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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 2015

FINANCIAL HIGHLIGHTS

(All in Hong Kong dollar)

	Six months ended 31 December	
	2015	2014
Revenue	\$218 million	\$273 million
Gross profit	\$21 million	\$25 million
Net profit	\$8 million	\$1 million
Basic earnings per share	0.7 cent	0.1 cent

RESULTS

The board (the “Board”) of directors (the “Directors”) of Yat Sing Holdings Limited (the “Company”) is pleased to present the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2015, together with the comparative figures for the corresponding period in 2014.

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

For the six months ended 31 December 2015

	Notes	Six months ended 31 December	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	3	217,850	272,581
Cost of services		<u>(196,897)</u>	<u>(247,583)</u>
Gross profit		20,953	24,998
Other income		267	203
Administrative expenses		(10,919)	(21,175)
Finance costs	4	<u>(257)</u>	<u>(197)</u>
Profit before taxation		10,044	3,829
Income tax expense	5	<u>(1,859)</u>	<u>(2,767)</u>
Profit and total comprehensive income for the period	6	<u>8,185</u>	<u>1,062</u>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		8,144	1,052
Non-controlling interests		<u>41</u>	<u>10</u>
		<u>8,185</u>	<u>1,062</u>
Earnings per share (HK cent)			
Basic and diluted	8	<u>0.7</u>	<u>0.1</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	31 December 2015 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		4,143	3,331
Available-for-sale investments		1,974	1,974
Deposits paid for property, plant and equipment		–	222
		6,117	5,527
Current assets			
Amounts due from customers for contract work		–	–
Trade and other receivables	9	176,586	199,848
Pledged bank deposits		5,000	5,000
Bank balances and cash		132,387	98,901
		313,973	303,749
Current liabilities			
Trade and other payables	10	113,494	129,610
Bank borrowings		35,900	10,116
Obligations under finance leases – due within one year		1,448	817
Tax payable		642	8,812
		151,484	149,355
Net current assets		162,489	154,394
Total assets less current liabilities		168,606	159,921
Non-current liabilities			
Obligations under finance leases – due after one year		705	313
Long service payment obligations		326	218
Deferred tax liabilities		325	325
		1,356	856
Net assets		167,250	159,065
Capital and reserves			
Share capital		11,189	11,189
Reserves		155,603	147,459
Equity attributable to:			
Owners of the Company		166,792	158,648
Non-controlling interests		458	417
Total equity		167,250	159,065

1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 31 December 2015 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) 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.

The accounting policies and methods of computation 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 2015.

3. SEGMENT INFORMATION

The Group’s reportable and operating segments, based on information reported to the Directors, being the chief operating decision maker (the “CODM”) for the purposes of resources allocation and performance assessment of segment performance focuses on services provided are as follows:

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

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

For the six months ended 31 December 2015

	Building maintenance HK\$’000 (Unaudited)	Renovation HK\$’000 (Unaudited)	Total HK\$’000 (Unaudited)
Segment revenue	<u>166,706</u>	<u>51,144</u>	<u>217,850</u>
Segment profit	<u>19,029</u>	<u>1,746</u>	20,775
Unallocated corporate income			267
Central administration costs			(10,741)
Finance costs			(257)
Profit before taxation			<u>10,044</u>

For the six months ended 31 December 2014

	Building maintenance HK\$'000 (Unaudited)	Renovation HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue	161,432	111,149	272,581
Segment profit	19,519	5,501	25,020
Unallocated corporate income			181
Central administration costs			(21,175)
Finance costs			(197)
Profit before taxation			3,829

The accounting policies of the reportable 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 purpose of resource allocation and performance assessment.

4. FINANCE COSTS

	Six months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
– Bank borrowings	220	185
– Obligations under finance leases	37	12
	<u>257</u>	<u>197</u>

5. INCOME TAX EXPENSE

	Six months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong		
Provision for the period	<u>1,859</u>	<u>2,767</u>

6. PROFIT FOR THE PERIOD

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

	Six months ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	(252)	(94)
Depreciation of property, plant and equipment	477	264
Loss (gain) on disposal of property, plant and equipment	178	(22)
Minimum lease payments paid under operating leases	601	677
Listing expenses (included in administrative expenses)	–	11,682
	<u> </u>	<u> </u>

7. DIVIDENDS

During the six months ended 31 December 2014, a dividend of approximately HK\$86,613,000 was declared by the Company to its then sole shareholder, of which approximately HK\$79,648,000 and HK\$6,965,000 was settled in December 2014 and January 2015 respectively.

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2015.

8. EARNINGS PER SHARE

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

	Six months ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	<u>8,144</u>	<u>1,052</u>

Number of shares

	Six months ended	
	31 December	
	2015	2014
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,118,800</u>	<u>978,950</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 2015 and 2014.

The weighted average number of ordinary share in issue during the period ended 31 December 2014 represents 978,950,000 ordinary shares issued as part of the reorganisation, as if such shares had been outstanding during the entire period of 2014.

9. 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. The following is an ageing analysis of trade receivables, presented based on the certified report which approximates revenue recognition date at the end of the reporting period:

	31 December 2015 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Audited)
Within 90 days	54,833	71,113
91 to 180 days	22,128	32,997
181 to 365 days	41,427	26,462
1 to 2 years	31,560	47,052
Over 2 years	2,835	3,144
	<u>152,783</u>	<u>180,768</u>

10. 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 2015 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Audited)
Within 90 days	22,798	33,232
91 to 180 days	18,507	28,639
181 to 365 days	36,276	21,711
1 to 2 years	16,203	25,361
Over 2 years	3,809	3,875
	<u>97,593</u>	<u>112,818</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Our Group is a building maintenance and renovation service provider in Hong Kong. All revenue for the six months ended 31 December 2015 was derived from building maintenance and renovation services.

Revenue for the six months ended 31 December 2015 was approximately HK\$217.9 million, representing a decrease of approximately HK\$54.7 million or 20.1% when compared to the same period last year of approximately HK\$272.6 million mainly due to the completion of a renovation project during the reporting period.

Building maintenance services

As at 31 December 2015, we had 6 building maintenance contracts on hand (including contracts in progress and contracts which are yet to commence) with an aggregate notional or estimated contract value of approximately HK\$1,148.0 million. As at 30 June 2015, we had 6 building maintenance contracts on hand with an aggregate notional or estimated contract value of approximately HK\$1,400.1 million.

Renovation services

As at 31 December 2015, we had 7 renovation contracts on hand (including contracts in progress and contracts which are yet to commence) with an aggregate notional or estimated contract value of approximately HK\$333.4 million. As at 30 June 2015, we had 4 renovation contracts on hand with an aggregate notional or estimated contract value of approximately HK\$296.7 million.

RECENT DEVELOPMENT

Building maintenance services

During the reporting period, we have been successfully awarded 1 contract with a notional or estimated contract value of approximately HK\$0.5 million, which commenced during the reporting period.

Renovation services

During the reporting period, we have been successfully awarded 4 contracts with an aggregate notional or estimated contract value of approximately HK\$19.0 million. Of the newly awarded contracts, 1 commenced during the reporting period with a notional or estimated contact value of approximately HK\$3.5 million.

FUTURE DEVELOPMENT

We will keep focusing 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.

FINANCIAL REVIEW

Revenue

Revenue derived from building maintenance services increased by approximately HK\$5.3 million or 3.3% from approximately HK\$161.4 million for the same period in 2014 to approximately HK\$166.7 million during the reporting period. The slight increase in revenue was mainly caused by the commencement of a new District Term Contract (the “DTC”) during the reporting period.

Revenue derived from renovation services showed a decrease of approximately HK\$60.0 million or 54.0% from approximately HK\$111.1 million in the same period in 2014 to approximately HK\$51.1 million during the reporting period. The decrease in revenue was mainly caused by the completion of a renovation term contract with an education institution during the reporting period.

Gross profit

During the reporting period, the Group’s gross profit amounted to approximately HK\$21.0 million (2014: HK\$25.0 million) representing a decrease of approximately HK\$4.0 million or 16.0%. Gross profit margin for the reporting period was approximately 9.6% (2014: 9.2%). The increase in gross profit margin was caused by the increase in the proportion of the revenue of building maintenance services, which usually has a higher gross margin compared to renovation services, during the reporting period.

Gross profit attributable to building maintenance services for the reporting period amounted to approximately HK\$19.0 million (2014: HK\$19.5 million), representing a slight decrease of approximately HK\$0.5 million or 2.6%. The decrease was due to the commencement of the DTC during the reporting period which led to additional costs incurred at its initial stage. The Group’s gross profit margin for building maintenance services for the reporting period was approximately 11.4% (2014: 12.1%), which was caused by the cost increase as mentioned above.

Gross profit attributable to renovation services for the reporting period amounted to approximately HK\$1.7 million (2014: HK\$5.5 million), representing a decrease of approximately HK\$3.8 million or 69.1%. The decrease was mainly caused by the completion of the renovation term contract with an education institution during the reporting period. Gross profit margin from renovation services during the reporting period was approximately 3.3%, which was lower than the same period in 2014 of approximately 5.0%. The decrease in gross profit margin was attributable to the extra costs incurred for the project for the conversion of usage of an industrial building, which was at its commencement stage during the reporting period.

Other income

During the reporting period, other income mainly comprised interest income amounted to approximately HK\$0.3 million. For the same period in 2014, other income included interest income and disposal gain of property, plant and equipment amounted to approximately HK\$0.2 million.

Administrative expenses

Administrative expenses decreased by approximately HK\$10.3 million or 48.6% from approximately HK\$21.2 million for the same period in 2014 to approximately HK\$10.9 million for the reporting period. The decrease was mainly due to the one-off professional fees of approximately HK\$11.7 million incurred in the same period in 2014 related to the listing of the shares of the Company on the Main Board of the Stock Exchange (the “Listing”).

Finance costs

Finance costs increased by approximately HK\$0.1 million or 50.0% from approximately HK\$0.2 million for the same period in 2014 to approximately HK\$0.3 million for the reporting period. The increase was mainly due to the increase in the Group’s obligations under financial leases and bank borrowings.

Income tax expense

The effective tax rates were approximately 18.5% and 72.3% for the reporting period and the same period in 2014, respectively. The effective tax rate for the reporting period in 2014 was significantly higher than the statutory profits tax rate of 16.5% due to the non-deductible professional fees related to the Listing of approximately HK\$11.7 million incurred for the reporting period in 2014.

Profit for the period

The Group’s profit for the reporting period increased by approximately HK\$7.1 million or 645.5% from approximately HK\$1.1 million for the same period in 2014 to approximately HK\$8.2 million for the reporting period. Such increase was mainly attributed to the recognition of the expenses of approximately HK\$11.7 million in relation to the Listing during the reporting period in 2014 despite the decrease in gross profit for the reporting period over the same period in 2014.

Liquidity, financial resources and capital structure

The Group generally finances its operation through cash from operations and bank borrowings. As at 31 December 2015, the Group had total cash and bank balances of approximately HK\$132.4 million (30 June 2015: HK\$98.9 million). Bank borrowings as at 31 December 2015 amounted to approximately HK\$35.9 million (30 June 2015: HK\$10.1 million). All the cash and bank balances and bank borrowings are denominated in Hong Kong dollar.

As at 31 December 2015, the share capital and equity attributable to owners of the Company amounted to approximately HK\$11.2 million and HK\$166.8 million respectively (30 June 2015: HK\$11.2 million and HK\$158.6 million respectively).

The Group did not carry out any hedging for its floating rate borrowings.

Foreign exchange risk

The Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly 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 reporting period.

Gearing ratio

Gearing ratio is calculated based on the total debts divided by the total equity. The gearing ratio was approximately 23.3% and 12.7% as at 31 December 2015 and 30 June 2015, respectively. The increase in gearing ratio is due to increase in bank borrowings and obligations under finance leases proportionately more than the increase in equity during the reporting period.

Charge over assets of the Group

As at 31 December 2015, the Group had approximately HK\$5.0 million (30 June 2015: HK\$5.0 million) pledged bank deposits to secure the banking facilities granted to the Group.

As at 31 December 2015, the Group had approximately HK\$3.2 million (30 June 2015: HK\$1.4 million) motor vehicles held under finance lease.

Significant investments, acquisitions and disposals

The Group did not enter into any new significant investment during the six months ended 31 December 2015. The Group did not make any material acquisition and disposal of subsidiaries, associates or joint ventures for the six months ended 31 December 2015.

Contingent liabilities

One subsidiary of the Company is a defendant in a number of claims, lawsuits and potential claims relating to employees' compensation cases and personal injuries claims. The Directors considered 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.

Save as disclosed above, the Group had no material contingent liabilities as at 31 December 2015 (30 June 2015: nil).

Employees and remuneration policies

As at 31 December 2015, the Group had approximately 145 employees (30 June 2015: 127). Our staff related costs included salaries, wages and other staff benefits, contributions to retirement schemes, provisions for staff long service payment and untaken paid leave.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2015 (2014: nil).

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

During the reporting period and up to the date of this announcement, 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 a policy of seeking to comply with established best practice in corporate governance. The Board believes that good corporate governance is crucial to improving the efficiency and performance of the Group and to safeguarding the interests of its shareholders.

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 have complied with the required standards set out in the Model Code during the six months ended 31 December 2015 and up to the date of this announcement.

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 CG 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 of the Group consists of three independent non-executive Directors, namely Ms. TONG Sze Wan (chairman of the Audit Committee), Mr. KWONG Ping Man and Mr. LAM Yiu Por. The interim financial results of the Group for the six months ended 31 December 2015 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.

The results for the current interim period have been reviewed by our auditor, SHINEWING (HK) CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

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 2015 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
LIU Winson Wing Sun
Chairman

Hong Kong, 25 February 2016

As at the date of this announcement, the Board comprises Mr. LIU Winson Wing Sun (Chairman), Mr. KAN Yiu Keung, Mr. CHAN Lo Kin and Mr. GE Jin as executive Directors, Mr. LIU Su Ke and Mr. KAN Yiu Kwok as non-executive Directors and Ms. TONG Sze Wan, Mr. LAM Yiu Por and Mr. KWONG Ping Man as independent non-executive Directors.