Wang Yang Holdings Limited
泓盈控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1735)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

FINANCIAL HIGHLIGHTS

— Revenue of the Group for the six months ended 30 September 2018 amounted to approximately HK$101.0 million (for the six months ended 30 September 2017: approximately HK$107.1 million).

— Profit attributable to the owners of the Company for the six months ended 30 September 2018 amounted to approximately HK$4.3 million (for the six months ended 30 September 2017: approximately HK$5.5 million).

— Basic and diluted earnings per share for the six months ended 30 September 2018 amounted to approximately HK cents 1.62 (for the six months ended 30 September 2017: approximately HK cents 2.77).

— The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2018 (for the six months ended 30 September 2017: nil).

The board (the "**Board**") of directors (the "**Directors**") of Wang Yang Holdings Limited (the "**Company**") is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 September 2018 (the "**Period**") together with the comparative figures for the six months ended 30 September 2017 (the "**Previous Period**"). These information should be read in conjunction with the prospectus (the "**Prospectus**") of the Company dated 19 March 2018.

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

For the six months ended 30 September 2018

	Notes	Six months ended 30 September 2018 (unaudited) HK$'000	 30 September 2017 (audited) HK$'000
Revenue	*4*	**101,026**	107,067
Direct costs		**(87,381)**	(84,312)
Gross profit		**13,645**	22,755
Other income and net gains	*4*	**844**	37
Administrative and other operating expenses		**(8,853)**	(14,123)
Operating profit		**5,636**	8,669
Profit before income tax	*5*	**5,636**	8,669
Income tax expense	*6*	**(1,363)**	(3,183)
Profit for the period		**4,273**	5,486
Other comprehensive expense			
Items that may be reclassified to profit or loss:			
— Change in fair value of available-for-sale financial asset		**–**	(23)
Other comprehensive expense for the period, net of tax		**–**	(23)
Total comprehensive income for the period attributable to owners of the Company		**4,273**	5,463
Earnings per share attributable to owners of the Company			
— Basic and diluted earnings per share *(HK cents)*	*7*	**1.62**	2.77

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	At 30 September 2018 (unaudited) HK$'000	At 31 March 2018 (audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,323**	1,575
Deposit and prepayment for life insurance policy		**2,950**	2,909
		5,273	4,484
Current assets			
Gross amounts due from customers for contract work		**–**	35,953
Contract assets		**67,236**	–
Trade and other receivables	*9*	**61,448**	78,580
Available-for-sale financial asset		**–**	2,971
Financial asset at fair value through profit or loss		**2,981**	–
Tax recoverable		**464**	464
Cash and bank balances		**69,243**	103,079
		201,372	221,047
Total assets		**206,645**	225,531
EQUITY			
Capital and reserves			
Share capital		**2,640**	2,640
Reserves		**185,928**	184,513
Total equity		**188,568**	187,153
LIABILITIES			
Non-current liabilities			
Liabilities for long service payments		**591**	562
Deferred tax liabilities		**104**	15
		695	577

	Notes	At 30 September 2018 (unaudited) *HK$'000*	At 31 March 2018 (audited) *HK$'000*
Current liabilities			
Gross amounts due to customers for contract work		**–**	38
Trade and other payables	*10*	**15,647**	35,766
Current income tax liabilities		**1,735**	1,997
		17,382	37,801
Total liabilities		**18,077**	38,378
Total equity and liabilities		**206,645**	225,531
Net current assets		**183,990**	183,246
Total assets less current liabilities		**189,263**	187,730

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 29 March 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 29 March 2018.

The addresses of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and the Company's principal place of business is Offices E & F, 7th Floor, King Palace Plaza, No. 55 King Yip street, Kwun Tong, Kowloon, Hong Kong. The Company is an investment holding company. The Group is principally engaged in the business of foundation works and superstructure building works in Hong Kong.

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company's shares on the Stock Exchange (the "**Reorganisation**"), the group entities were under the control of Ms. Tsui Kwok Ying ("**Ms. KY Tsui**"), Mr. Ng Chi Bun Benjamin ("**Mr. Benjamin Ng**") and Ms. Ng Chung Yan May ("**Ms. May Ng**"). Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 8 March 2018. Accordingly, for the purpose of the preparation of the condensed consolidated interim financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the periods presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng prior to and after the Reorganisation.

The condensed consolidated interim financial statements has been prepared as if the Company had been the holding company of the Group throughout the periods presented in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of financial position for the six months ended 30 September 2018 presented, have been prepared to present as if the current group structure had been in existence throughout the periods presented, or since their respective dates of incorporation where this is a shorter period.

The condensed consolidated interim financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2018 have been prepared in accordance with the Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the HKICPA as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. The condensed consolidated interim financial statements should be read in conjunction with the Group's audited annual financial statements for the year ended 31 March 2018 (the "**Annual Financial Statements**").

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss which are carried at fair value.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the significant accounting policies used in the preparation of condensed consolidated interim financial statements are consistent with those described in the Annual Financial Statements.

Application of new and amendments to HKFRSs

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 mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated interim financial statements:

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

Other than as further explained below, the adoption of the new and revised HKFRSs has had no material impact on these interim condensed consolidated financial statements of the Group.

(a) Impact and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the Period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses ("**ECL**") for financial assets and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity instrument in other comprehensive income if that equity instrument is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income, gains and losses" line item.

The Directors reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. The Directors considered that the changes in classification and measurement of the financial assets under HKFRS 9 have no significant impact to the Group.

Impairment under ECL model

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with ECL model. Under the ECL model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. From 1 April 2018, the Group applies the new ECL model to financial assets measured at amortised cost.

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets

At the date of initial application of HKFRS 9, the Group's listed debt investment of approximately HK$2,971,000 were reclassification from available-for-sale financial asset to financial asset at FVTPL. The fair value losses of approximately HK$36,000 relating to the investment previously carried at fair value were transferred from investment revaluation reserve to retained earnings.

	Available-for-sale financial asset *HK$'000*	**Financial asset at FVTPL** *HK$'000*	**Investment revaluation reserve** *HK$'000*	**Retained earnings** *HK$'000*
At 31 March 2018 (audited) — HKAS 39	2,971	–	36	–
Reclassification upon initial application of HKFRS 9	(2,971)	2,971	(36)	36
At 1 April 2018 (unaudited)	–	2,971	–	36

Impairment under ECL model

The Group applies the simplified approach permitted by HKFRS 9 for trade and other receivables and contract assets which requires expected lifetime losses to be recognised from initial recognition of the receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

As at 1 April 2018, additional credit loss allowance of approximately HK$18,000 has been recognised against retained earnings. The additional loss allowance is charged against the trade receivables and contract assets.

	Trade and other receivables *HK$'000*	**Contract assets** *HK$'000*	**Total** *HK$'000*
Reconciliation of opening loss allowance:			
At 31 March 2018 (audited)	–	–	–
Amounts remeasured through opening retained earnings	10	8	18
At 1 April 2018 (unaudited)	10	8	18

(b) Impact and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, i.e. 1 April 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 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; and
- Step 5: Recognise revenue when (or as) the entity 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 or 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 use to the Group and the Group has an enforceable right to payment for performance completed to date.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on retained earnings at 1 April 2018:

	Impact of adopting HKFRS 15 at 1 April 2018
	HK$'000
Increase/(decrease) in retained earnings	
Adjustments of gross amounts due from/to customers for contract work	(3,401)
Tax effect	561
Impact at 1 April 2018	(2,840)

The following adjustments were made to the amounts recognised in the condensed consolidated interim statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	**Adjustment**	**Carrying amounts under HKFRS 15 at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)		(Unaudited)
Current assets:			
Trade and other receivables	78,580	(31,878)	46,702
Gross amounts due from customers for contract work	35,953	(35,953)	–
Contract assets	–	64,392	64,392
Current liabilities:			
Gross amounts due to customers for contract work	38	(38)	–
Current income tax liabilities	1,997	(561)	1,436
Capital and reserves:			
Retained earnings	85,263	(2,840)	82,423

(c) Impact on opening condensed consolidated interim statement of financial position arising from the application of all new HKFRSs

	At 31 March 2018 *HK$'000* (Audited)	**Impact on initial application of HKFRS 15** *HK$'000* (Unaudited)	**Impact on initial application of HKFRS 9** *HK$'000* (Unaudited)	**At 1 April 2018** *HK$'000* (Unaudited)
Current assets				
Trade and other receivables	78,580	(31,878)	(10)	46,692
Gross amounts due from customers for contract work	35,953	(35,953)	–	–
Contract assets	–	64,392	(8)	64,384
Available-for-sale financial asset	2,971	–	(2,971)	–
Financial asset at fair value through profit or loss	–	–	2,971	2,971
Current liabilities				
Gross amounts due to customers for contract work	38	(38)	–	–
Current income tax liabilities	1,997	(561)	–	1,436
Capital and reserves				
Retained earnings	85,263	(2,840)	(54)	82,369
Investments revaluation reserve	(36)	–	36	–

The Group has not yet adopted any new and revised HKFRSs that have been issued but are not yet effective. The Group is in the process of assessing the impact of the adoption of such new and revised HKFRSs on the Group's results and financial position.

4. REVENUE, OTHER INCOME AND NET GAINS AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents construction contract receipts in the ordinary course of business. Revenue and other income recognised during the periods are as follows:

	Six months ended	
	30 September 2018 (unaudited)	30 September 2017 (audited)
	HK$'000	*HK$'000*
Revenue		
Business of foundation works and superstructure building works	**101,026**	107,067
Other income and net gains		
Interest income	**646**	45
Gain on fair value changes of financial asset at fair value through profit or loss	**10**	–
Loss on disposal of property, plant and equipment	**–**	(8)
Others	**188**	–
	844	37

The chief operating decision-maker has been identified as the Directors of the Company. The Directors regards the Group's business as a single operating segment and reviews condensed consolidated interim financial statements accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

5. PROFIT BEFORE INCOME TAX

	Six months ended	
	30 September 2018 (unaudited)	30 September 2017 (audited)
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Included in direct costs:		
Depreciation of owned assets	**354**	744
Depreciation of assets under finance leases	**–**	21
Staff cost, including directors' emoluments	**5,630**	4,927
Operating lease rental in respect of		
— equipment and machinery	**1,080**	347
— others	**16**	11
Included in administrative and other operating expenses:		
Auditors' remuneration	**220**	75
Depreciation of owned assets	**48**	48
Listing expenses	**–**	7,807
Operating lease rental in respect of		
— office premise	**300**	300
— director's quarter (included in director's emoluments)	**147**	147
Staff costs, including directors' emoluments	**4,858**	4,186
Provision for impairment losses on financial assets	**178**	–

6. INCOME TAX EXPENSE

For the six months ended 30 September 2018 and 2017, Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the periods.

	Six months ended	
	30 September 2018 (unaudited)	30 September 2017 (audited)
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current income tax	**1,275**	3,240
Deferred income tax	**88**	(57)
Income tax expense	**1,363**	3,183

7. EARNINGS PER SHARE

The calculation of the basic earnings per share of the period ended 30 September 2018 is based on the profit for the Period of approximately HK$4,273,000 (2017: approximately HK$5,486,000) and the weighted average number of ordinary shares in issue during the period ended 30 September 2018 of 264,000,000 (2017: 198,000,000) on the assumption that the Reorganisation as defined in note 1, had been completed on 1 April 2016. No diluted earnings per share is presented for both periods as there was no potential ordinary share outstanding.

8. DIVIDEND

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

9. TRADE AND OTHER RECEIVABLES

	At 30 September 2018 (unaudited)	At 31 March 2018 (audited)
	HK$'000	*HK$'000*
Trade receivables	**32,522**	34,454
Retention receivables	**–**	31,878
Other receivables, deposits and prepayments	**28,988**	12,248
	61,510	78,580
Less: Provision for impairment losses on trade and other receivables	**(62)**	–
	61,448	78,580

Notes:

(a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. The credit period granted to customers is 14 to 30 days from the date of issue of the payment certificate by the customer's consultant or architect or the invoice date. Trade receivables are denominated in HK$.

(b) The ageing analysis of the trade receivables based on payment certificate date/invoice date is as follows:

	At 30 September 2018 (unaudited) ***HK$'000***	At 31 March 2018 (audited) *HK$'000*
0–30 days	**22,320**	17,420
31–60 days	**7,245**	4,301
61–90 days	**1,402**	–
Over 90 days	**1,555**	12,733
	32,522	34,454

Trade receivables of approximately HK$22,320,000 (31 March 2018: approximately HK$17,420,000) as at 30 September 2018 were not yet past due and approximately HK$10,202,000 (31 March 2018: approximately HK$17,034,000) as at 30 September 2018 were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made.

(c) The carrying amounts of trade and other receivables approximate to their fair values as at 30 September 2018 and 31 March 2018.

(d) At the date of initial application of HKFRS 15, retention receivables of approximately HK$31,878,000, was reclassified from trade and other receivables to contract assets.

10. TRADE AND OTHER PAYABLES

	At 30 September 2018 (unaudited) *HK$'000*	At 31 March 2018 (audited) *HK$'000*
Trade payables	**6,679**	14,665
Accruals and other payables	**8,968**	20,685
Deposits received	**–**	416
	15,647	35,766

Notes:

(a) Payment terms granted by suppliers are generally 7 to 90 days from the invoice date of the relevant purchases.

The ageing analysis of trade payables based on the invoice date is as follows:

	At 30 September 2018 (unaudited) *HK$'000*	At 31 March 2018 (audited) *HK$'000*
0–30 days	**4,828**	12,195
31–60 days	**738**	1,537
61–90 days	**924**	633
Over 90 days	**189**	300
	6,679	14,665

(b) All trade and other payables are denominated in HK$.

(c) The carrying amounts of trade and other payables approximate to their fair values as at 30 September 2018 and 31 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a contractor in Hong Kong undertaking (i) foundation works which include piling works, excavation and lateral support works, and pile cap construction; (ii) superstructure works which include building works in relation to the parts of the structure above the ground level; and (iii) other construction works such as demolition works, site formation works, ground investigation works, minor works, hoarding works, A&A works and fitting-out works. All revenue for the Period was derived from the contracts of the construction works.

Our shares (the "**Shares**") were listed on the Main Board of the Stock Exchange (the "**Listing**") on 29 March 2018 (the "**Listing Date**") when 66,000,000 ordinary Shares (comprising a public offer of 33,000,000 shares and placing of 33,000,000 shares) had been offered for subscription, at an offer price of HK$1.5 per Share.

As at 30 September 2018, we had 8 contracts on hand with a total original contract value of HK$403.3 million. As at the date of this announcement, a new contract for A&A works was awarded to our Group after the Period with an original contract sum of HK$25.8 million.

The Directors are of the view that, due to intensified competition in the construction industry, the business environment which the Group operates become tough that the Group will have pressure to lower the bidding price on tenders. Coupled with the overall increase in the construction costs, such as, costs for building materials and labour, it is estimated that the Group's profit and profit margin will be affected. Notwithstanding the aforesaid, with our experienced management team, the Group will continue to provide quality works to our customers in order to improve our competitiveness. The Group will also closely monitor the market conditions and actively respond to any changes. We are therefore still confident in maintaining our competitiveness and remains positive for the future.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the Period amounted to approximately HK$101.0 million, i.e. about 5.7% less than that of approximately HK$107.1 million for the Previous Period. The decrease in revenue was mainly due to keen competition within the construction industry that resulted in a decrease of the number of projects awarded to the Group during the Period.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the Period amounted to approximately HK$13.6 million, representing a decrease of approximately 40.0% compared to that of the Previous Period. The decrease in the gross profit was mainly due to a decrease in revenue due to keen competition within the construction industry as abovementioned and an increase in direct costs (including building materials and labour) during the Period.

The Group's gross profit margin for the Period was approximately 13.5%, representing a decrease of 7.8% from approximately 21.3% for the Previous Period. The decrease in profit margin was mainly attributable to an increase in direct costs during the Period as a result of (i) direct costs incurred for additional works with variation orders for our two projects at the Waterloo Road and Pak Sha Wan but the amount of such variation orders is still under negotiation with customers; (ii) an increase in material costs for our foundation works project at the Ko Shing Street; and (iii) prolonged periods for our works at Island Road and Tsung Tsai Yuen due to the change in building plans.

Other Income and Net Gains

Other income and net gains mainly comprise of interest income from bank deposit and life insurance policy. During the Period, other income and net gains amounted to approximately HK$844,000 (Previous Period: approximately HK$37,000).

Administrative and Other Operating Expenses

The administrative and other operating expenses of the Group has decreased from approximately HK$14.1 million for the Previous Period to approximately HK$8.9 million for the Period, representing a decrease of approximately 37.3%, which was mainly because we did not incur any listing expense during the Period (Previous Period: approximately HK$7.8 million).

Income Tax Expense

Income tax expense decreased by approximately 57.2% from approximately HK$3.2 million for the Previous Period to approximately HK$1.4 million for the Period. Such decrease was mainly related to the tax effect of the non-deductible listing expense incurred for the Previous Period.

Net Profit

As a result of the aforesaid, the net profit of the Group for the Period decreased from approximately HK$5.5 million for the Previous Period to approximately HK$4.3 million for the Period, representing a decrease of approximately 22.1%.

LIQUIDITY, FINANCIAL, RESOURCES AND CAPITAL STRUCTURE

The Group has funded the liquidity and capital requirements primarily through capital contributions, bank borrowings, and cash inflow generated from operating activities as well as the proceeds received from Listing on the Listing Date.

As at 30 September 2018, the Group had cash and bank balances of approximately HK$69.2 million (31 March 2018: approximately HK$103.1 million). The decrease is mainly due to (i) the decrease in trade and other payables of approximately HK$20.1 million as at 30 September 2018 compared to 31 March 2018 and (ii) the payment of collateral of surety bonds for projects newly awarded of approximately HK$6.0 million for the Period.

As at 30 September 2018, the share capital and equity attributable to owners of the Company amounted to approximately HK$2.6 million and HK$185.9 million (31 March 2018: approximately HK$2.6 million and HK$184.5 million respectively).

GEARING RATIO

Gearing ratio is calculated by dividing all debts by total equity at the period-end date and expressed as a percentage. Debts are defined to include payables incurred not in the ordinary course of business. The gearing ratio of the Group remained nil as at 30 September 2018 (31 March 2018: nil).

DEBTS AND CHARGES ON ASSETS

The Group had no debts and charges on assets as at 30 September 2018 and 31 March 2018.

FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong. All operating transactions and revenue were settled in Hong Kong dollars and the Group's assets and liabilities are denominated in Hong Kong dollars. With nearly no portion of monetary transactions and assets denominated in foreign currencies, the Group did not engage in any derivatives agreement and did not commit to any financial instrument to hedge its foreign exchange exposure during the Period as well as during the Previous Period.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Period, the Group did not have any significant investments held or any material acquisitions or disposals of subsidiaries or associated companies.

EMPLOYEES AND REMUNERATION POLICY

The Group had 38 employees (including full-time and casual employees who are paid on a daily basis) as at 30 September 2018 (30 September 2017: 35). Total staff costs included directors' emoluments for the Period amounted to approximately HK$10.5 million (Previous Period: approximately HK$9.1 million), salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment and untaken paid leave. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from mandatory provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employment according to the assessment of individual performance and market situation.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 September 2018 and 31 March 2018.

CONTINGENT LIABILITIES

Our subsidiary, Wise Trend Engineering Limited, is involved in a civil litigation, the details of which have been disclosed in the section headed "Business — Litigation and potential claims — Ongoing litigation with a customer" of the Prospectus. The civil litigation is ongoing as at the date of this announcement. Besides, our subsidiaries are involved in a number of potential claims relating to employees' compensation cases and personal injuries claims as well as summonses for safety-related incidents in the ordinary course of business as at the date of this announcement. The Directors considered that the possibility of any outflow in settling (i) the potential personal injuries claims was remote as these claims were well covered by insurance; and (ii) the summonses will be insignificant to the business of the Group. Accordingly, no provision for the contingent liabilities in respect of the potential personal injuries claims and the summonses is necessary after due consideration of each case.

Save as disclosed above, the Group had no material contingent liabilities as at 30 September 2018 (31 March 2018: nil).

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

The Shares of the Company have been listed on the Main Board of the Stock Exchange since the Listing Date. The total net proceeds (the "**Net Proceeds**") from the initial public offering amounted to approximately HK$73.5 million. Our Group intends to apply the Net Proceeds in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

The below table sets out the use of the Net Proceeds and the unused amount from the Listing Date up to 30 September 2018:

	Planned use of the Net Proceeds	**Actual use of the Net Proceeds from the Listing Date to 30 September 2018**	**Unused amount Up to 30 September 2018**
	HK$'000	*HK$'000*	*HK$'000*
Use of Net Proceeds:			
Hiring of additional staff	11,600	600	11,000
Acquisition of additional machinery and equipment	54,900	–	54,900
General Working Capital	7,000	7,000	–
Total	73,500	7,600	65,900

Save for the usage of net proceeds for general working capital, there has not yet been material business progress as of 30 September 2018 in implementing the business objectives set out in the Prospectus and up to the date of this announcement. The Net Proceeds that were not applied immediately have been placed in the short-term demand deposits with licensed banks in Hong Kong as at the date of this announcement.

INTERIM DIVIDEND FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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

EVENTS AFTER THE PERIOD

Save as disclosed in this announcement, the Board is not aware of any significant event requiring disclosure that has been occurred after the Period and up to the date of this announcement.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has applied the principles and all relevant code provisions (the "**Code Provisions**") as set out under the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules during the Period and up to the date of this announcement. The Directors will periodically review on the Company's corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the Code Provisions from time to time. During the Period and up to the date of this announcement, the Company has complied with all the applicable code provisions of the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions. In response to specific enquires by the Company, all Directors have confirmed that they have fully complied with the requirements set out in the Model Code during the Period and up to the date of this announcement.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole shareholder of the Company on 13 March 2018, the Company adopted a share option scheme (the "**Share Option Scheme**") with effect from 13 March 2018. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and are summarised in Appendix IV to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of our Group and to promote the business of our Group. As at the date of this report, the total number of shares available for issue under the Share Option Scheme was 26,400,000 Shares, representing 10% of the entire issued share capital of the Company. No share option has been granted, exercised, cancelled or lapsed since its effective date and up to the date of this announcement.

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

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the Period and up to the date of this announcement.

COMPETING INTERESTS

The Directors confirm that none of the controlling shareholders of the Company or the Directors and their respective close associates (as defined in the Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the Period and up to the date of this announcement, and that is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the Listing Rules during the Period and up to the date of this announcement.

AUDIT COMMITTEE

The Company established the audit committee on 13 March 2018 in accordance with Rule 3.21 of the Listing Rules with the written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules.

The audit committee consists of three independent non-executive Directors, namely Mr. Yau Chung Hang, Mr. Pong Kam Keung and Mr. Lo Ki Chiu. Mr. Yau Chung Hang currently serves as the Chairperson of the audit committee.

The primary responsibilities of the audit committee include: (i) to make recommendations to our Board on the appointment, reappointment and removal of external auditors; (ii) to review and monitor the external auditors' independence and objectively; (iii) to review the effectiveness of the Company's internal audit activities, internal controls and risk management systems; (iv) to develop and implement policy on engaging external auditor to supply non-audit services, and to review and monitor the extent of the non-audit works undertaken by external auditors; and (v) to monitor the integrity of the financial statements and the annual report and accounts and half-year report and to review significant financial reporting judgments contained in them.

REVIEW OF INTERIM FINANCIAL RESULTS

The interim financial results of the Group for the Period are unaudited but have been reviewed and approved by the audit committee of the Company, 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 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is available for viewing on the websites of the Stock Exchange (**www.hkex.com.hk**) and the Company (**www.wangyang.com.hk**). The interim report of the Company for the Period containing all 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
Wang Yang Holdings Limited
Tsui Kwok Ying
Chairman and non-executive Director

Hong Kong, 29 November 2018

As at the date of this announcement, the Board comprises Mr. Ng Chi Bun Benjamin and Ms. Ng Chung Yan May as executive Directors; Ms. Tsui Kwok Ying (Chairman) as non-executive Director and Mr. Yau Chung Hang, Mr. Pong Kam Keung and Mr. Lo Ki Chiu as independent non-executive Directors.