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YAN TAT GROUP HOLDINGS LIMITED

恩達集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1480)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the “**Board**”) of directors (the “**Directors**”) of Yan Tat Group Holdings Limited (the “**Company**”) presents the consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2017 together with the comparative figures for the last year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*Year ended 31 December 2017*

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	4	633,572	591,407
Cost of sales		<u>(511,450)</u>	<u>(471,514)</u>
Gross profit		122,122	119,893
Other income and gains	4	7,354	12,050
Selling and distribution expenses		(18,724)	(20,492)
General and administrative expenses		(73,790)	(72,120)
Other expenses		(208)	(1,369)
Finance costs	6	<u>(7,508)</u>	<u>(7,549)</u>
Profit before tax	5	29,246	30,413
Income tax expense	7	<u>(4,971)</u>	<u>(7,030)</u>
Profit for the year attributable to owners of the Company		<u>24,275</u>	<u>23,383</u>
Earnings per share attributable to ordinary equity holders of the Company	9		
Basic and diluted		<u>HK10.1 cents</u>	<u>HK9.7 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 December 2017*

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>24,275</u>	<u>23,383</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Change in fair value of an available-for-sale investment	111	179
Exchange differences on translation of foreign operations	<u>34,205</u>	<u>(30,517)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>34,316</u>	<u>(30,338)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>58,591</u>	<u>(6,955)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		413,550	396,525
Investment properties		25,074	19,351
Prepaid land lease payments		5,073	4,976
Deposits for purchases of items of property, plant and equipment		6,108	8,545
Deposits		–	2,169
Deferred tax assets		10,731	7,947
Available-for-sale investment		4,153	3,773
Total non-current assets		464,689	443,286
CURRENT ASSETS			
Inventories		68,434	54,198
Trade and bills receivables	<i>10</i>	240,630	207,232
Prepayments, deposits and other receivables		7,246	6,236
Tax recoverable		–	1,089
Pledged deposits and restricted cash		34,425	34,930
Cash and cash equivalents		72,832	83,017
Total current assets		423,567	386,702
CURRENT LIABILITIES			
Trade and bills payables	<i>11</i>	125,636	108,308
Other payables and accruals		57,435	55,145
Interest-bearing bank borrowings		185,390	202,273
Finance lease payables		6,421	5,826
Tax payable		14,314	10,777
Total current liabilities		389,196	382,329
NET CURRENT ASSETS		34,371	4,373
TOTAL ASSETS LESS CURRENT LIABILITIES		499,060	447,659

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	–	8,108
Finance lease payables	1,172	7,222
Deferred tax liabilities	6,028	3,495
Deferred income	11,440	7,005
	<hr/>	<hr/>
Total non-current liabilities	18,640	25,830
	<hr/>	<hr/>
Net assets	480,420	421,829
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	2,400	2,400
Reserves	478,020	419,429
	<hr/>	<hr/>
Total equity	480,420	421,829
	<hr/> <hr/>	<hr/> <hr/>

NOTES

31 December 2017

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 8 July 2014 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands. The address of the registered office of the Company is Clifton House, P.O. Box 1350, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is located at Room 809–810, Kwong Sang Hong Centre, 151–153 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

During the year, the Group was principally engaged in the manufacture and sale of printed circuit boards.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the Directors, the immediate holding company and the ultimate holding company of the Company is Million Pearl Holdings Ltd., which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, except for an available-for-sale investment and investment properties which have been measured at fair value. The consolidated financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements</i> to <i>HKFRSs 2014–2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

None of the above amendments to HKFRSs has had a significant financial effect on the Group's financial performance and financial position presented in the current year's financial statements. Disclosure has been made in the current year's financial statements upon the adoption of amendments to HKAS 7, which require an entity 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.

3. OPERATING SEGMENT INFORMATION

The Group focuses primarily on the manufacturing and selling of printed circuit boards during the year. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Mainland China	268,345	260,542
Europe	152,485	168,366
Hong Kong	23,560	27,717
North America	56,036	57,590
Asia (except Mainland China and Hong Kong)	101,242	64,434
Africa	31,732	12,186
Oceania	136	572
South America	36	–
	<u>633,572</u>	<u>591,407</u>

The revenue information above is based on the locations of the customers who placed the orders.

(b) Non-current assets

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	1,042	2,594
Mainland China	448,763	428,972
	<u>449,805</u>	<u>431,566</u>

The non-current asset information above is based on the locations of the assets and excludes an available-for-sale investment and deferred tax assets.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue is set out below:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer A	191,217	175,615
Customer B	82,362	73,451
	<u>273,579</u>	<u>249,066</u>

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue		
Sale of goods	<u>633,572</u>	<u>591,407</u>
Other income		
Bank interest income	258	272
Rental income	281	295
Government grants [^]	885	2,205
Others	<u>211</u>	<u>120</u>
	<u>1,635</u>	<u>2,892</u>
Gains		
Fair value gains on investment properties	4,211	8,727
Gains on disposal of items of property, plant and equipment	270	–
Sales of scraps	<u>1,238</u>	<u>431</u>
	<u>5,719</u>	<u>9,158</u>
	<u>7,354</u>	<u>12,050</u>

[^] Government grants have been received from certain government authorities of the People's Republic of China (the "PRC") in recognition of the Group's efforts in environmental awareness and protection and technological development.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2017	2016
	HK\$'000	HK\$'000
Cost of inventories sold [^]	511,450	471,514
Minimum lease payments under operating leases	2,143	2,147
Auditor's remuneration	2,023	1,842
Depreciation	26,960	29,120
Amortisation of land lease payments	243	246
Employee benefit expense [@] (including directors' and chief executive's remuneration):		
Wages, salaries, allowances, bonuses, commission and benefits in kind	92,603	93,191
Pension scheme contributions (defined contribution schemes)	240	245
Other employee benefits	9,079	6,631
	101,922	100,067
Research and development costs ^{##}	8,299	10,896
Write-off of items of property, plant and equipment	71	69
Write-off of deposits paid for purchases of items of property, plant and equipment	—	1,064
Reversal of write-down of inventories to net realisable value [^]	(242)	(2,390)
Fair value gains on investment properties	(4,211)	(8,727)
Reversal of impairment of trade receivables	112	—
Gain on disposal of items of property, plant and equipment [*]	(270)	—
Foreign exchange differences, net [*]	535	598

* These gains are included in "Other income and gains" and the losses are included in "General and administrative expenses", as appropriate, in the consolidated statement of profit or loss.

@ Part of the employee benefit expense is included in "Cost of inventories sold" in the consolidated statement of profit or loss.

^ Reversal of write-down of inventories to net realisable value is included in "Cost of inventories sold" in the consolidated statement of profit or loss.

Research and development costs are included in "General and administrative expenses" in the consolidated statement of profit or loss.

6. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on:		
Bank loans and trust receipt loans	7,134	7,195
Finance leases	403	652
	7,537	7,847
Less: Interest capitalised*	(29)	(298)
	7,508	7,549

* The borrowing costs had been capitalised at the rate of 6.54% (2016: 6.54%) per annum for the year.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

All subsidiaries of the Group established in the PRC are subject to PRC corporate income tax at a standard rate of 25% (2016: 25%) during the year, except for a subsidiary of the Group which qualified as a High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% (2016: 15%) has been applied for the year.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	37	46
Overprovision in prior years	(31)	(21)
Current — Mainland China		
Charge for the year	5,789	4,630
Overprovision in prior years	(864)	(144)
Deferred	40	2,519
Total tax charge for the year	4,971	7,030

8. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount for the year attributable to ordinary equity holders of the Company is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$24,275,000 (2016: HK\$23,383,000) and the weighted average number of ordinary shares of 240,000,000 (2016: 240,000,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

10. TRADE AND BILLS RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	208,606	176,943
Impairment	(3,082)	(2,880)
	205,524	174,063
Bills receivable	35,106	33,169
	240,630	207,232

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance may be required. The Group maintains a defined credit policy and credit periods are usually granted ranging from one to four months from the month-end of date of invoice to customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over these balances. Trade and bills receivables are non-interest-bearing.

An aging analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one month	83,381	92,389
One to two months	84,468	50,366
Two to three months	51,193	46,497
Over three months	21,588	17,980
	240,630	207,232

11. TRADE AND BILLS PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	112,814	97,952
Bills payable	12,822	10,356
	<u>125,636</u>	<u>108,308</u>

An aging analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within three months	109,596	94,437
Three to six months	14,574	12,077
Over six months	1,466	1,794
	<u>125,636</u>	<u>108,308</u>

The trade payables are unsecured, non-interest-bearing and are normally settled within three months from the month-end of the date of invoice.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

2017 was a fairly stable year for global economic activity, with a growth slightly higher than expected. According to the International Monetary Fund (“IMF”), the global output is estimated to increase by 3.7% in 2017, up by 0.5% as compared with 2016, and the global growth in 2018 and 2019 is forecast to increase to 3.9%.

As shown by statistics, the global output value of printed circuit board (“PCB(s)”) reached US\$54.207 billion in 2016, which is projected to soar to US\$55.3 billion in 2017, and will continue to rise in 2018. After years of eastward shift of the global PCB production capacity, as estimated by a research company, the output value of PCB in China is anticipated to reach US\$28.972 billion in 2017, accounting for more than 50% of the Gross World Product.

PCB is a component necessary for electronic products. With continuous technology advancements, the demand of PCB is steady and is expected to continue to grow. The range of application of PCB is extensive, including communication devices, industrial controller, medical devices, security electronics, national defense and aerospace. In recent years, driven by the demands of emerging sectors such as new energy vehicles, Internet of things, energy conservation and environmental protection, and information security, good business opportunities will be brought to the PCB market.

Automobile electronics becomes a global trend, which promotes the rapid growth of automobile PCB. PCBs are widely used in engine, control, safety, information and in-vehicle systems. Compared with conventional vehicles, the requirement of electronic for new energy vehicle is higher. In view of the immense effort in promoting the development of new energy vehicle by countries around the world, it shall create tremendous business opportunities to the PCB market in the future.

The new applications of PCB will further drive the development of the PCB industry. Given the era of 5G is gradually formed, 5G new communication base station has great demands on high frequency circuit boards. It is expected that 5G development will enter into the mature stage in around 2020, and new prospects will then emerge in the PCB market.

Although the PCB market has an encouraging prospect, it also faces numerous difficulties. As the PRC government has strengthened its efforts on environmental protection, following the emission limits and production suspension for rectification in Kunshan and Shanghai at the end of 2017, it is very likely that similar measures will extend to southern China. Coupled with the implementation of “Environmental Protection Tax Law” since 1 January 2018, PCB manufacturers are required to bear additional taxes based on the pollutants and emissions they discharge, which undoubtedly increases the operating costs of PCB manufacturers. Moreover, the rising raw material price was another issue of concern of PCB manufacturers in 2017, in which the prices of copper foil, epoxy resin, ink and packaging materials in the upstream industry increased, thus narrowing the profit margins of manufacturers.

The labor costs in China have been on the rise over the past decade. A phenomenon of “recruitment difficulty, labor shortage” often appears in the developed coastal areas. As a result, many domestic PCB enterprises gradually relocate their production bases to inland provinces and cities, or undertake reform to accelerate the process of production automation and intellectualization to reduce the dependence on manpower and ensure the stability of quality.

Business Review and Development

The Group is an original equipment manufacturer (“OEM”) provider of PCBs and remains focused on the production of quality PCBs, which meet industrial standards such as IPC Standards, as well as the customers’ requirement.

We remain focused on the conventional PCBs with a well-developed capacity to produce multi-layered and special material PCBs with primary applications in cars, communication equipment, medical devices, industrial automation equipment and consumer electronics.

Our continuous diversification of product mix and market coverage allows the Group to swiftly cater for the changes in demand from certain sectors and adjust our production output accordingly, resulting in reduced reliance on a single product and market. Benefited from the enormous business opportunities generated from automobile electronics in recent years, the sector is therefore becoming increasingly important.

Over the past 28 years of our operation, the Group has established a solid foundation and close relationship with our customers. The Group provided direct and indirect services to OEM customers across Asia, North America, South America, Europe, Africa and Oceania, who are engaged in various industries with many of them running in a multinational model. Certain of our major OEM customers are leading players in their markets. The Group supplied PCB products directly to a number of leading electronic manufacturing service providers, in order to assemble finished goods of OEM for the Group’s indirect OEM customers. To date, the Group has built up long-term relationship with major customers, and some of them have been working with us for over a decade. The Company believed that these customers also considered the Group as their important partner for their supply chain. Therefore, our profound and long-term relationship with customers will enable the Group to know the trend of customers’ demand more quickly.

The Group is of the view that product and process quality are integral to its business. The Group complies with various international quality standards and systems, including ISO9001, ISO14001 and ISO/TS16949 certifications. The Group has put in place a number of quality measures and simplification plan to promote a culture of quality product. Quality is of paramount importance to the business of the Group and is regularly reviewed and improved by dedicated personnel to enhance customer satisfaction. In addition, the Group obtained AS9100 certification in 2009 to qualify for the provision of advanced and reliable PCBs for the aerospace industry. This is a testament to our product quality.

The impact caused by the rising raw material prices from the previous year continued to affect the current year. Followed by the sweep of emission limits and environmental protection measures across China, PCB manufacturers are facing steep challenges. As a PCB manufacturer, the Group needs to consider formulating appropriate responses and increasing the capital input in respect of environmental protection in the future. Coupled with the implementation of the Environmental Protection Tax Law, part of the profits would be eaten away; however, viewing from another perspective, manufacturers failing to meet the required standards would be eliminated or would greatly increase their costs for the compliance with the required standards, whereas the Group has realized the need for environmental protection and has made relevant investment many years ago. Therefore, compared with those failing to meet the standards, the Group is under less pressure in such new setting in the PCB market and better positioned to seize opportunities.

Although China remains to be the “World Factory”, labor costs are no longer as low as those over a decade ago and have gradually increased. In addition, the labor supply is insufficient in the coastal areas. Driven by Industry 4.0, the Group has enhanced its production automation, promoting the use and flow of production information, optimizing and improving costs and quality, and hence leading the Group to develop towards intelligent production in the future.

The Group has been concentrating on its PCB business for over 28 years, in which the accumulated experience and networks allow the Group to make further development in the PCB market. In order to cater for the future market and production needs, the Group plans to develop another production base. The Group will also actively study the effective use of the land resources currently held by the Group and consider changing the land use rights of certain lands. At the same time, the Group will also consider opportunities to maximize shareholders’ benefits from time to time.

Financial Review

	2017	2016
	HK\$’000	HK\$’000
Turnover	633,572	591,407
Gross profit	122,122	119,893
Earnings before interest, taxes, depreciation and amortisation (“ EBITDA ”)	63,699	67,056
Net profit	24,275	23,383

The Group’s turnover for the year of 2017 was approximately HK\$633.6 million, representing an increase of approximately 7.1% compared to that of the last year, primarily due to the increase in sales orders resulting from the improvement and optimization of production facilities, which had a positive impact on the Group’s sales.

The Group’s gross profit for the year of 2017 was approximately HK\$122.1 million, representing an increase of approximately 1.9% compared to that of the last year. Gross profit margin decreased by approximately 1.0% to 19.3% from 20.3%, primarily due to the increase in raw materials cost.

The Group's total operating expenses for the year of 2017 were approximately HK\$92.5 million, representing a decrease of approximately 0.1% compared to approximately HK\$92.6 million for the last year, primarily due to the increase in general and administrative expenses was net off against the decrease in selling and distribution expenses.

The Group's EBITDA amounted to approximately HK\$63.7 million for the year of 2017 as compared to approximately HK\$67.1 million for the last year.

The Group recorded a profit attributable to ordinary equity holders of the Company of approximately HK\$24.3 million for the year of 2017 as compared to approximately HK\$23.4 million for the last year.

Other income and gains

Our other income and gains decreased by approximately HK\$4.7 million, or 38.8%, to approximately HK\$7.4 million for the year ended 31 December 2017 from approximately HK\$12.1 million for the year ended 31 December 2016, primarily due to the fair value gains on investment properties was lower than that of the last year by approximately HK\$4.5 million.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately HK\$1.8 million, or 8.8%, to approximately HK\$18.7 million for the year ended 31 December 2017 from approximately HK\$20.5 million for the year ended 31 December 2016. The decrease was primarily due to decrease in commission and salaries.

General and administrative expenses

Our general and administrative expenses increased by approximately HK\$1.7 million, or 2.4%, to approximately HK\$73.8 million for the year ended 31 December 2017 from approximately HK\$72.1 million for the year ended 31 December 2016. The increase was primarily due to increase in PRC indirect taxes and legal and professional fees.

Other expenses

Our other expenses decreased by approximately HK\$1.2 million, or 85.7%, to approximately HK\$0.2 million for the year ended 31 December 2017 from approximately HK\$1.4 million for the year ended 31 December 2016. The decrease was primarily due to decrease in write-off of deposits paid for purchases of items of property, plant and equipment.

Finance costs

Our finance costs slightly decreased by approximately HK\$0.04 million, or 0.5%, to approximately HK\$7.51 million for the year ended 31 December 2017 from approximately HK\$7.55 million for the year ended 31 December 2016. The decrease was primarily due to decrease in interest on finance leases.

Profit attributable to ordinary equity holders of the Company

The Group recorded profit attributable to ordinary equity holders of the Company of approximately HK\$24.3 million for the year ended 31 December 2017 compared to approximately HK\$23.4 million for the year ended 31 December 2016, representing an increase of approximately 3.8%. The increase of profit attributable to ordinary equity holders of the Company was mainly due to the net effect of the increase in gross profit of approximately HK\$2.2 million, the decrease in other income and gains of approximately HK\$4.7 million mainly due to the decrease in fair value gains on investment properties, the decrease in selling and distribution expenses of approximately HK\$1.8 million mainly due to the decrease in commission and salaries, the increase in general and administrative expenses of approximately HK\$1.7 million mainly due to the increase in PRC indirect taxes and legal and professional fees, and the decrease in income tax expense of approximately HK\$2.1 million.

Property, plant and equipment

The net carrying amount as at 31 December 2017 was approximately HK\$413.6 million, representing an increase of approximately HK\$17.0 million from that of 31 December 2016. This was mainly due to the net effect of (i) depreciation of approximately HK\$27.0 million with respect to the Group's property, plant and equipment in the current year, (ii) increase in exchange realignment of approximately HK\$28.4 million, and (iii) total additions/transfer during the year of approximately HK\$16.7 million.

Trade and bills receivables

There was an increase in trade and bills receivables as at 31 December 2017 of approximately HK\$33.4 million as compared to that of 31 December 2016, which was mainly due to the increase in revenue.

Trade and bills payables

There was an increase in trade and bills payables as at 31 December 2017 of approximately HK\$17.3 million as compared to that of 31 December 2016, which was mainly due to the increase of trade payables caused by the increase in sales as well as purchases.

Bank and other borrowings

The Group had bank and other borrowings as at 31 December 2017 in the sum of approximately HK\$193.0 million, representing a decrease of approximately HK\$30.4 million from the sum of approximately HK\$223.4 million as at 31 December 2016. The decrease in borrowings was mainly due to repayment of borrowings. No financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

Liquidity and financial resources

As at 31 December 2017, the Group had current assets of approximately HK\$423.6 million (2016: HK\$386.7 million) including cash and cash equivalents, pledged deposits and restricted cash totalling approximately HK\$107.3 million (2016: HK\$117.9 million). As at 31 December 2017, the Group had non-current liabilities of approximately HK\$18.6 million (2016: HK\$25.8 million), and its current liabilities amounted to approximately HK\$389.2 million (2016: HK\$382.3 million), consisting mainly of payables arising in the normal course of operations and bank borrowings for financing of new production facilities. Accordingly, the Group's current ratio, being the ratio of current assets to current liabilities, was around 1.1 as at 31 December 2017 (2016: 1.0).

Gearing ratio

The gearing ratio of the Group, calculated as total borrowings over total equity, was approximately 0.4 as at 31 December 2017 (2016: approximately 0.5).

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year of 2017. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Foreign exchange exposure

As at 31 December 2017, we had cash and cash equivalents, pledged deposits and restricted cash, trade and bills receivables, trade and bills payables, other payables and interest-bearing bank and other borrowings which are denominated in currencies other than Hong Kong dollar, and consequently we have foreign exchange exposure from translation of amounts denominated in foreign currencies as at the reporting date. During the year ended 31 December 2017, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its foreign currency exposure.

Capital commitments

As at 31 December 2017, capital commitments of the Group amounted to approximately HK\$7.6 million (2016: HK\$9.7 million).

Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: nil).

Information on employees

As at 31 December 2017, the Group had 1,038 employees (2016: 936 employees), including the executive Directors. Total employee benefit expense (including Directors' remuneration) was approximately HK\$101.9 million, as compared to approximately HK\$100.1 million for the year ended 31 December 2016. Remuneration is determined with reference to market norms and individual employee's performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as the individual's performance. Other staff benefits include contributions to Mandatory Provident Fund scheme in Hong Kong, and various welfare plans including the provision of pension funds, medical insurance and other relevant insurance for employees of our Group.

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme adopted by the Company on 18 November 2014 ("Share Option Scheme") where options to subscribe for shares may be granted to the Directors and employees of the Group.

The Company did not grant any share option under the Share Option Scheme during the current and prior years.

Significant investments held

Except for an available-for-sale investment as at 31 December 2017, the Group did not hold any significant investment in equity interest in any other company.

Future plans for material investments and capital assets

Save as disclosed in this announcement, currently the Group is exploring the opportunity and discussing with independent third parties of: (i) acquiring relevant sites in Zhuhai, Guangdong Province, PRC as the location for the Group's potential production facility; and (ii) changing the use of part of its land use rights in Shenzhen, PRC. For details, please refer to the Company's announcement dated 8 February 2018.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the year ended 31 December 2017, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Charges of assets

As at 31 December 2017, certain assets of the Group as set out below were charged to secure banking facilities granted to the Group:

- (i) the Group's leasehold land and buildings, construction in progress and investment property with an aggregate net carrying amount of approximately HK\$193.1 million (2016: HK\$183.2 million).

- (ii) the Group's leasehold lands situated in Mainland China, which are classified as prepaid land lease payments with a carrying amount of approximately HK\$5.3 million (2016: HK\$5.2 million).
- (iii) pledged deposits with banks amounting to approximately HK\$33.9 million (2016: HK\$34.4 million).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2017 (2016: nil).

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

During the year, neither did the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

EVENTS AFTER THE REPORT DATE

There were no significant events after the reporting period up to the date of this announcement.

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the annual general meeting of the Company ("AGM") to be held on Thursday, 24 May 2018, the register of members will be closed from Friday, 18 May 2018 to Thursday, 24 May 2018, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 17 May 2018.

CORPORATE GOVERNANCE PRACTICES

Adapting and adhering to recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that lead to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

From the 1 January 2017 and up to the date of this results announcement, the Company had complied with the code provisions ("**Code Provision**") set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Listing Rules**"), except Code Provision A.2.1 as more particularly described below.

Pursuant to Code Provision A.2.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer and Mr. Chan Wing Yin currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings of the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions by Directors during the year ended 31 December 2017.

AUDIT COMMITTEE

The audit committee consists of three independent non-executive Directors, namely Mr. Yau Wing Yiu, Mr. Lau Shun Chuen and Mr. Chung Yuk Ming.

The audit committee has met the auditor of the Company, Ernst & Young, and reviewed the Group’s annual results for the year ended 31 December 2017. The audit committee opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this preliminary announcement have been agreed by the Company’s auditor, Ernst & Young, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.yantat.com. The annual report of the Company for the year ended 31 December 2017 containing all information required by the Listing Rules will be dispatched to shareholders and published on above websites in due course.

By order of the Board of
Yan Tat Group Holdings Limited
CHAN Wing Yin
Chairman

Hong Kong, 26 March 2018

As at the date of this announcement, the Board comprises Mr. CHAN Wing Yin, Mrs. CHAN Yung and Mr. CHAN Yan Wing as executive Directors; Mr. CHAN Yan Kwong as non-executive Director; Mr. CHUNG Yuk Ming, Mr. LAU Shun Chuen and Mr. YAU Wing Yiu as independent non-executive Directors.