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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 2018

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 2018 together with the comparative figures for the last year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	4	**766,006**	633,572
Cost of sales		**(587,117)**	(511,450)
Gross profit		**178,889**	122,122
Other income and gains	4	**18,333**	7,354
Selling and distribution expenses		**(25,063)**	(18,724)
General and administrative expenses		**(82,448)**	(73,790)
Other expenses		**(62)**	(208)
Finance costs	6	**(8,099)**	(7,508)
Profit before tax	5	**81,550**	29,246
Income tax expense	7	**(23,157)**	(4,971)
Profit for the year attributable to owners of the Company		**58,393**	24,275
Earnings per share attributable to ordinary equity holders of the Company	9		
Basic and diluted		**HK24.3 cents**	HK10.1 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**58,393**	24,275
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Change in fair value of an available-for-sale investment	**–**	111
Exchange differences on translation of foreign operations	**(27,323)**	34,205
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of a financial asset at fair value through other comprehensive income	**163**	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(27,160)**	34,316
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**31,233**	58,591

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**398,676**	413,550
Investment properties		**25,850**	25,074
Prepaid land lease payments		**4,599**	5,073
Deposits for purchases of items of property, plant and equipment		**616**	6,108
Deposits		**296**	–
Deferred tax assets		**11,706**	10,731
Available-for-sale investment		**–**	4,153
Financial asset at fair value through other comprehensive income		**4,119**	–
Total non-current assets		**445,862**	464,689
CURRENT ASSETS			
Inventories		**61,599**	68,434
Trade and bills receivables	*10*	**255,704**	240,630
Prepayments, deposits and other receivables		**8,473**	7,246
Pledged deposits and restricted cash		**31,621**	34,425
Cash and cash equivalents		**135,876**	72,832
Total current assets		**493,273**	423,567
CURRENT LIABILITIES			
Trade and bills payables	*11*	**124,973**	125,636
Other payables and accruals		**75,249**	57,435
Interest-bearing bank borrowings		**178,539**	185,390
Finance lease payables		**436**	6,421
Tax payable		**17,319**	14,314
Total current liabilities		**396,516**	389,196
NET CURRENT ASSETS		**96,757**	34,371
TOTAL ASSETS LESS CURRENT LIABILITIES		**542,619**	499,060

	2018	2017
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Finance lease payables	**563**	1,172
Deferred tax liabilities	**20,549**	6,028
Deferred income	**9,854**	11,440
Total non-current liabilities	**30,966**	18,640
Net assets	**511,653**	480,420
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**2,400**	2,400
Reserves	**509,253**	478,020
Total equity	**511,653**	480,420

NOTES

31 December 2018

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 a financial asset at fair value through other comprehensive income 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 new and revised HKFRSs for the first time for the current year's financial statement.

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*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018 and has not restated comparative information. Therefore, the comparative information for the corresponding period in 2017 which was reported under HKAS 39.

Classification and measurement

Under HKFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" of the principal amount outstanding.

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement			HKFRS 9 measurement		
	Note	**Category**	**Amount** *HK$'000*	**Re-classification** *HK$'000*	**ECL** *HK$'000*	**Amount** *HK$'000*	**Category**
Financial assets							
Financial asset at fair value through other comprehensive income	*(i)*	N/A	–	4,153	–	4,153	FVOCI[1] (equity)
Available-for-sale investment	*(i)*	AFS[2]	4,153	(4,153)	–	–	N/A
Trade and bills receivables		L&R[3]	240,630	–	–	240,630	AC[4]
Financial assets included in prepayments, deposits and other receivables		L&R	2,973	–	–	2,973	AC
Pledged deposits and restricted cash		L&R	34,425	–	–	34,425	AC
Cash and cash equivalents		L&R	72,832	–	–	72,832	AC
			355,013	–	–	355,013	
Financial liabilities							
Trade and bills payables		AC	125,636	–	–	125,636	AC
Financial liabilities included in other payables and accruals		AC	25,004	–	–	25,004	AC
Interest-bearing bank borrowings		AC	185,390	–	–	185,390	AC
Finance lease payables		AC	7,593	–	–	7,593	AC
			343,623	–	–	343,623	

1 FVOCI: Financial asset at fair value through other comprehensive income
2 AFS: Available-for-sale investment
3 L&R: Loans and receivables
4 AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The Group has elected the option to irrevocably designate its previous available-for-sale equity investment as equity investment at fair value through other comprehensive income.

Impairment

HKFRS 9 requires an impairment on debt instruments not held at fair value through profit or loss to be recorded based on an ECL model either on a twelve-month basis or a lifetime basis. The Group has applied the simplified approach and recorded lifetime ECLs for trade receivables at each reporting date.

No material opening impairment allowances under HKAS 39 have been made to the ECL allowances under HKFRS 9.

Impact on reserves

The impact of transition to HKFRS 9 on reserves is as follows:

	Available-for-sale investment revaluation reserve *HK$'000*	**Fair value reserves (Without recycling)** *HK$'000*
Balance as at 31 December 2017 under HKAS 39	944	–
Reclassification of financial asset from available-for-sale investment to financial asset at fair value through other comprehensive income	(944)	944
Balance as at 1 January 2018 under HKFRS 9	–	944

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018. The adoption of HKFRS 15 does not have a material impact on the Group's consolidated financial statements.

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

	2018	2017
	HK$'000	*HK$'000*
Mainland China	**327,809**	268,345
Europe	**168,938**	152,485
Hong Kong	**20,411**	23,560
North America	**52,872**	56,036
Asia (except Mainland China and Hong Kong)	**165,022**	101,242
Africa	**30,850**	31,732
Oceania	**96**	136
South America	**8**	36
	766,006	633,572

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

(b) Non-current assets

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**1,717**	1,042
Mainland China	**428,320**	448,763
	430,037	449,805

The non-current asset information above is based on the locations of the assets and excludes a financial asset at fair value through other comprehensive income (31 December 2017: 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:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**237,112**	191,217
Customer B	**95,375**	82,362
	332,487	273,579

4. REVENUE, OTHER INCOME AND GAINS

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

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of goods	**766,006**	633,572
Other income		
Bank interest income	**568**	258
Rental income	**200**	281
Government grants^	**9,659**	885
Others	**184**	211
	10,611	1,635
Gains		
Fair value gains on investment properties	**2,001**	4,211
Gains on disposal of items of property, plant and equipment	**310**	270
Sales of scraps	**966**	1,238
Foreign exchange gain, net	**4,445**	–
	7,722	5,719
	18,333	7,354

^ 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):

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold^@	**587,117**	511,450
Minimum lease payments under operating leases	**1,715**	2,143
Auditor's remuneration	**2,105**	2,023
Depreciation	**28,070**	26,960
Amortisation of land lease payments	**249**	243
Employee benefit expense@ (including directors' and chief executive's remuneration):		
Wages, salaries, allowances, bonuses, commission and benefits in kind	**107,249**	92,603
Pension scheme contributions (defined contribution schemes)	**213**	240
Other employee benefits	**9,639**	9,079
	117,101	101,922
Research and development costs##	**11,261**	8,299
Write-off of items of property, plant and equipment	**–**	71
Reversal of write-down of inventories to net realisable value^	**(1,240)**	(242)
Fair value gains on investment properties	**(2,001)**	(4,211)
Impairment of trade and bills receivables	**898**	–
Impairment of other receivables	**–**	112
Gain on disposal of items of property, plant and equipment*	**(310)**	(270)
Foreign exchange differences, net*	**(4,445)**	535

* 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

	2018	2017
	HK$'000	*HK$'000*
Interest on:		
Bank loans and trust receipt loans	**7,936**	7,134
Finance leases	**163**	403
	8,099	7,537
Less: Interest capitalised*	**–**	(29)
	8,099	7,508

* The borrowing costs had been capitalised at the rate of 6.54% per annum for the year of 2017.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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% (2017: 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% (2017: 15%) has been applied for the year.

	2018	2017
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**481**	37
Overprovision in prior years	**(28)**	(31)
Current — Mainland China		
Charge for the year	**10,119**	5,789
Overprovision in prior years	**(753)**	(864)
Deferred	**13,338**	40
Total tax charge for the year	**23,157**	4,971

8. DIVIDEND

The Board recommended to declare a final dividend of HK6.0 cents (2017: Nil) per ordinary share, equivalent to a total amount of HK$14,400,000 (2017: Nil), for the year ended 31 December 2018.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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$58,393,000 (2017: HK$24,275,000) and the weighted average number of ordinary shares of 240,000,000 (2017: 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 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

10. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**222,699**	208,606
Bills receivable	**36,844**	35,106
	259,543	243,712
Impairment	**(3,839)**	(3,082)
	255,704	240,630

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 ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one month	**95,114**	83,381
One to two months	**76,157**	84,468
Two to three months	**56,923**	51,193
Over three months	**27,510**	21,588
	255,704	240,630

11. TRADE AND BILLS PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**122,100**	112,814
Bills payable	**2,873**	12,822
	124,973	125,636

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

	2018	2017
	HK$'000	*HK$'000*
Within three months	**108,442**	109,596
Three to six months	**15,734**	14,574
Over six months	**797**	1,466
	124,973	125,636

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

The printed circuit board, also known as "**PCB**", is mainly comprised of insulation base materials and conductors. PCBs, which support and connect electronic devices as they provide connection between electric components, are components required to combine a majority of electronic devices with electronics, machines, and chemical materials. They are also given the name of "the mother of electronic products".

In 2018, global economy registered some growth but appeared to slow down at the end of the year. According to the International Monetary Fund ("**IMF**"), global economic growth was estimated to increase by 3.7% in 2018, and is forecast to increase by 3.5% and 3.6% in 2019 and 2020, respectively.

According to the statistics, the output value of PCBs in the global market amounted to US$ 58.84 billion in 2017, while the same will maintain moderate growth at a compound growth rate of 3.2% from 2018 to 2022. By 2022, the output value of PCBs in the global market will amount to US$68.81 billion.

The PCB industry has been long established, with its early presence mainly distributed in Europe, North America, and Japan. Due to global migration of the electronics sector, Asia takes the lead in the PCB industry development on the globe. According to information available, the output value of PCBs in China is anticipated to reach US$29.73 billion in 2017, accounting for approximately 51% of the global output value. It is anticipated that the output value of PCBs in China will amount to US$35.69 billion in 2022.

A PCB is a component necessary for electronic products. With continuous technology advancements, the demand of PCBs is steady and is expected to continue to grow. The range of application of PCBs 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 PCBs. 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 PCBs will further drive the development of the PCB industry. The 5G deployment will significantly advance the progress of the PCB industry, resulting in a soaring number of PCBs used in unit devices and base stations amid a growing demand for a total number of devices and base stations. It is expected that the 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, producing enterprises that fail to meet the requirements will be subject to rectification, or even replacement or suspension, while those compliant PCB manufacturers are required to increase investments in environmental engineering and wastewater treatment capacities, undoubtedly weighing on their operating costs.

Against the capacity expansion launched by many PCB manufacturers amid a growing number of new PCB manufacturers in recent years, as well as the failure of production and technological capacities to meet market demands, the market has eventually become aggressive, with the possibility of triggering a fierce pricing competition. With the unit price being adjusted downwards, the slim profit margin will further shrink.

The labor costs in China have been on the rise over the past decade, as corporate expenditure rises due to full implementation of policies on social security and public housing fund. A phenomenon of "recruitment difficulty, labor shortage" often appears in the developed coastal areas, in which case, recruitment of frontline employees, particularly seasoned technicians, becomes increasingly difficult. As a result, many domestic PCB enterprises gradually relocate their production bases to inland provinces and cities, or comprehensive 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 focused on the production of quality PCBs, which meet industrial standards such as IPC Standards, as well as the customers' requirement.

We 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 proportion of this section is correspondingly higher.

Over the past 29 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, Europe, Africa, North America, South America 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 IATF16949 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 high production cost affected 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 formulate appropriate responses and increasing the capital input in respect of environmental protection. Finally, part of the profits would be set off; 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.

In 2019, serious challenge will expose the Group to a lot of risks and uncertainties. The Group has been concentrating on its PCB business for over 29 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 has made great efforts on the expansion of its existing production facilities in past years and 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

in HK$'000	**2018**	2017
Turnover	**766,006**	633,572
Gross profit	**178,889**	122,122
Earnings before interest, taxes, depreciation and amortisation ("**EBITDA**")	**117,400**	63,699
Net profit	**58,393**	24,275

The Group's turnover for the year of 2018 was approximately HK$766.0 million, representing an increase of approximately 20.9% compared to that of the last year, primarily due to increase in sales orders from the existing customers.

The Group's gross profit for the year of 2018 was approximately HK$178.9 million, representing an increase of approximately 46.5% compared to that of the last year. Gross profit margin increased by approximately 4.1% to 23.4% from 19.3%, primarily due to economies of scale resulting from increase in sales and production volume.

The Group's total operating expenses for the year of 2018 were approximately HK$107.5 million, representing an increase of approximately 16.2% compared to approximately HK$92.5 million for the last year, primarily due to the increase in commission, research and development costs, salaries and staff welfare expenses.

The Group's EBITDA amounted to approximately HK$117.4 million for the year of 2018 as compared to approximately HK$63.7 million for the last year.

The Group recorded a profit attributable to ordinary equity holders of the Company of approximately HK$58.4 million for the year of 2018 as compared to approximately HK$24.3 million for the last year.

Other income and gains

Other income and gains increased by approximately HK$10.9 million, or 147.3%, to approximately HK$18.3 million for the year ended 31 December 2018 from approximately HK$7.4 million for the year ended 31 December 2017, primarily due to increase in government grants and net foreign exchange gain.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK$6.4 million, or 34.2%, to approximately HK$25.1 million for the year ended 31 December 2018 from approximately HK$18.7 million for the year ended 31 December 2017. The increase was primarily due to increase in commission.

General and administrative expenses

General and administrative expenses increased by approximately HK$8.6 million, or 11.7%, to approximately HK$82.4 million for the year ended 31 December 2018 from approximately HK$73.8 million for the year ended 31 December 2017. The increase was primarily due to increase in research and development costs, salaries and staff welfare expenses.

Other expenses

Other expenses for the year ended 31 December 2018 were approximately HK$0.06 million, similar to the amount of approximately HK$0.2 million for the last year.

Finance costs

Finance costs increased by approximately HK$0.6 million, or 8.0%, to approximately HK$8.1 million for the year ended 31 December 2018 from approximately HK$7.5 million for the year ended 31 December 2017. The increase was primarily due to increase in bank loans interest resulting from the increase in floating interest rate during the year.

Profit attributable to ordinary equity holders of the Company

The Group recorded profit attributable to ordinary equity holders of the Company of approximately HK$58.4 million for the year ended 31 December 2018 compared to approximately HK$24.3 million for the year ended 31 December 2017, representing an increase of approximately 140.3%. 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$56.8 million, the increase in other income and gains of approximately HK$10.9 million mainly due to increase in government grants and net foreign exchange gain, the increase in selling and distribution expenses of approximately HK$6.4 million mainly due to the increase in commission, the increase in general and administrative expenses of approximately HK$8.6 million mainly due to the increase in research and development costs, salaries and staff welfare expenses, and the increase in income tax expense of approximately HK$18.2 million.

Property, plant and equipment

The net carrying amount as at 31 December 2018 was approximately HK$398.7 million, representing a decrease of approximately HK$14.9 million from that of 31 December 2017. This was mainly due to the net effect of (i) depreciation of approximately HK$28.1 million with respect to the Group's property, plant and equipment in the current year, (ii) decrease in exchange realignment of approximately HK$19.9 million, and (iii) total additions/transfer during the year of approximately HK$33.2 million.

Trade and bills receivables

There was an increase in trade and bills receivables as at 31 December 2018 of approximately HK$15.1 million as compared to that of 31 December 2017, which was mainly due to the increase in revenue.

Trade and bills payables

There was a decrease in trade and bills payables as at 31 December 2018 of approximately HK$0.7 million as compared to that of 31 December 2017, which was mainly due to the decrease in raw materials inventory.

Bank and other borrowings

The Group had bank and other borrowings as at 31 December 2018 in the sum of approximately HK$179.5 million, representing a decrease of approximately HK$13.5 million from the sum of approximately HK$193.0 million as at 31 December 2017. 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 2018, the Group had current assets of approximately HK$493.3 million (2017: HK$423.6 million) including cash and cash equivalents, pledged deposits and restricted cash totalling approximately HK$167.5 million (2017: HK$107.3 million). As at 31 December 2018, the Group had non-current liabilities of approximately HK$31.0 million (2017: HK$18.6 million), and its current liabilities amounted to approximately HK$396.5 million (2017: HK$389.2 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 1.2 as at 31 December 2018 (2017: 1.1).

Gearing ratio

The gearing ratio of the Group, calculated as total borrowings over total equity, was approximately 0.4 as at 31 December 2018 (2017: approximately 0.4).

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 2018. 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 2018, 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 2018, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its foreign currency exposure.

Capital structure

There has been no change in the capital structure of the Company during the current and last years. The capital of the Company is comprised of ordinary shares and capital reserves.

Capital commitments

As at 31 December 2018, capital commitments of the Group amounted to approximately HK$1.6 million (2017: HK$7.6 million).

Dividend

The Board recommend the payment of an final dividend of HK6.0 cents per share for the year ended 31 December 2018 (2017: nil).

The proposed dividend is subject to approval by the shareholders of the Company at the annual general meeting to be held on Friday, 24 May 2019 and, if approved, is expected to be paid on or about Wednesday, 26 June 2019 to shareholders whose names appear on the register of members of the Company on Wednesday, 5 June 2019. The dividend is declared and will be paid in HKD.

Information on employees

As at 31 December 2018, the Group had 986 employees (2017: 1,038 employees), including the executive Directors. Total employee benefit expense (including Directors' remuneration) was approximately HK$117.1 million, as compared to approximately HK$101.9 million for the year ended 31 December 2017. 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 a financial asset at fair value through other comprehensive income as at 31 December 2018, 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, the Group explores the opportunity and discussing with independent third parties of: (i) considering to acquire 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 2018, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Charges of assets

As at 31 December 2018, 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$185.7 million (2017: HK$193.1 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$4.8 million (2017: HK$5.3 million).

(iii) pledged deposits with banks amounting to approximately HK$31.1 million (2017: HK$33.9 million).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2018 (2017: 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 Friday, 24 May 2019, the register of members will be closed from Tuesday, 21 May 2019 to Friday, 24 May 2019, 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 registrar, 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 Monday, 20 May 2019.

In addition, to determine shareholders' entitlement to the dividend, the register of members will be closed from Monday, 3 June 2019 to Wednesday, 5 June 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlements to the dividend, all completed transfers documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre,183 Queen's Road East, Hong Kong, for registration not later than 4:30 pm on Friday, 31 May 2019.

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 2018 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 and A.6.7 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.

Pursuant to Code Provision A.6.7 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, non-executive directors should attend general meeting. However, Mr. Chan Yan Kwong, being the non-executive Director, was unable to attend the general meeting on 24 May 2018 due to the need to attend other meetings. However, Mr. Chan often provides valuable advice to the Company with his skills, experience and expertise and he will strive to attend future general meeting(s) of the Company so as to keep a balanced understanding of the views of shareholders of the Company.

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 2018.

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 2018. 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 2018 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 2018 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 2019

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.