

YAT SING HOLDINGS LIMITED

日成控股有限公司

(Incorporated in the Cayman Islands with limited liability)

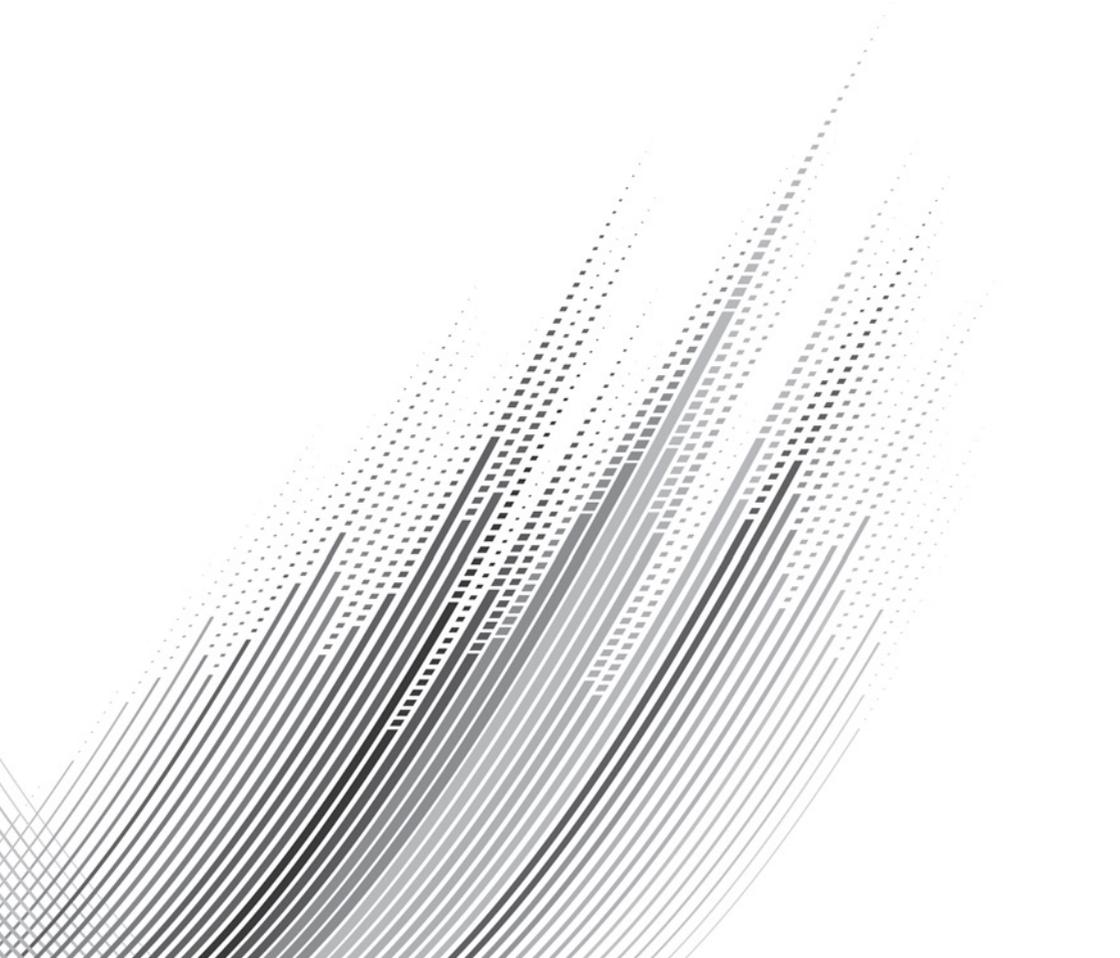
Stock Code: 3708



Interim Report
2017

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CORPORATE INFORMATION

Executive Directors

Mr. Dai Jian (Chairman)
Mr. Dai Ming

Independent Non-Executive Directors

Mr. Chan Foon
Mr. Guo Biao
Ms. Song Dan

Audit Committee

Mr. Chan Foon (chairman)
Mr. Guo Biao
Ms. Song Dan

Nomination Committee

Mr. Dai Jian (chairman)
Mr. Chan Foon
Mr. Guo Biao

Remuneration Committee

Mr. Guo Biao (chairman)
Mr. Chan Foon
Ms. Song Dan

Company Secretary

Mr. Fung Nam Shan

Authorised Representatives

Mr. Dai Jian
Mr. Fung Nam Shan

Legal Adviser

As to Hong Kong Law
P. C. Woo & Co
Loong & Yeung

Registered Office In The Cayman Islands

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Headquarter and Principal Place of Business in Hong Kong Registered Under Part 16 of the Companies Ordinance

Room 1402, 14/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Principal Share Registrar and Transfer Office in the Cayman Islands

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
Kowloon West Commercial Centre

China Construction Bank (Asia) Corporation Limited
Tsim Sha Tsui Commercial Banking Office

China CITIC Bank International Limited
Des Voeux Road Central Branch

Company Website

www.yat-sing.com.hk

Stock Code

03708

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Yat Sing Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) is a building maintenance and renovation service provider in Hong Kong. All revenue for the six months period ended 31 December 2017 (the “Period”) was derived from building maintenance and renovation services.

Revenue for the Period was approximately HK\$220.1 million, representing a decrease of approximately HK\$36.5 million or 14.2% when compared to the same period last year of approximately HK\$256.6 million. It was mainly due to the decrease in revenue from the project for the conversion of usage of an industrial building during the Period.

Building maintenance services

As at 31 December 2017, we had 7 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\$970.4 million. As at 30 June 2017, we had 7 building maintenance contracts on hand with an aggregate notional or estimated contract value of approximately HK\$640.5 million.

Renovation services

As at 31 December 2017, we had 14 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\$96.0 million. As at 30 June 2017, we had 9 renovation contracts on hand with an aggregate notional or estimated contract value of approximately HK\$138.9 million.

RECENT DEVELOPMENT

Building maintenance services

During the Period, we have been successfully awarded 2 contracts with an aggregate notional or estimated contract value of approximately HK\$332.1 million. All of the newly awarded contracts commenced during the reporting period.

Renovation services

During the Period, we have been successfully awarded 5 contracts with an aggregate notional or estimated contract value of approximately HK\$28.9 million. Of the newly awarded contracts, 3 of them commenced with notional or estimated contract value of approximately HK\$18.3 million 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 slightly increased by approximately HK\$1.7 million or 1.1% from approximately HK\$157.5 million for the same period in 2016 to approximately HK\$159.2 million during the reporting period. The increase in revenue was mainly the commencement of new DTC project during the fourth quarter of 2017.

Revenue derived from renovation services showed a decrease of approximately HK\$38.2 million or 38.6% from approximately HK\$99.1 million in the same period in 2016 to approximately HK\$60.8 million during the reporting period. It was mainly caused by the decrease in revenue from the project for the conversion of usage of an industrial building during the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

During the Period, the Group's gross profit amounted to approximately HK\$19.2 million (2016: HK\$18.3 million) representing a slightly increase of approximately HK\$0.9 million or 4.9%. Gross profit margin for the Period was approximately 8.7% (2016: 7.1%). 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 Period.

Gross profit attributable to building maintenance services for the Period amounted to approximately HK\$17.0 million (2016: HK\$15.5 million), representing an increase of approximately HK\$1.5 million or 9.7%. The increase was due to the commencement of new DTC project during the fourth quarter of 2017. The Group's gross profit margin for building maintenance services for the reporting period was approximately 10.7% (2016: 9.8%). During the period of 2016, additional costs were incurred for the completion of certain projects in earlier years and there was no such cost during the period of 2017.

Gross profit attributable to renovation services for the reporting period amounted to approximately HK\$2.2 million (2016: HK\$2.8 million), representing a decrease of approximately HK\$0.6 million or 21.4%. 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 reporting period was approximately 3.7%, which was higher than the same period in 2016 of approximately 2.9%. 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.

Other income

During the Period, other income mainly comprised the net income from the sales of construction materials amounted to HK\$1.4 million and interest income amounted to approximately HK\$0.01 million. For the same period in 2016, net income from the sales of construction materials amounted to HK\$1.0 million, other income included interest income amounted to approximately HK\$0.02 million.

Administrative expenses

Administrative expenses increased by approximately HK\$1.0 million or 5.7% from approximately HK\$17.9 million for the same period in 2016 to approximately HK\$19.0 million for the reporting 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\$0.04 million or 173.9% from approximately HK\$0.02 million for the same period in 2016 to approximately HK\$0.06 million for the reporting 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 83.3% and 107.3% for the Period and the same period in 2016, 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 losses generated from the Company, which is not subject to any income tax.

Profit/(loss) for the period

The Group recorded profit for the Period of approximately HK\$0.3 million, while the Group recorded loss of approximately HK\$0.1 million for the same period in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, financial resources and capital structure

The Group generally finances its operation through cash from operations and finance leases. As at 31 December 2017, the Group had total cash and bank balances of approximately HK\$35.3 million (30 June 2017: HK\$40.0 million). As at 31 December 2017, the Group had finance leases approximately HK\$2.4 million (30 June 2017: HK\$1.9 million). As at 31 December 2017, the Group had bank borrowings approximately HK\$9.6 million (30 June 2017: nil). All the cash and bank balances and finance leases are denominated in Hong Kong dollar.

As at 31 December 2017, the share capital and equity attributable to owners of the Company amounted to approximately HK\$11.2 million and HK\$171.8 million respectively (30 June 2017: HK\$11.2 million and HK\$171.5 million respectively).

As at 31 December 2017, bank borrowing bore floating interest rate at 3.30% per annum.

As at 31 December 2017, the bank borrowing and general banking facilities were secured by the Group's bank deposits of HK\$3,710,000 and corporate guarantee given by the Company.

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 7.0% and 1.1% as at 31 December 2017 and 30 June 2017, respectively. The increase in gearing ratio is due to the significant increase of the bank borrowings during the reporting period.

Charge over assets of the Group

As at 31 December 2017, the Group had pledged bank deposits of approximately HK\$3.7 million (30 June 2017: nil) to bank to secure the banking facilities granted to the Group.

As at 31 December 2017, the Group had motor vehicles amounted to HK\$3.4 million held under finance lease (30 June 2017: HK\$3.8 million).

Significant investments, acquisitions and disposals

The Group did not enter into any new significant investment during the six months ended 31 December 2017. Save as disclosed in "Events After Reporting Period", 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(b) Guarantee issued

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

	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Performance bonds in favor of its clients	7,408	—

As at 31 December 2017, 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 be released upon completion of the contract work for the relevant customers.

Save as disclosed above, the Group had no material contingent liabilities as at 31 December 2017 (30 June 2017: nil).

Employees and remuneration policies

As at 31 December 2017, the Group had approximately 127 employees (30 June 2017: 118). The 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

- a) On 19 September 2017, an indirect wholly-owned subsidiary of the Company (the "Purchaser") entered into the sale and purchase agreement (the "Agreement") with an independent third party (the "Vendor"), pursuant to which the Purchaser conditionally agreed to purchase an aggregate 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) (the "Target Company") for a total consideration of RMB35,750,000 (equivalent to approximately HK\$42,453,125).

On 29 December 2017, a supplemental agreement to the Agreement was entered into by the Purchaser and the Vendor, pursuant to which the parties have mutually agreed in writing to, inter alia, include a profit guarantee for the after-tax net profit of the Target Company for the years ending 31 December 2018 and 31 December 2019 shall not be less than RMB10 million and RMB12 million respectively.

A circular containing, among other things, (i) the financial information of the Target Company; and (ii) the unaudited pro forma financial information of the Group as enlarged by the Target Company upon completion will be despatched to the shareholders of the Company on or before 28 March 2018.

The completion of the Agreement is subject to and conditional upon fulfilment or waiver (where applicable) of the conditions precedent set out in the Agreement.

Please refer to the announcements of the Company dated 19 September 2017, 29 December 2017 and 15 January 2018 for details.

* For identification purpose only



MANAGEMENT DISCUSSION AND ANALYSIS

- b) On 8 January 2018, the Board proposed to sub-divide each existing issued and unissued shares of HK\$0.01 each of the Company into five (5) sub-divided shares of HK\$0.002 each (the "Share Sub-division"). The Share Sub-division has been approved by the shareholders of the Company at the extraordinary general meeting on 7 February 2018. The Share Sub-division has become effective on 8 February 2018.

Please refer to the announcements of the Company dated 8 January 2018 and 7 February 2018 and the circular of the Company dated 16 January 2018 for details.

Save as disclosed above, 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 2017 (2016: nil).

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2017, the interests and short positions of the Directors and chief executives of the Company in shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interest or short positions which they had taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules were as follows:

Long position in the shares of HK\$0.01 each of the Company (the "Shares")

Name of Director	Capacity/nature	Number of Shares held/interested	Percentage of interest
Mr. Dai Jian	Interest of a controlled corporation (Note)	599,100,000	53.55%

Note: These Shares are held by Smart Paradise International Limited ("Smart Paradise"). Smart Paradise is owned as to 100% by Mr. Dai Jian and hence Mr. Dai Jian is deemed to be interested in 599,100,000 Shares held by Smart Paradise under the SFO.

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) have interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register of the Company referred to therein:

Name	Capacity/nature	Number of Shares held/interested	Percentage of interest (approx.)
Smart Paradise ^(Note)	Beneficial owner	599,100,000	53.55%
Ms. Zhao Lai ^(Note)	Interest of spouse ^(Note)	599,100,000	53.55%

Note: Mr. Dai Jian is the sole beneficial owner and director of Smart Paradise. Ms. Zhao Li is the spouse of Mr. Dai Jian and is deemed to be interested in the 599,100,000 Shares in which Mr. Dai Jian has interests by virtue of the SFO.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole shareholder of the Company on 18 December 2014, the Company adopted a share option scheme (the "Scheme") to attract and retain high quality staff, to provide additional incentive to employees (full-time or part-time), directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The total number of Shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the Shares in issue at any point in time, without prior approval from the shareholders. The number of Shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the shareholders of the Company. Options granted to substantial shareholders or independent non-executive Directors or any of their respective close associates (including a discretionary trust whose discretionary objects include a substantial shareholders, independent non-executive Directors, or any of their respective close associates) in any 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the shareholders of the Company.

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK\$1 per option. Options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the Directors, and will be at least the higher of (i) the closing price of the shares of the Company on the date of grant, (ii) the average closing price of the shares of the Company for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.

The Scheme will remain in force for a period of ten years commencing on the date of the adoption date (i.e. 18 December 2014) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders of the Company in general meeting.

No share options were granted since the adoption of the Scheme and there are no outstanding share options at the end of each reporting period.

OTHER INFORMATION

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 "CG 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 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.

By order of the Board

Dai Jian
Chairman

Hong Kong, 27 February 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2017

	Notes	Six months ended 31 December	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	220,057	256,589
Cost of services		(200,870)	(238,287)
Gross profit		19,187	18,302
Other income		1,516	1,117
Gain on fair value change on held-for-trading investments		–	44
Administrative expenses		(18,954)	(17,939)
Finance costs	4	(63)	(23)
Profit before taxation		1,686	1,501
Income tax expense	5	(1,404)	(1,610)
Profit (loss) and total comprehensive income (expenses) for the period	6	282	(109)
Profit (loss) and total comprehensive income (expenses) for the period attributable to:			
Owners of the Company		261	(141)
Non-controlling interests		21	32
		282	(109)
Earnings (loss) per share (HK cents)			(Restated)
Basic and diluted	8	0.005	(0.003)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	6,911	6,110
Available-for-sale investments		1,974	1,974
Rental deposit		838	802
		9,723	8,886
Current assets			
Trade and other receivables	10	239,004	233,846
Pledged bank deposits		3,710	–
Bank balances and cash		35,291	40,049
		278,005	273,895
Current liabilities			
Trade and other payables	11	101,197	105,618
Obligations under finance leases – due within one year		1,617	1,124
Bank borrowing	12	4,931	–
Tax payable		1,159	2,293
		108,904	109,035
Net current assets		169,101	164,860
Total assets less current liabilities		178,824	173,746
Non-current liabilities			
Other payables		2	45
Obligations under finance leases – due after one year		817	747
Long service payment obligations		326	326
Bank borrowing	12	4,665	–
Deferred tax liabilities		627	523
		6,437	1,641
Net assets		172,387	172,105

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2017

	Note	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Capital and reserves			
Share capital	13	11,189	11,189
Reserves		160,614	160,353
Equity attributable to:			
Owners of the Company		171,803	171,542
Non-controlling interests		584	563
Total equity		172,387	172,105

The condensed consolidated financial statements on pages 11 to 24 were approved and authorised for issue by the board of directors on 27 February 2018 and are signed on its behalf by:

Dai Jian
Director

Dai Ming
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2017

	Attributable to owners of the Company					Non-	Total
	Share capital	Share premium	Other reserve	Retained profits	Total	controlling interests	
	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2016 (audited)	11,189	77,790	(480)	81,730	170,229	491	170,720
(Loss) profit and total comprehensive (expenses) income for the period	-	-	-	(141)	(141)	32	(109)
At 31 December 2016 (unaudited)	11,189	77,790	(480)	81,589	170,088	523	170,611
At 1 July 2017 (audited)	11,189	77,790	(480)	83,043	171,542	563	172,105
Profit and total comprehensive income for the period	-	-	-	261	261	21	282
At 31 December 2017 (unaudited)	11,189	77,790	(480)	83,304	171,803	584	172,387

Note: Other reserve represented the difference between the nominal value of the issued share capital of Sing Fat Construction Co., Limited and ABO Group Limited ("ABO") in aggregate amount of approximately HK\$9,310,000 over nominal value of the share capital of the Company in amount of HK\$9,790,000 issued in exchange thereof, pursuant to the group reorganisation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2017

	Six months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net cash used in operating activities	(9,705)	(7,472)
Net cash (used in) from investing activities	(3,615)	2
Financing activities		
Repayments of bank borrowing	(404)	–
New bank borrowing raised	10,000	–
Other financing cash flows	(1,034)	(855)
Net cash from (used in) financing activities	8,562	(855)
Net decrease in cash and cash equivalents	(4,758)	(8,325)
Cash and cash equivalents at the beginning of the period	40,049	52,396
Cash and cash equivalents at the end of the period	35,291	44,071

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 31 December 2017 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 2017, except as described below.

In the current period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 July 2017.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for unrealised losses

Except as described below, the application of other 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 periods and/or on the disclosures set out in these condensed consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 results in additional disclosures on the Group's financing activities, especially reconciliation between the opening and closing balances for liabilities arising from financing activities. The Group will disclose additional information in its annual consolidated financial statements for the year ended 30 June 2018. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods.

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 of the Company, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2017

3. SEGMENT INFORMATION (CONTINUED)

(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 2017

	Building maintenance HK\$'000 (Unaudited)	Renovation HK\$'000 (Unaudited)	Total HK\$'000 (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 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 difference business segments for the periods ended 31 December 2017 and 2016.

For the six months ended 31 December 2016

	Building maintenance HK\$'000 (Unaudited)	Renovation HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue	157,509	99,080	256,589
Segment profit	15,476	2,826	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			(23)
Profit before taxation			1,501

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2017

3. SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities

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

	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Segment assets		
Building maintenance	96,901	105,590
Renovation	84,130	84,672
Total segment assets	181,031	190,262
Unallocated corporate assets	106,697	92,519
Total assets	287,728	282,781
Segment liabilities		
Building maintenance	58,899	61,188
Renovation	27,173	26,034
Total segment liabilities	86,072	87,222
Unallocated corporate liabilities	29,269	23,454
Total liabilities	115,341	110,676

4. FINANCE COSTS

	Six months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on:		
- Bank borrowings	27	-
- Obligations under finance leases	36	23
	63	23

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2017

5. INCOME TAX EXPENSE

	Six months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current tax – Hong Kong Provision for the period	1,404	1,610

6. PROFIT (LOSS) FOR THE PERIOD

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

	Six months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Bank interest income	(8)	(15)
Other income (Note)	(1,473)	(1,102)
Net gain on disposal of property, plant and equipment	(35)	–
Depreciation of property, plant and equipment	681	436
Minimum lease payments paid under operating leases	2,411	2,169

Note: During the period ended 31 December 2017, other income of approximately HK\$1,423,000 (2016: HK\$1,000,000) represented the net income from the sales of construction materials and electronic products of HK\$51,670,000 (2016: HK\$35,000,000) (included in other receivables) net of cost of goods sold of approximately HK\$50,247,000 (2016: HK\$34,000,000).

7. DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 31 December 2017 and 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2017

8. EARNINGS (LOSS) PER SHARE

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

	Six months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Earnings (loss)		
Earnings (loss) for the purpose of basic earnings (loss) per share	261	(141)

	Six months ended 31 December	
	2017 '000 (Unaudited)	2016 '000 (Unaudited) (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	5,594,000	5,594,000

The diluted earnings (loss) per share is equal to the basic earnings (loss) per share as there were no dilutive potential ordinary shares during the periods ended 31 December 2017 and 2016.

At the extraordinary general meeting held on 7 February 2018, the resolution has been passed for the share sub-division of every one issued of a par value of HK\$0.01 each into five sub-divided shares of a par value of HK\$0.002 each. With effective from 8 February 2018, the number of ordinary shares increased from 1,118,800,000 to 5,594,000,000. The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for periods ended 31 December 2017 and 2016 respectively were adjusted for the share sub-division on 7 February 2018.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2017, the Group acquired motor vehicles amounting to approximately HK\$1,787,000 (six months ended 31 December 2016: HK\$562,000). Motor vehicles with a net carrying value of approximately HK\$355,000 were disposed of by the Group during the six months ended 31 December 2017 (six months ended 31 December 2016: nil) for cash proceeds of HK\$390,000 (six months ended 31 December 2016: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2017

10. TRADE AND OTHER RECEIVABLES

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. 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 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Within 90 days	55,754	112,364
91 to 180 days	10,329	16,377
181 to 365 days	47,829	7,213
1 to 2 years	26,554	17,849
Over 2 years	15,047	16,250
	155,513	170,053

11. TRADE AND OTHER PAYABLES

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

	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Within 90 days	20,875	39,504
91 to 180 days	1,350	10,548
181 to 365 days	17,545	3,533
1 to 2 years	18,199	9,329
Over 2 years	17,145	18,170
	75,114	81,084

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2017

12. BANK BORROWING

	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Carrying amount repayable within one year	4,931	-
Carrying amount of bank loan that are not repayable within one year from the end of each reporting period	4,665	-
	9,596	-

As at 31 December 2017, bank borrowing bore floating interest rate at 3.30% per annum.

As at 31 December 2017, the bank borrowing and general banking facilities were secured by the Group's bank deposits of HK\$3,710,000 disclosed in note 17 and corporate guarantee given by the Company.

13. SHARE CAPITAL

Ordinary share of HK\$0.01 each	Number of Ordinary shares	Nominal value of ordinary shares HK\$'000
Authorised: At 1 July 2016 (Audited), 31 December 2016 (Unaudited), 1 July 2017 (Audited) and 31 December 2017 (Unaudited)	2,000,000,000	20,000
Issued and fully paid: At 1 July 2016 (Audited), 31 December 2016 (Unaudited), 1 July 2017 (Audited) and 31 December 2017 (Unaudited)	1,118,800,000	11,189

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 2017 and 30 June 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2017

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 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Within one year	3,553	3,834
In the second to fifth year inclusive	519	1,466
	4,072	5,300

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 1 to 3 years (30 June 2017: 1 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 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Performance bonds in favor of its clients	7,408	–

As at 31 December 2017, performance bonds of HK\$7,408,000 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2017

17. PLEDGE OF ASSETS

As at 31 December 2017, the Group had pledged bank deposits of approximately HK\$3,710,000 (30 June 2017: nil) to bank 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\$3,416,000 (30 June 2017: HK\$3,841,000).

18. RELATED PARTY TRANSACTIONS

(a) Except as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with related parties:

Related party	Nature of transaction	Six months ended 31 December	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Chung Tat Construction Co., Limited	Subcontracting fee paid to a related party	-	193
Mega Billion Investment Limited ("Mega Billion") (Note)	Rental of office from a related party	-	492

The above companies are companies of which certain former directors of the Company, who resigned on 14 January 2017, are beneficial shareholders and/or directors.

Note: The Group leased office premises from Mega Billion and the monthly rental was made on a mutually agreed basis.

(b) 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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Short-term benefits	6,722	4,733
Post-employment benefits	77	54
	6,799	4,787

19. MAJOR NON-CASH TRANSACTION

During the six months ended 31 December 2017, 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\$1,534,000 (six months ended 31 December 2016: HK\$549,000).