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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 2016**

##### **FINANCIAL HIGHLIGHTS**

(All in Hong Kong dollar)

	<b>Six months ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
<b>Revenue</b>	<b>\$257 million</b>	\$218 million
<b>Gross profit</b>	<b>\$18 million</b>	\$21 million
<b>Net (loss)/profit</b>	<b>\$(0.1) million</b>	\$8 million
<b>Basic (loss)/earnings per share</b>	<b>(0.01) cent</b>	0.73 cent

##### **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 2016 (the “Period”), together with the comparative figures for the corresponding period in 2015.

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

For the six months ended 31 December 2016

	Notes	Six months ended 31 December	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	256,589	217,850
Cost of services		<u>(238,287)</u>	<u>(196,897)</u>
Gross profit		18,302	20,953
Other income		1,117	267
Gain on fair value change on held-for-trading investments		44	–
Administrative expenses		(17,939)	(10,919)
Finance costs	4	<u>(23)</u>	<u>(257)</u>
Profit before taxation		1,501	10,044
Income tax expense	5	<u>(1,610)</u>	<u>(1,859)</u>
(Loss)/profit and total comprehensive (expense)/income for the period	6	<u><u>(109)</u></u>	<u><u>8,185</u></u>
(Loss)/profit and total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		(141)	8,144
Non-controlling interests		<u>32</u>	<u>41</u>
		<u><u>(109)</u></u>	<u><u>8,185</u></u>
(Loss)/earnings per share (HK cent)			
Basic and diluted	8	<u><u>(0.01)</u></u>	<u><u>0.73</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2016

	Notes	31 December 2016 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		5,226	5,100
Available-for-sale investments		1,974	1,974
Rental deposit		952	780
		<u>8,152</u>	<u>7,854</u>
<b>Current assets</b>			
Held-for-trading investments		3,925	3,881
Amounts due from customers for contract work		–	–
Trade and other receivables	9	219,310	218,213
Bank balances and cash		44,071	52,396
		<u>267,306</u>	<u>274,490</u>
<b>Current liabilities</b>			
Trade and other payables	10	100,606	104,689
Obligations under finance leases – due within one year		1,206	1,408
Tax payable		1,814	4,184
		<u>103,626</u>	<u>110,281</u>
Net current assets		<u>163,680</u>	<u>164,209</u>
Total assets less current liabilities		<u>171,832</u>	<u>172,063</u>
<b>Non-current liabilities</b>			
Other payables		84	125
Obligations under finance leases – due after one year		396	477
Long service payment obligations		326	326
Deferred tax liabilities		415	415
		<u>1,221</u>	<u>1,343</u>
Net assets		<u>170,611</u>	<u>170,720</u>
<b>Capital and reserves</b>			
Share capital		11,189	11,189
Reserves		158,899	159,040
Equity attributable to:			
Owners of the Company		170,088	170,229
Non-controlling interests		523	491
Total equity		<u>170,611</u>	<u>170,720</u>

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 31 December 2016 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 “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 except for certain financial instruments that are measured at fair value.

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 2016, except as described below.

In the current period, the Group has applied, for the first time, the following new amendments (“new HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 July 2016.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations

The application of the new and revised HKFRSs in the current period has had no material effect on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has not early applied any new or revised HKFRSs that have been issued but not yet effective for the current period.

## 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 2016**

	<b>Building maintenance HK\$'000 (Unaudited)</b>	<b>Renovation HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
Segment revenue	<u>157,509</u>	<u>99,080</u>	<u>256,589</u>
Segment profit	<u>15,476</u>	<u>2,826</u>	18,302
Unallocated corporate income			1,117
Gain on fair value change on held-for-trading investments			44
Central administration costs			(17,939)
Finance costs			<u>(23)</u>
Profit before taxation			<u>1,501</u>

**For the six months ended 31 December 2015**

	<b>Building maintenance HK\$'000 (Unaudited)</b>	<b>Renovation HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
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			<u>(257)</u>
Profit before taxation			<u>10,044</u>

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, gain on fair value change on held-for-trading investments, central administration costs and finance costs. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

There were no inter-segment sales between different business segments for the periods ended 31 December 2016 and 2015.

#### 4. FINANCE COSTS

	Six months ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
– Bank borrowings	–	220
– Obligations under finance leases	23	37
	<u>23</u>	<u>37</u>
	<u>23</u>	<u>257</u>

#### 5. INCOME TAX EXPENSE

	Six months ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Provision for the period	1,610	1,859
	<u>1,610</u>	<u>1,859</u>

#### 6. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	(15)	(252)
Other income ( <i>Note</i> )	(1,102)	(15)
Depreciation of property, plant and equipment	436	477
Loss on disposal of property, plant and equipment	–	178
Minimum lease payments paid under operating leases	2,169	601
	<u>2,169</u>	<u>601</u>

*Note:* During the Period, other income of HK\$1,000,000 (2015: nil) represented the net income from the sales of construction materials of HK\$35,000,000 (included in other receivables) net of cost of goods sold of HK\$34,000,000.

## 7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (2015: nil).

## 8. (LOSS)/EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purpose of basic (loss)/earnings per share	<b>(141)</b>	<b>8,144</b>

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b>'000</b>	<b>'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<b>1,118,800</b>	<b>1,118,800</b>

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential ordinary shares during the periods ended 31 December 2016 and 2015.

## 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:

	<b>31 December 2016 HK\$'000 (Unaudited)</b>	30 June 2016 HK\$'000 (Audited)
Within 90 days	65,168	116,700
91 to 180 days	6,377	17,190
181 to 365 days	45,001	9,331
1 to 2 years	37,032	34,684
Over 2 years	6,643	10,434
	<u>160,221</u>	<u>188,339</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:

	<b>31 December 2016 HK\$'000 (Unaudited)</b>	30 June 2016 HK\$'000 (Audited)
Within 90 days	13,470	37,223
91 to 180 days	13,963	10,776
181 to 365 days	17,267	5,310
1 to 2 years	26,498	31,499
Over 2 years	5,279	6,199
	<u>76,477</u>	<u>91,007</u>



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Our Group is a building maintenance and renovation service provider in Hong Kong. All revenue for the Period was derived from building maintenance and renovation services.

Revenue for the Period was approximately HK\$256.6 million, representing an increase of approximately HK\$38.7 million or 17.8% when compared to the same period last year of approximately HK\$217.9 million mainly contributed by the increase in revenue from the project for the conversion of usage of an industrial building during the Period.

#### **Building maintenance services**

As at 31 December 2016, 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\$991.2 million. As at 30 June 2016, we had 6 building maintenance contracts on hand with an aggregate notional or estimated contract value of approximately HK\$1,072.3 million.

#### **Renovation services**

As at 31 December 2016, we had 10 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\$378.0 million. As at 30 June 2016, we had 6 renovation contracts on hand with an aggregate notional or estimated contract value of approximately HK\$362.7 million.

### **RECENT DEVELOPMENT**

#### **Building maintenance services**

During the Period, we have been successfully awarded 1 contract with a notional or estimated contract value of approximately HK\$27.0 million, which commenced during the reporting period.

#### **Renovation services**

During the Period, we have been successfully awarded 6 contracts with an aggregate notional or estimated contract value of approximately HK\$55.7 million. All of the newly awarded contracts commenced during the reporting period.

## **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 decreased by approximately HK\$9.2 million or 5.5% from approximately HK\$166.7 million for the same period in 2015 to approximately HK\$157.5 million during the reporting period. The decrease in revenue was mainly caused by the completion of the project for the maintenance of a residential mall during the reporting period.

Revenue derived from renovation services showed an increase of approximately HK\$47.9 million or 93.7% from approximately HK\$51.1 million in the same period in 2015 to approximately HK\$99.1 million during the reporting period. The increase in revenue was mainly caused by the increase in revenue from the project for the conversion of usage of an industrial building during the reporting period.

### **Gross profit**

During the Period, the Group's gross profit amounted to approximately HK\$18.3 million (2015: HK\$21.0 million) representing a decrease of approximately HK\$2.7 million or 12.9%. Gross profit margin for the Period was approximately 7.1% (2015: 9.6%). The decrease in gross profit margin was caused by the decrease in the proportion of the revenue of building maintenance services, which usually has a higher gross margin compared to renovation services, during the Period.

Gross profit attributable to building maintenance services for the Period amounted to approximately HK\$15.5 million (2015: HK\$19.0 million), representing a decrease of approximately HK\$3.5 million or 18.4%. The decrease was due to the completion of the project for the maintenance of a residential mall during the Period. The Group's gross profit margin for building maintenance services for the reporting period was approximately 9.8% (2015: 11.4%), which was caused by the completion of those projects with higher margin as mentioned above.

Gross profit attributable to renovation services for the reporting period amounted to approximately HK\$2.8 million (2015: HK\$1.7 million), representing an increase of approximately HK\$1.1 million or 61.9%. The increase was consistent with the increase in revenue from the project for the conversion of usage of an industrial building during the Period. Gross profit margin from renovation services during the reporting period was approximately 2.9%, which was lower than the same period in 2015 of approximately 3.3%. The decrease in gross profit margin was attributable to the increase in the proportion of revenue for the project for the conversion of usage of an industrial building in renovation segment, which has gross profit margin lower than average.

## **Other income**

During the Period, other income mainly comprised the net income from the sales of construction materials amounted to HK\$1.0 million and interest income amounted to approximately HK\$0.02 million. For the same period in 2015, other income included interest income amounted to approximately HK\$0.3 million.

## **Administrative expenses**

Administrative expenses increased by approximately HK\$7.0 million or 64.3% from approximately HK\$10.9 million for the same period in 2015 to approximately HK\$17.9 million for the reporting period. The increase was caused by the significant increase in the operating costs of the Company, including the professional and other related fees for the preparation of the composite documents of the Company dated 23 December 2016.

## **Finance costs**

Finance costs decreased by approximately HK\$0.2 million or 91.1% from approximately HK\$0.3 million for the same period in 2015 to approximately HK\$0.02 million for the reporting period. The decrease was mainly due to the decrease in the Group's obligations under financial leases.

## **Income tax expense**

The effective tax rates were approximately 107.3% and 18.5% for the Period and the same period in 2015, respectively. The effective tax rate for the Period was significantly higher than the statutory profits tax rate of 16.5%. It was mainly due to more losses generated from the Company, which is not subject to any income tax.

## **(Loss)/profit for the period**

The Group recorded loss for the Period of approximately HK\$0.1 million, while the Group recorded profit of approximately HK\$8.2 million for the same period in 2015 due to significant increase in the operations costs of the Company.

## **Liquidity, financial resources and capital structure**

The Group generally finances its operation through cash from operations and finance leases. As at 31 December 2016, the Group had total cash and bank balances of approximately HK\$44.1 million (30 June 2016: HK\$52.4 million). As at 31 December 2016, the Group had finance leases approximately HK\$1.6 million (30 June 2016: HK\$1.9 million). All the cash and bank balances and finance leases are denominated in Hong Kong dollar.

As at 31 December 2016, the share capital and equity attributable to owners of the Company amounted to approximately HK\$11.2 million and HK\$170.1 million respectively (30 June 2016: HK\$11.2 million and HK\$170.2 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 2.2% and 3.7% as at 31 December 2016 and 30 June 2016, respectively. The decrease in gearing ratio is due to decrease in obligations under finance leases proportionately more than the decrease in equity during the reporting period.

## **Charge over assets of the Group**

As at 31 December 2016, the Group had motor vehicles amounted to HK\$3.1 million held under finance lease (30 June 2016: HK\$2.8 million).

## **Significant investments, acquisitions and disposals**

The Group did not enter into any new significant investment during the six months ended 31 December 2016. The Group did not make any material acquisition and disposal of subsidiaries, associates or joint ventures for the Period.

## **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 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.

Save as disclosed above, the Group had no material contingent liabilities as at 31 December 2016 (30 June 2016: nil).

## **Employees and remuneration policies**

As at 31 December 2016, the Group had approximately 128 employees (30 June 2016: 143). 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.

## **Events After Reporting Period**

On 3 February 2017, a wholly owned subsidiary of the Company (the “Purchaser”) entered into a letter of intent with three independent third parties, pursuant to which, the Purchaser proposed to acquire, in aggregate, 51% equity interest in Jiangyin Grabere Graphene Photocatalytic Technology Co., Ltd\* 江陰嘉潤石墨烯光催化技術有限公司. Details of the letter of intent are set out in the announcement dated 3 February 2017.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2016 (2015: 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 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 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 Period.

\* *The English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names and words.*

## **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 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.

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](http://www.hkex.com.hk)) and the Company ([www.yat-sing.com.hk](http://www.yat-sing.com.hk)). The interim report for the six months ended 31 December 2016 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**  
**Dai Jian**  
*Chairman*

Hong Kong, 27 February 2017

*As at the date of this announcement, the Board comprises Mr. Dai Jian (Chairman), Mr. Dai Jialong as executive Directors, and Mr. Chan Foon, Mr. Guo Biao and Ms. Song Dan as independent non-executive Directors.*