the period ended 31 December 2019. During the six months ended 31 December 2018, the Group entered into finance lease arrangements in respect of motor vehicles with a total capital value at the inception of the leases of approximately HK\$1,289,000.

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derive from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Fair value as at | | Fair value hierarchy | Valuation technique and key input |
|---|---|---------------------------------------|----------------------|-----------------------------------|
| | 31 December 2019 (Unaudited) HK\$'000 | 30 June 2019 (Audited) HK\$'000 | | |
| Financial assets | | | | |
| Unlisted equity investment financial assets at FVTOCI | <u>4,490</u> | <u>1,949</u> | Level 3 | Market approach |

Note: As at 30 June 2019, the financial assets at fair value through other comprehensive income was measured at cost less identified impairment losses.

The Directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Yat Sing Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) is a building maintenance and renovation service provider in Hong Kong. All revenue for the six months period ended 31 December 2019 (the “Period”) was derived from building maintenance and renovation services.

Revenue for the Period was approximately HK\$202.2 million, representing an decrease of approximately HK\$37.7 million or 15.7% when compared to the same period last year of approximately HK\$239.9 million. It was mainly from the decrease of the revenue of building maintenance services which is due to no new contract awarded during the Period net of the increase in revenue from the renovation services which was mainly contributed by the commencement of the renovation project for Vocational Training Council (“VTC”), which was amounted to HK\$43.2 million during the Period.

Building maintenance services

As at 31 December 2019, we had 2 building maintenance contracts on hand with a notional or estimated contract value of approximately HK\$522.4 million. As at 30 June 2019, we had 2 building maintenance contracts on hand with a notional or estimated contract value of approximately HK\$522.4 million.

Renovation services

As at 31 December 2019, we had 5 renovation contracts on hand (including contracts in progress and contracts which are yet to commence) with a notional or estimated contract value of approximately HK\$130.0 million. As at 30 June 2019, we had 8 renovation contracts on hand with a notional or estimated contract value of approximately HK\$175.3 million. During the Period, the Group have completed 10 renovation contracts.

RECENT DEVELOPMENT

Building maintenance services

During the Period, we have no new contract for building maintenance services.

Renovation services

During the Period, we have been successfully awarded 2 contracts with a notional or estimated contract value of approximately HK\$15.7 million. One of the newly awarded contracts commenced during the Period.

FUTURE DEVELOPMENT

We will focus on identifying opportunities for building maintenance projects, especially in the public sector, which is our core business. For renovation projects, with the growth in consciousness of building refurbishment in Hong Kong, we are confident in attaining new projects from the private sector.

CHANGE OF COMPANY NAME

In order to reflect the intention of stepping into supply chain services and supply chain financial services of the Company, the shareholders of the Company approved to change the Company's English name from "Yat Sing Holdings Limited" to "China Supply Chain Holdings Limited" and its dual foreign name in Chinese from "日成控股有限公司" to "中國供應鏈產業集團有限公司" on the extraordinary general meeting of the Company held on 22 January 2020.

FINANCIAL REVIEW

Revenue

Revenue derived from building maintenance services decreased by approximately HK\$81.5 million or 37.7% from approximately HK\$216.0 million for the same period in 2018 to approximately HK\$134.5 million during the Period. With no new contract awarded during the Period, revenue decreased significantly compared with the same period in 2018.

Revenue derived from renovation services showed an increase of approximately HK\$44.8 million or 196.5% from approximately HK\$22.8 million in the same period in 2018 to approximately HK\$67.6 million during the Period. The increase in revenue was mainly contributed by the commencement of the renovation project for VTC, which was amounted to HK\$43.2 million during the Period.

Gross profit and gross profit margin

During the Period, the Group's gross profit amounted to approximately HK\$10.6 million (2018: HK\$18.9 million) representing a decrease of approximately HK\$8.3 million. Gross profit margin for the period was approximately 5.2% (2018: 7.9%). The decrease in gross profit margin was caused by the decrease in the gross profit margin for building maintenance and renovation services as mentioned below.

Gross profit attributable to building maintenance services for the Period amounted to approximately HK\$8.2 million (2018: HK\$16.8 million). The Group's gross profit margin for building maintenance services for the Period was approximately 6.1% (2018: 7.8%). The decline in gross profit margin during the Period was attributable to the stiff competition among contractors for District Term Contract projects and resulted in lower contract price and so as gross profit margin.

Gross profit attributable to renovation services for the Period amounted to approximately HK\$2.4 million (2018: HK\$1.4 million), representing an increase of approximately HK\$1.0 million or 71.4%. The increase was consistent with the commencement of the VTC project during the Period. Gross profit margin from renovation services during the Period was approximately 3.6%, which was lower than the same period in 2018 of approximately 5.9%. The decrease in gross profit margin was attributable to the commencement of the VTC project during the Period, which has low gross profit margin than average.

Other income

During the Period, other income of the Group mainly comprised to the net income from the sales of construction materials amounted to HK\$0.3 million, the loan interest income amounted to approximately HK\$0.7 million and other income included interest income amounted to approximately HK\$0.5 million. For the same period in 2018, other income of the Group mainly comprised the loan interest income amounted to approximately HK\$0.4 million and other income included interest income amounted to approximately HK\$0.5 million.

Administrative expenses

Administrative expenses decrease by approximately HK\$9.6 million or 40.3% from approximately HK\$23.8 million for the same period in 2018 to approximately HK\$14.2 million for the Period. The decrease was caused by the decrease in the operating costs of the Company, including but not limited to, the decrease in staff cost, office rental charge, the professional and other related fees.

Finance costs

Finance costs decrease by approximately HK\$2.6 million or 96.3% times from approximately HK\$2.7 million for the same period in 2018 to approximately HK\$64,000 for the Period. The decrease was mainly due to the decrease in the Group's obligations under financial leases and the bank borrowings.

Income tax expense

There is no effective tax rates for the Period (For the same period of 2018: approximately 26.9%) because there is no income tax expenses during the Period.

Loss for the Period

The loss for the Period increased by approximately HK\$6.6 million or 150 times from the profit for the period of approximately HK\$4.4 million for the same period in 2018 to the loss of approximately HK\$2.2 million for the Period. The significant increase was mainly caused by the significant decrease of the revenue and gross profit as mentioned above.

Liquidity, financial resources and capital structure

The Group generally finances its operation through cash from operations, bank borrowings and finance leases. As at 31 December 2019, the Group had total cash and bank balances of approximately HK\$26.1 million (30 June 2019: HK\$48.2 million). As at 31 December 2019, the Group do not have any finance leases and bank borrowings (30 June 2019: HK\$696,000 and HK\$2.1 million respectively). As at 31 December 2019, the share capital and equity attributable to owners of the Company amounted to approximately HK\$11.2 million and HK\$162.1 million respectively (30 June 2019: HK\$11.2 million and HK\$161.8 million respectively).

Foreign exchange risk

The Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were denominated in Hong Kong dollar. With the insignificant portion of monetary assets denominated in foreign currencies, the Group did not engage in the any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the Period.

Gearing ratio

Gearing ratio is calculated based on the total debts divided by the total equity. The gearing ratio was approximately 0.8% and 1.8% as at 31 December 2019 and 30 June 2019, respectively. The decrease in gearing ratio is due to no bank borrowings and obligations under finance leases during the Period.

Charge over assets of the Group

As at 31 December 2019, the Group had pledged bank deposits of approximately HK\$1.4 million (30 June 2019: HK\$1.4 million) to banks to secure the banking facilities granted to the Group. In addition, the Group's obligations under finance leases were secured by the lessors' title to the leased motor vehicles with carrying value of approximately HK\$1.3 million (30 June 2019: HK\$1.8 million).

Significant investments, acquisitions and disposals

The Group did not enter into any new significant investment during the six months ended 31 December 2019. The Group did not make any material acquisition and disposal of subsidiaries, associates or joint ventures for the Period.

Contingent liabilities

(a) Contingent liabilities in respect of legal claims

One subsidiary of the Group is defendant in a number of claims, lawsuits and potential claims relating to employees' compensation cases and personal injuries claims. The Directors considered that the possibility of any outflow in settling the legal claims was

remote as these claims were well covered by insurance and subcontractors' indemnity. Accordingly, no provision for the contingent liabilities in respect of the litigations is necessary, after due consideration of each case and with reference to the legal opinion.

(b) Guarantee issued

At the end of each reporting period, the Group had provided guarantees to bank in respect of the following:

| | 31 December 2019 <i>HK\$'000</i> (Unaudited) | 30 June 2019 <i>HK\$'000</i> (Audited) |
|---|---|---|
| Performance bonds in favor of its clients | <u>2,822</u> | <u>2,822</u> |

As at 31 December 2019, HK\$2,822,000 (30 June 2019: HK\$2,822,000) of performance bonds were given by a bank in favour of some of the Group's customers as security for the due performance and observance of the Group's obligations under the service contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the bank to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work for the relevant customers.

Save as disclosed above, the Group had no material contingent liabilities as at 31 December 2019 (30 June 2019: nil).

Employees and remuneration policies

As at 31 December 2019, the Group had approximately 92 employees (30 June 2019: 95). The staff related costs included salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment and untaken paid leave. The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages were subject to review on a regular basis. The emoluments of the Directors and senior management have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

Events after reporting period

There is no important events affecting the Group which have occurred since the end of the Period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2019 (2018: nil).

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

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE CODE

The Company has adopted and complied with all code provisions as set out under the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules during the Period.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all the Directors have confirmed that they had complied with the required standard set out in the Model Code during the Period.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") established in compliance with Rule 3.21 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code. The responsibilities of the Audit Committee include reviewing financial statements, monitoring the appointment of and non-audit work undertaken by external auditors and reviewing the effectiveness of the internal controls of the Group. The Audit Committee consists of three independent non-executive Directors, namely Mr. Chan Foon (chairman of the Audit Committee), Mr. Guo Biao and Ms. Song Dan. The interim financial results of the Group for the Period are unaudited but have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.yat-sing.com.hk). The interim report for the six months ended 31 December 2019 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
YAT SING HOLDINGS LIMITED
Ma Huijun
Chairman

Hong Kong, 28 February 2020

As at the date of this announcement, the Board comprises four executive Directors, namely Ms. Ma Huijun (Chairman), Mr. Dai Jian (Vice Chairman and Chief Executive Officer), Mr. Lai Aizhong and Mr. Dai Ming; a non-executive Director, namely Mr. Zhang Junze and four independent non-executive Directors, namely Mr. Huang Shuhui, Mr. Chan Foon, Mr. Guo Biao and Ms. Song Dan.