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 2018

FINANCIAL HIGHLIGHTS
(All in Hong Kong dollar)

	Six months ended 31 December	
	2018	2017
Revenue	**$240 million**	$220 million
Gross profit	**$19 million**	$19 million
Net profit	**$4.4 million**	$0.3 million
Basic earnings per share	**0.10 cents**	0.005 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 2018 (the "Period"), together with the comparative figures for the corresponding period in 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2018

	Notes	Six months ended 31 December 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Revenue	3	**239,910**	220,057
Cost of sales		**(221,038)**	(200,870)
Gross profit		**18,872**	19,187
Other income		**880**	1,516
Gain on fair value change on contingent payable		**12,770**	–
Administrative expenses		**(23,783)**	(18,954)
Finance costs	4	**(2,702)**	(63)
Profit before taxation		**6,037**	1,686
Income tax expenses	5	**(1,621)**	(1,404)
Profit for the period		**4,416**	282
Other comprehensive 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		**(586)**	–
		(2,870)	–
Total comprehensive income for the period	6	**1,546**	282
Profit (loss) and total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		**5,510**	261
Non-controlling interests		**(3,964)**	21
		1,546	282
Earnings per share (HK cents)			
Basic and diluted	8	**0.10**	0.005

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	31 December 2018 *HK$'000* (Unaudited)	30 June 2018 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment	12	**46,087**	48,843
Prepaid lease payments		**37,143**	38,966
Goodwill		**10,234**	10,234
Available-for-sale investment		**–**	1,974
Financial assets at fair value through other comprehensive income		**2,156**	–
Rental deposit		**191**	191
Loan receivables		**17,507**	–
Pledged bank deposits		**3,759**	3,727
		117,077	103,935
Current assets			
Inventories		**8,683**	1,540
Prepaid lease payments		**858**	893
Tax recoverable		**478**	–
Trade and other receivables	9	**126,286**	262,659
Contract assets		**117,691**	–
Time deposits with original maturity over three months		**30,000**	20,000
Bank balances and cash		**32,796**	46,143
		316,792	331,235
Current liabilities			
Trade and other payables	10	**138,703**	122,325
Contingent payable		**–**	6,629
Obligations under finance leases — due within one year		**1,447**	1,437
Bank borrowing	11	**84,403**	87,997
Tax payable		**267**	2,675
		224,820	221,063
Net current assets		**91,972**	110,172
Total assets less current liabilities		**209,049**	214,107

	Notes	31 December 2018 *HK$'000* (Unaudited)	30 June 2018 *HK$'000* (Audited)
Non-current liabilities			
Contingent payable		–	6,141
Obligations under finance leases			
— due after one year		**236**	151
Bank borrowing	11	–	2,146
Long service payment obligations		**326**	326
Deferred tax liabilities		**2,819**	1,989
		3,381	10,753
Net assets		**205,668**	203,354
Capital and reserves			
Share capital	13	**11,189**	11,189
Reserves		**168,937**	162,662
Equity attributable to:			
Owners of the Company		**180,126**	173,851
Non-controlling interests		**25,542**	29,503
Total equity		**205,668**	203,354

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

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 2018 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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), 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 2018.

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 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKAS 28	Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
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
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Except as described below, the application of other new and revised HKFRSs in the current period has 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.

HKFRS 9 Financial Instruments

HKFRS 9 replaced HKAS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for the 1) classification and measurement of financial assets and financial liabilities; 2) impairment of financial assets; and 3) general hedge accounting.

The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 July 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application, if any, are recognised in retained earnings and other components of equity as at 1 July 2018.

Classification and measurement

At the date of initial application of HKFRS 9, the Group's management has reviewed and assessed all financial assets held by the Group on the basis of the Group's business model for managing these financial assets and their contractual cash flow characteristics, and has classified its financial assets and financial liabilities into the appropriate categories of HKFRS 9, as explained below:

Trade and other receivables carried at amortised cost

They are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets continue to be subsequently measured at amortised cost upon application of HKFRS 9.

Unlisted equity investments previously classified as available-for-sale investment carried at cost less impairment

The equity investment qualified for designation as measured at fair value through other comprehensive income ("FVTOCI") under HKFRS 9. The Group has elected the option in respect of certain of the Group's unlisted equity instrument amounting to HK$1,974,000 as they are held for medium or long-term strategic purpose, and reclassified them to financial assets at FVTOCI upon initial application of HKFRS 9. The Group measures them at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investment revaluation reserve, which will not be reclassified to profit or loss when they are derecognised. On initial application of HKFRS 9, an amount of HK$768,000 representing the difference between the previous carrying amount (before impairment loss) and the fair value was adjusted to investment revaluation reserve at 1 July 2018.

All other financial assets and financial liabilities continue to be measured on the same basis as are previously measured under HKAS 39.

Impairment of financial assets

The Group recognised a loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment under HKFRS 9 (including rental deposit, loan receivables, pledged bank deposits, trade and other receivables, contract assets, time deposits with original maturity over three months and bank balances and cash).

ECL is a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The Group has the following type of financial instruments that are subject to the new impairment requirements under HKFRS 9.

Trade receivables and contract assets

The Group applied the simplified approach to provide for ECL under HKFRS 9 and recognised lifetime expected losses for all trade receivables and contract assets. The trade receivables are grouped based on shared credit risk characteristics and others for measuring ECL.

Financial assets with low credit risk

The Group measured a 12-month ECL in respect of the following financial instruments:

Other financial assets including rental deposit, loan receivables, pledged bank deposits, other receivables, time deposits with original maturity over three months and bank balances and cash for which credit risk has not increased significantly since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with that assessed at the date of initial recognition. In making the assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following is taken into the account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instruments' external (if available) or internal credit rating; and

- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

At the initial application of HKFRS 9 and the reporting date, the Group reviewed the ECLs and has recognised that it does not affect the financial statements. Based on assessment by the management of the Group, no loss allowance at 1 July 2018 was made.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised.

The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings or other components of equity, as appropriate and comparative information is not restated. Details are described below.

HKFRS 15 introduces as 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative us to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group is principally engaged in provision of building maintenance and renovation services and sales of visible light photocatalysis products.

The Group concluded that revenue from building maintenance and renovation services will continue to be recognised over time, using an output method to measure progress towards complete satisfaction of the service similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Group.

The Group concluded that revenue from sale of goods should be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods, which is consistent with the previous accounting policy.

The adoption of HKFRS has no impact on the timing and amount of revenue recognition in this regard.

The following table summarises the opening balance adjustments recognised for each line item in the condensed consolidated statement of financial position on initial application of HKFRS 9 and HKFRS 15:

	At 30 June 2018 *HK$'000*	Effect from application HKFRS 9 *HK$'000*	Effect from application HKFRS 15 *HK$'000*	At 1 July 2018 *HK$'000*
Contract assets *(Note)*	–	–	13,040	13,040
Trade and other receivables	262,659	–	(13,040)	249,619
Financial asset at FVTOCI	–	2,742	–	2,742
Available-for-sale investment	1,974	(1,974)	–	–
Investment revaluation reserve	–	765	–	765
Non-controlling interests	–	3	–	3

Note: Contract assets comprise retention receivable and billed work of building maintenance and renovation services subject to the customers' approval.

The following table summarises the impact of transition to HKFRS 9 and HKFRS 15 on opening equity at 1 July 2018:

	Investment revaluation reserve *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
Recognition of fair value change for unlisted available-for-sale equity investment measured at FVTOCI	765	3	768

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 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;

ii) Renovation; and

iii) Sales of visible light photocatalysis products.

Sales of visible light photocatalysis products commenced since April 2018 as a result of the acquisition of a subsidiary. Therefore, there was a new segment for the sales of visible light photocatalysis products for the current period.

(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 2018

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

For the six months ended 31 December 2017

	Building maintenance	Renovation	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue	159,221	60,836	220,057
Segment profit	17,024	2,239	19,263
Unallocated corporate income			1,481
Central administration costs			(18,995)
Finance costs			(63)
Profit before taxation			1,686

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.

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 2018 and 2017.

(b) Segment assets and liabilities

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

	31 December 2018	30 June 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Segment assets		
Building maintenance	**115,843**	99,722
Renovation	**56,988**	81,188
Sales of visible light photocatalysis products	**143,289**	134,883
Total segment assets	**316,120**	315,793
Unallocated corporate assets	**117,749**	119,377
Total assets	**433,869**	435,170
Segment liabilities		
Building maintenance	**84,403**	66,741
Renovation	**31,156**	32,353
Sales of visible light photocatalysis products	**6,937**	19,895
Total segment liabilities	**122,496**	118,989
Unallocated corporate liabilities	**105,705**	112,827
Total liabilities	**228,201**	231,816

4. FINANCE COSTS

	Six months ended 31 December 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Interest on:		
– Bank borrowings	**2,665**	27
– Obligations under finance leases	**37**	36
	2,702	63

5. INCOME TAX EXPENSES

	Six months ended 31 December 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	**791**	1,404
Deferred tax	**830**	–
	1,621	1,404

6. PROFIT FOR THE PERIOD

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

	Six months ended 31 December 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Bank interest income	**(189)**	(8)
Loan interest income	**(416)**	–
Amount of inventories recognised as expenses	**463**	–
Net exchange losses	**4**	–
Other income *(Note)*	**(41)**	(1,473)
Net gain on disposal of property, plant and equipment	**(37)**	(35)
Rental income, net of nil direct outgoings	**(197)**	–
Amortisation of prepaid lease payments	**558**	–
Depreciation of property, plant and equipment	**1,536**	681
Minimum lease payments paid under operating leases	**2,387**	2,411

Note: During the period ended 31 December 2017, other income approximately HK$1,423,000 represented the net income from the sales of construction materials and electronic products of HK$51,670,000 (included in other receivables) net of cost of goods sold of approximately HK$50,247,000.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2018 (2017: 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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	**5,510**	261

	Six months ended 31 December	
	2018	2017
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,594,000**	5,594,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for last period have been adjusted for the sub-division of shares of which were disclosed in Note 13.

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 2018 and 2017.

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, 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 2018	30 June 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 90 days	**3,236**	92,482
91 to 180 days	**14,614**	11,403
181 to 365 days	**40,350**	45,036
1 to 2 years	**4,426**	13,063
Over 2 years	**–**	22,470
	62,626	184,454

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 2018	30 June 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 90 days	**20,832**	48,351
91 to 180 days	**18,907**	7,331
181 to 365 days	**34,737**	6,284
1 to 2 years	**11,861**	8,864
Over 2 years	**18,697**	20,965
	105,034	91,795

11. BANK BORROWING

	31 December 2018 HK$'000 (Unaudited)	30 June 2018 HK$'000 (Audited)
Secured and guaranteed	**84,403**	90,143
Carrying amount of bank borrowings repayable (based on scheduled repayment dates set out in the loan agreement)		
— Within one year	**27,455**	28,719
— After one year but within two years	**–**	2,146
— After two years but within five years	**56,948**	59,278
	84,403	90,143
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	**56,948**	59,278
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	**22,780**	23,712
Carrying amount repayable within one year	**4,675**	5,007
Amounts shown under current liabilities	**84,403**	87,997
Amounts shown under non-current liabilities	**–**	2,146
	84,403	90,143

As at 31 December 2018, bank borrowings for Hong Kong carried at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.5% which is 3.53% to 4.27% per annum (30 June 2018: 3.30% to 3.67%). 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 31 December 2018, bank borrowings for the PRC carried at a fixed interest rate of 6.00% to 6.87% (30 June 2018: 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.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2018, the Group acquired motor vehicles amounting to approximately HK$1,312,000 (six months ended 31 December 2017: HK$1,787,000). 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 (six months ended 31 December 2017: HK$355,000) for cash proceeds of HK$974,000 (six months ended 31 December 2017: HK$390,000).

13. SHARE CAPITAL

Ordinary share	Number of Ordinary shares	Nominal value of ordinary shares
		HK$'000
Authorised:		
Ordinary share of HK$0.01 each at 1 July 2017 (audited), 31 December 2017 (unaudited)	2,000,000,000	20,000
Sub-division *(Note)*	8,000,000,000	—
Ordinary share of HK$0.002 each at 30 June 2018, 1 July 2018 (audited) and 31 December 2018 (unaudited)	10,000,000,000	20,000
Issued and fully paid:		
Ordinary share of HK$0.01 each at 1 July 2017 (audited), 31 December 2017 (unaudited)	1,118,800,000	11,189
Sub-division *(Note)*	4,475,200,000	—
Ordinary share of HK$0.002 each at 30 June 2018, 1 July 2018 (audited) and 31 December 2018 (unaudited)	5,594,000,000	11,189

Note: Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 7 February 2018, each of the Company's issued and unissued shares of HK$0.01 each was sub-divided into five new shares of HK$0.002 each. The sub-division of shares was effective on 8 February 2018. Details of the shares sub-division are set out in the Company's circular dated 6 January 2018, and announcements dated 8 January 2018 and 7 February 2018 respectively.

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 2018 and 30 June 2018.

15. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had outstanding commitments in respect of future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December 2018	30 June 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**1,418**	2,745
In the second to fifth year inclusive	**654**	1,268
	2,072	4,013

Operating lease payments represents rentals payable by the Group for its office premises and a motor license. Leases are negotiated and rentals are fixed for a term ranging from 2 to 3 years (30 June 2018: 2 to 3 years).

16. 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 2018	30 June 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Performance bonds in favor of its clients	**7,408**	7,408

As at 31 December 2018, HK$7,480,000 (30 June 2018: HK$7,408,000) 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 released upon completion of the contract work for the relevant customers.

17. PLEDGE OF ASSETS

As at 31 December 2018, the Group had pledged bank deposits and prepaid lease payments of approximately HK$3,759,000 and HK$38,001,000 respectively (30 June 2018: HK$3,727,000 and HK$39,859,000 respectively) 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$3,702,000 (30 June 2018: HK$2,756,000).

18. 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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**6,787**	6,722
Post-employment benefits	**76**	77
	6,863	6,799

19. MAJOR NON-CASH TRANSACTION

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 (six months ended 31 December 2017: HK$1,534,000).

20. 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 categorized (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			
Financial assets	**31 December 2018**	30 June 2018	**Fair value hierarchy**	**Valuation technique and key input**
	HK$'000	*HK$'000*		
	(Unaudited)	(Audited)		
Unlisted equity investment of financial assets at FVTOCI (30 June 2018: available-sale investments)	**2,156**	N/A *(Note)*	Level 2	Market approach

Note: As at 30 June 2018, the available-for-sale investment 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

The Group is a building maintenance and renovation service provider in Hong Kong and sales of visible light photocatalysis products in the People's Republic of China (the "PRC"). All revenue for the Period was derived from building maintenance, renovation services, and sales of visible light photocatalysis products.

Revenue for the Period was approximately HK$239.9 million, representing an increase of approximately HK$19.8 million or 9.0% when compared to the same period last year of approximately HK$220.1 million. It was mainly due to the commencement of new District Term Contract ("DTC") project of building maintenance services during the second half of 2018 and the additional revenue from sales of visible light photocatalysis products that offset the decrease in revenue from the renovation services which was mainly contributed by the project for the conversion of usage of an industrial building, where most of the work had been completed in the year before and most of the revenue had already been recognised in prior years.

Building maintenance services

As at 31 December 2018, we had 3 building maintenance contracts on hand (including contracts in progress and contracts which are yet to commence) with a notional or estimated contract value of approximately HK$835.2 million. As at 30 June 2018, we had 5 building maintenance contracts on hand with a notional or estimated contract value of approximately HK$897.0 million.

Renovation services

As at 31 December 2018, we had 8 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$108.0 million. As at 30 June 2018, we had 5 renovation contracts on hand with a notional or estimated contract value of approximately HK$41.8 million.

Sales of visible light photocatalysis products

For the Period, the Group recorded revenue and gross profit of approximately HK$1.1 million and HK$0.6 million respectively.

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$250.2 million. The newly awarded contract commenced during the Period.

Renovation services

During the Period, we have been successfully awarded 3 contracts with a notional or estimated contract value of approximately HK$7.8 million. All of the newly awarded contracts commenced during the Period.

Sales of visible light photocatalysis products

The sales of visible light photocatalysis products has contributed approximately HK$1.1 million to the total revenue and recorded a net loss of HK$6.6 million for the Period. The loss for the Period was because of the significant decrease in the sales orders from customers due to the economic recession in PRC and the US-China trade war.

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. For the sales of visible light photocatalysis products, we will seek new customers and negotiate with existing customers to increase the sales revenue.

FINANCIAL REVIEW

Revenue

Revenue derived from building maintenance services increased by approximately HK$56.8 million or 35.7% from approximately HK$159.2 million for the same period in 2017 to approximately HK$216.0 million during the Period. The increase in revenue was mainly due to the commencement of new DTC project during the second half of 2018.

Revenue derived from renovation services showed a decrease of approximately HK$38.0 million or 62.5% from approximately HK$60.8 million in the same period in 2017 to approximately HK$22.8 million during the Period. The decrease in revenue was mainly contributed by the project for the conversion of usage of an industrial building, where most of the work had been completed in the year before and most of the revenue had already been recognised in prior years.

Revenue derived from the sales of visible light photocatalysis products was approximately HK$1.1 million for the Period.

Gross profit and gross profit margin

During the Period, the Group's gross profit amounted to approximately HK$18.9 million (2017: HK$19.2 million) representing a decrease of approximately HK$0.3 million. Gross profit margin for the Period was approximately 7.9% (2017: 8.7%). The decrease in gross profit margin was consistent with the change in gross profit margin for both building maintenance and renovation segments with the additional gross profit for sales of visible light photocatalysis products as explained below.

Gross profit attributable to building maintenance services for the Period amounted to approximately HK$16.9 million (2017: HK$16.9 million). The Group's gross profit margin for building maintenance services for the Period was approximately 7.8% (2017: 10.6%). The decline in gross profit margin during the Period was attributable to the commencement of new DTC project with lower gross profit margin.

Gross profit attributable to renovation services for the reporting period amounted to approximately HK$1.4 million (2017: HK$2.2 million), representing a decrease of approximately HK$0.8 million or 36.4%. The decrease was consistent with the decrease 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 Period was approximately 5.9%, which was higher than the same period in 2017 of approximately 3.7%. The increase in gross profit margin was attributable to the decrease 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.

Gross profit attributable to the sales of visible light photocatalysis products for the Period amounted to approximately HK$0.6 million. Gross profit margin from the sales of visible light photocatalysis products during the Period was approximately 54.5%.

Other income

During the Period, 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. For the same period in 2017, net income from the sales of construction materials amounted to HK$1.4 million, other income included interest income amounted to approximately HK$0.1 million.

Gain on fair value change on contingent payable

The Group recorded a gain on fair value change on contingent payable of HK$12.8 million for the Period (2017: nil). The gain on fair value change on contingent payable represented the contingent payable to Jiangsu Longjia Investment Co., Ltd.* (江蘇龍佳投資有限公司) ("**Jiangsu Longjia**") in relation to the acquisition of 55% equity interest in Jiangyin Grabene Graphene Photocatalytic Technology Co., Ltd.* (江陰嘉潤石墨烯光催化技術有限公司) ("**Jiangyin Grabene**").

Administrative expenses

Administrative expenses increased by approximately HK$4.8 million or 25.3% from approximately HK$19.0 million for the same period in 2017 to approximately HK$23.8 million for the Period. The increase was caused by the increase in the operating costs of the Company, including but not limited to, the increase in staff cost, office rental charge, the professional and other related fees.

Finance costs

Finance costs increased by approximately HK$2.6 million or 43 times from approximately HK$0.06 million for the same period in 2017 to approximately HK$2.7 million for the Period. The increase was mainly due to the increase in the Group's obligations under financial leases and the bank borrowings.

Income tax expense

The effective tax rates were approximately 26.9% and 83.3% for the Period and the same period in 2017, respectively. The significant decrease for the Period was mainly due to the release of deferred tax assets arising from the PRC subsidiary.

Profit for the Period

The profit for the Period increased by approximately HK$4.1 million or 15 times from approximately HK$0.3 million for the same period in 2017 to approximately HK$4.4 million for the Period. The significant increase was caused by the gain on fair value change on the contingent payable to Jiangsu Longjia in the relation to the acquisition of 55% equity interest in Jiangyin Grabene. For details of the acquisition, please refer to the circular of the Company dated 19 March 2018.

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 2018, the Group had total cash and bank balances of approximately HK$32.8 million (30 June 2018: HK$46.1 million). As at 31 December 2018, the Group had finance leases approximately HK$1.7 million (30 June 2018: HK$1.6 million). As at 31 December 2018, the Group had bank borrowings approximately

HK$84.4 million (30 June 2018: HK$90.1 million). All the cash and bank balances, bank borrowings and finance leases are denominated in HK$ and RMB. As at 31 December 2018, bank borrowings for Hong Kong carried at Hong Kong Interbank Offered Rate plus 2.50% which is 3.53% to 4.27% per annum. The bank borrowings for the PRC carried at a fixed interest rate at 6.00% to 6.87%. As at 31 December 2018, the bank borrowing and general banking facilities for Hong Kong were secured by the Group's bank deposits of approximately HK$3.8 million and corporate guarantee given by the Company. The bank borrowings and general banking facilities for PRC were secured and/or guaranteed by the prepaid lease payments and guarantee given by an independent third party. As at 31 December 2018, the share capital and equity attributable to owners of the Company amounted to approximately HK$11.2 million and HK$180.1 million respectively (30 June 2018: HK$11.2 million and HK$173.9 million respectively).

Foreign exchange risk

The Group operates mainly in Hong Kong and the PRC. Entities within the Group are exposed to foreign exchange risk arising from currency exposures, primarily with respect to HK$ and RMB. Foreign exchange risk arises from the sales, purchases, other future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the Group's functional currency. The Group does not adopt any formal hedge accounting policy and manages its foreign currency risk by closely monitoring the movements of foreign currency rates. The management will consider to enter into forward currency contracts to reduce these risks.

Gearing ratio

Gearing ratio is calculated based on the total debts divided by the total equity. The gearing ratio was approximately 41.9% and 45.1% as at 31 December 2018 and 30 June 2018, respectively. The decrease in gearing ratio is due to the significant decrease of the bank borrowings during the Period.

Charge over assets of the Group

As at 31 December 2018, the Group had pledged bank deposits of approximately HK$3.8 million (30 June 2018: HK$3.7 million) to bank to secure the banking facilities granted to the Group. As at 31 December 2018, the Group had motor vehicles amounted to HK$3.7 million held under finance lease (30 June 2018: 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 2018. 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 2018	30 June 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Performance bonds in favor of its clients	**7,408**	7,408

As at 31 December 2018, HK$7,408,000 (30 June 2018: HK$7,408,000) 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 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 2018 (30 June 2018: nil).

Employees and remuneration policies

As at 31 December 2018, the Group had approximately 119 employees (30 June 2018: 138). 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 2018 (2017: 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, save as disclosed below.

The appointment of Mr. Dai Jian as the Chairman and the Chief Executive Officer constitutes a deviation from the code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The Board is of the view that vesting both roles in Mr. Dai Jian will allow for more effective planning and execution of business strategies. As all major decisions will be made in consultation with the members of the Board, and there are three independent non-executive Directors in the Board offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

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 2018 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, 26 February 2019

* *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*

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Dai Jian and Mr. Dai Ming and three independent non-executive Directors, namely Mr. Chan Foon, Mr. Guo Biao and Ms. Song Dan.