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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June 2018 ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2017 *HK$'000* (Unaudited)	Change *(%)*
Results			
Revenue	**376,044**	294,857	27.5
Profit before tax	**34,209**	11,413	199.7
Profit attributable to owners of the Company	**29,495**	8,335	253.9
Basic and diluted earnings per share (expressed in HK cents per share)	**12.3**	3.5	251.4

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Yan Tat Group Holdings Limited (the "**Company**") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	Notes	**Six months ended 30 June 2018** *HK$'000* **(Unaudited)**	Six months ended 30 June 2017 *HK$'000* (Unaudited)
REVENUE	*4*	**376,044**	294,857
Cost of sales		**(291,847)**	(238,269)
Gross profit		**84,197**	56,588
Other income and gains	*4*	**5,179**	4,801
Selling and distribution expenses		**(10,204)**	(9,523)
General and administrative expenses		**(40,732)**	(36,695)
Other expenses		**(39)**	(81)
Finance costs	*6*	**(4,192)**	(3,677)
PROFIT BEFORE TAX	*5*	**34,209**	11,413
Income tax expense	*7*	**(4,714)**	(3,078)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**29,495**	8,335
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic and diluted		**HK12.3 cents**	HK3.5 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June 2018 *HK$'000* **(Unaudited)**	Six months ended 30 June 2017 *HK$'000* (Unaudited)
PROFIT FOR THE PERIOD	**29,495**	8,335
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Change in fair value of an available-for-sale investment	**–**	135
Exchange differences on translation of foreign operations	**(5,447)**	14,710
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Change in fair value of a financial asset at fair value through other comprehensive income	**88**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(5,359)**	14,845
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	**24,136**	23,180

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Notes	**30 June 2018 HK$'000 (Unaudited)**	31 December 2017 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**410,733**	413,550
Investment properties		**26,391**	25,074
Prepaid land lease payments		**4,905**	5,073
Deposits for purchases of items of property, plant and equipment		**1,456**	6,108
Deposit		**116**	–
Deferred tax assets		**10,522**	10,731
Available-for-sale investment		**–**	4,153
Financial asset at fair value through other comprehensive income		**4,203**	–
Total non-current assets		**458,326**	464,689
CURRENT ASSETS			
Inventories		**67,585**	68,434
Trade and bills receivables	*9*	**274,352**	240,630
Prepayments, deposits and other receivables		**15,640**	7,246
Pledged deposits and restricted cash		**34,403**	34,425
Cash and cash equivalents		**106,150**	72,832
Total current assets		**498,130**	423,567
CURRENT LIABILITIES			
Trade and bills payables	*10*	**164,276**	125,636
Other payables and accruals		**62,308**	57,435
Interest-bearing bank borrowings		**188,331**	185,390
Finance lease payables		**3,225**	6,421
Tax payable		**15,299**	14,314
Total current liabilities		**433,439**	389,196
NET CURRENT ASSETS		**64,691**	34,371
TOTAL ASSETS LESS CURRENT LIABILITIES		**523,017**	499,060

	30 June 2018 *HK$'000* (Unaudited)	31 December 2017 *HK$'000* (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	**523,017**	499,060
NON-CURRENT LIABILITIES		
Finance lease payables	**783**	1,172
Deferred tax liabilities	**6,886**	6,028
Deferred income	**10,792**	11,440
Total non-current liabilities	**18,461**	18,640
Net assets	**504,556**	480,420
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**2,400**	2,400
Reserves	**502,156**	478,020
Total equity	**504,556**	480,420

NOTES

30 June 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 period, 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. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2017, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that the Group has adopted for the first time for the current period's financial statements:

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Other than as further explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the new and revised HKFRSs has had no material impact on the interim financial information of the Group. The principal effects for adopting HKFRS 9 and HKFRS 15 are as follows:

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a 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 standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings as at 1 January 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated. The Group considered that the adoption of HKFRS 15 does not have a material impact on the Group's interim condensed consolidated financial statements.

HKFRS 9 *Financial Instruments*

HKFRS 9 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 has applied HKFRS 9 retrospectively in accordance with the transition requirements, with the initial application date of 1 January 2018. The Group has elected not to adjust the comparative information for the period beginning 1 January 2017, which the comparative information was prepared under HKAS 39.

The impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) 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 assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

HKFRS 9 *Financial Instruments (continued)*

(a) Classification and measurement (continued)

The classification and measurement requirements of HKFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under HKAS 39. The following are the changes in the classification of the Group's financial assets:

— Trade and bills receivables and other financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing sole payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

— Equity investments in non-listed companies previously classified as available-for-sale financial assets are now classified and measured as equity instruments designated at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition. The Group elected to classify irrevocably its non-listed equity investments under this category as it intends to hold these investments for the foreseeable income.

The consolidated statement of financial position and the consolidated statement of changes in equity as at 1 January 2018 were adjusted, resulting in reclassification of an available-for-sale investment to a financial asset at fair value through other comprehensive income amounting to HK$4,153,000 and reclassification of available-for-sale investment revaluation reserve to fair value reserve of financial asset at fair value through other comprehensive income (without cycling) amounting to HK$944,000.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. HKFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

The Group applied the simplified approach and recorded lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and bills receivables. The Group has established a provision matrix that is based on the Group's historical credit loss experience adjusted for forward looking factors specific to the debtors and the economic environment.

The Group applied the general approach and recorded twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months (or a shorter period if the expected life of the asset is less than twelve months). However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The adoption of the ECL requirements of HKFRS 9 did not result in a material impact on impairment allowance of the Group's debt instruments.

3. OPERATING SEGMENT INFORMATION

The Group focuses primarily on the manufacturing and selling of printed circuit boards during the period. 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

	Six months ended 30 June 2018	Six months ended 30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Mainland China	**157,015**	124,732
Europe	**83,293**	76,149
Hong Kong	**9,671**	13,000
North America	**31,642**	27,334
Asia (except Mainland China and Hong Kong)	**81,143**	44,354
Africa	**13,220**	9,263
Oceania	**57**	16
South America	**3**	9
	376,044	294,857

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

(b) Non-current assets

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Hong Kong	**2,158**	1,042
Mainland China	**441,443**	448,763
	443,601	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.

3. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

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

	Six months ended 30 June 2018 *HK$'000* **(Unaudited)**	Six months ended 30 June 2017 *HK$'000* (Unaudited)
Customer A	**112,925**	82,875
Customer B	**54,993**	35,793
	167,918	118,668

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:

	Six months ended 30 June 2018 *HK$'000* **(Unaudited)**	Six months ended 30 June 2017 *HK$'000* (Unaudited)
Revenue		
Sale of goods	**376,044**	294,857
Other income		
Bank interest income	**161**	141
Rental income	**134**	130
Government grants	**1,050**	361
Others	**–**	60
	1,345	692
Gains		
Fair value gains on investment properties	**1,578**	3,632
Gains on disposal of items of property, plant and equipment	**310**	–
Sales of scraps	**806**	277
Foreign exchange gains, net	**1,140**	200
	3,834	4,109
	5,179	4,801

5. PROFIT BEFORE TAX

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

	Six months ended 30 June 2018 *HK$'000* **(Unaudited)**	Six months ended 30 June 2017 *HK$'000* (Unaudited)
Cost of inventories sold	**291,847**	238,269
Depreciation	**14,674**	12,621
Amortisation of land lease payments	**129**	119
Write-off of items of property, plant and equipment	**–**	70
Reversal of write-down of inventories to net realisable value^	**(415)**	(483)
Write-off of trade receivables	**104**	–
Gain on disposal of items of property, plant and equipment	**(310)**	–
Fair value gains on investment properties	**(1,578)**	(3,632)

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

6. FINANCE COSTS

	Six months ended 30 June 2018 *HK$'000* **(Unaudited)**	Six months ended 30 June 2017 *HK$'000* (Unaudited)
Interest on:		
Bank loans and trust receipt loans	**4,042**	3,478
Finance leases	**150**	227
	4,192	3,705
Less: Interest capitalised	**–**	(28)
	4,192	3,677

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period ended 30 June 2018.

No provision for Hong Kong profits tax had been made for the period ended 30 June 2017 as the subsidiaries incorporated in Hong Kong either did not generate any assessable profits arising in Hong Kong during the period or had available tax losses brought forward from prior years to offset the assessable profits arising in Hong Kong generated during the period ended 30 June 2017. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The provision for land appreciation tax has been estimated according to the requirements set forth in the relevant PRC laws and regulations. Land appreciation tax has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

7. **INCOME TAX (continued)**

All subsidiaries of the Group established in the People's Republic of China (the "PRC") are subject to PRC corporate income tax at a standard rate of 25% (period ended 30 June 2017: 25%) during the period, 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% (period ended 30 June 2017: 15%) has been applied during the period.

	Six months ended 30 June 2018 *HK$'000* **(Unaudited)**	Six months ended 30 June 2017 *HK$'000* (Unaudited)
Current — Hong Kong		
Charge for the period	**278**	–
Current — Mainland China		
Charge for the period	**4,165**	1,738
Overprovision in prior years	**(776)**	–
Deferred	**1,047**	1,340
Total tax charge for the period	**4,714**	3,078

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

The calculation of the basic earnings per share amount for the six months ended 30 June 2018 attributable to ordinary equity holders of the Company is based on the profit for the period attributable to ordinary equity holders of the Company of HK$29,495,000 (six months ended 30 June 2017: HK$8,335,000) and the weighted average number of ordinary shares of the Company of 240,000,000 (six months ended 30 June 2017: 240,000,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2018 and 2017 as the Group had no potentially dilutive ordinary shares in issue during these periods.

9. **TRADE AND BILLS RECEIVABLES**

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Trade receivables	**242,164**	208,606
Impairment	**(3,056)**	(3,082)
	239,108	205,524
Bills receivable	**35,244**	35,106
	274,352	240,630

9. TRADE AND BILLS RECEIVABLES (continued)

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 its trade receivables. 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 provisions, is as follows:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one month	**108,107**	83,381
One to two months	**73,568**	84,468
Two to three months	**77,485**	51,193
Over three months	**15,192**	21,588
	274,352	240,630

10. TRADE AND BILLS PAYABLES

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**148,974**	112,814
Bills payable	**15,302**	12,822
	164,276	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:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within three months	**134,349**	109,596
Three to six months	**19,211**	14,574
Over six months	**10,716**	1,466
	164,276	125,636

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

11. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Development

The Group is an original equipment manufacturer ("**OEM**") provider of printed circuit board(s) ("**PCB(s)**") 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 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, 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. Sales orders from the existing customers was increased for the first half of 2018, the increase in sales and production volume benefits the Group from economies of scale.

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, ISO50001 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 rising raw material prices from the previous year continued to affect the current period. 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 in China, 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 use of land use rights of certain lands. At the same time, the Group will also consider opportunities to maximise shareholders' benefits from time to time.

Financial Review

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Turnover	**376,044**	294,857
Gross profit	**84,197**	56,588
Earnings before interest, taxes, depreciation and amortisation ("EBITDA")	**53,043**	27,689
Net profit	**29,495**	8,335

The Group's turnover for the six months ended 30 June 2018 was approximately HK$376.0 million, representing an increase of approximately 27.5% as compared to approximately HK$294.9 million for the last corresponding period, which was primarily attributable to increase in sales orders from the existing customers.

The Group's gross profit margin for the six months ended 30 June 2018 was approximately 22.4%, representing an increase of approximately 3.2% over the gross profit margin of the last corresponding period of approximately 19.2%, due to economies of scale resulting from increase in sales and production volume.

The Group's total operating expenses for the six months ended 30 June 2018 were approximately HK$50.9 million, representing an increase of approximately 10.2% over the last corresponding period, due to increase in selling and distribution expenses and increase in general and administrative expenses.

The Group's EBITDA amounted to approximately HK$53.0 million for the six months ended 30 June 2018 as compared to approximately HK$27.7 million for the last corresponding period.

The Group recorded a net profit attributable to owners of the Company of approximately HK$29.5 million for the six months ended 30 June 2018 as compared to approximately HK$8.3 million for the last corresponding period.

Other income and gains

Other income and gains increased by approximately HK$0.4 million or 8.3%, to approximately HK$5.2 million for the six months ended 30 June 2018 from approximately HK$4.8 million for the six months ended 30 June 2017, primarily due to the net off effect of (1) the increase in government grants of approximately HK$0.7 million, (2) the increase in net foreign exchange gains of approximately HK$0.9 million, (3) the increase in sales of scraps of approximately HK$0.5 million, (4) the increase in gains on disposal of items of property, plant and equipment of approximately HK$0.3 million, and (5) the decrease in fair value gains on investment properties of approximately HK$2.1 million.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK$0.7 million or 7.4%, to approximately HK$10.2 million for the six months ended 30 June 2018 from approximately HK$9.5 million for the six months ended 30 June 2017. The increase was primarily due to the increase in commission.

General and administrative expenses

General and administrative expenses increased by approximately HK$4.0 million, or 10.9%, to approximately HK$40.7 million for the six months ended 30 June 2018 from approximately HK$36.7 million for the six months ended 30 June 2017. The increase was mainly due to the increase in research and development costs and staff welfare expenses.

Other expenses

Other expenses for the six months ended 30 June 2018 were approximately HK$0.04 million, similar to the amount of approximately HK$0.08 million for the last corresponding period.

Finance costs

Finance costs increased by approximately HK$0.5 million, or 13.5%, to approximately HK$4.2 million for the six months ended 30 June 2018 from approximately HK$3.7 million for the six months ended 30 June 2017, primarily due to the increase in bank loans interest resulting from the increase in floating interest rate during the period.

Profit for the period attributable to owners of the Company

The Group recorded a profit attributable to owners of the Company of approximately HK$29.5 million for the six months ended 30 June 2018 as compared to approximately HK$8.3 million for the six months ended 30 June 2017, representing an increase of approximately 255.4%. The increase of profit attributable to owners of the Company was mainly due to the increase in gross profit of approximately HK$27.6 million.

Property, plant and equipment

The net carrying amount as at 30 June 2018 was approximately HK$410.7 million, representing a decrease of approximately HK$2.9 million from the net carrying amount of approximately HK$413.6 million as at 31 December 2017. This was mainly due to (i) depreciation of approximately HK$14.7 million for the Group's property, plant and equipment in the current period; (ii) additions of approximately HK$15.5 million; and (iii) the decrease in exchange realignment of approximately HK$3.7 million.

Trade and bills receivables

There was an increase in trade and bills receivables as at 30 June 2018 of approximately HK$33.7 million as compared to 31 December 2017 which was mainly due to the increase in sales in the second quarter of 2018 as compared to the fourth quarter of 2017.

Bank and other borrowings

The Group had bank and other borrowings as at 30 June 2018 in the sum of approximately HK$192.3 million, representing a decrease by approximately HK$0.7 million from the sum of approximately HK$193.0 million as at 31 December 2017. The main reason for the decrease in borrowings was the repayment of borrowings during the period. 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 30 June 2018, the Group had total current assets of approximately HK$498.1 million (31 December 2017: HK$423.6 million) including cash and cash equivalents, pledged deposits and restricted cash totalling approximately HK$140.6 million (31 December 2017: HK$107.3 million). As at 30 June 2018, the Group had total current liabilities amounted to approximately HK$433.4 million (31 December 2017: HK$389.2 million), consisting mainly of payables arising from the normal course of operation and borrowings. Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 1.1 as at 30 June 2018 (31 December 2017: 1.1).

Gearing ratio

The gearing ratio of the Group, calculated as total borrowings over total equity, was approximately 0.4 as at 30 June 2018 (31 December 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 period under review. 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 commitments can meet its funding requirements from time to time.

Foreign currency risk exposure

As at 30 June 2018, the Group had cash and cash equivalents, pledged deposits and restricted cash, trade and bills receivables, deposits and other receivables, trade and bills payables, other payables and interest-bearing bank and other borrowings, which are denominated in currencies other than Hong Kong dollars, and consequently we have foreign currency risk exposure from translation of amount denominated in foreign currencies as at the reporting date. During the six months ended 30 June 2018, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

Capital structure

There has been no major change in the capital structure of the Company during the six months ended 30 June 2018 and the full year of 2017. The capital of the Company comprises ordinary shares and capital reserves.

Capital commitments

As at 30 June 2018, capital commitments of the Group amounted to approximately HK$3.6 million (31 December 2017: HK$7.6 million).

Information on employees

As at 30 June 2018, the Group had 1,002 (31 December 2017: 1,038) employees, including the executive Directors. 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 with reference to the Group's performance as well as individual's performance. Other staff benefits include contributions to the 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 who are employed by our Group pursuant to the PRC rules and regulations and the existing policy requirements of the local PRC government as well as share options.

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 where options to subscribe for shares may be granted to the Directors and employees of the Group.

Significant investment held

Except for a financial asset at fair value through other comprehensive income, during the six months ended 30 June 2018, the Group did not hold any significant investment in equity interest of 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, the 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, the 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 six months ended 30 June 2018, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Charges of assets

As at 30 June 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 an investment property with an aggregate net carrying amount of approximately HK$202.7 million (31 December 2017: HK$193.1 million).

(ii) the Group's leasehold lands situated in Mainland China which are classified as prepaid land lease payments with an aggregate carrying amount of approximately HK$5.2 million (31 December 2017: HK$5.3 million).

(iii) pledged deposits with banks amounting to approximately HK$33.9 million (31 December 2017: HK$33.9 million).

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2018 (31 December 2017: Nil).

PROSPECTS

The outbreak of US-China trade war and Trump's new foreign affairs policy have caused adverse impacts on the global economy, yet the extent of impacts is to be observed. In general, as compared with the first half of the year, the negative impacts during the second half of the year will be larger. Leveraging on our diversified market and industry segments, our broad base of quality customers has made us more resilient, and the Company's performance during the first half of the year has improved as compared with that of the same period last year. Nevertheless, the Company is closely monitoring the development of external affairs as well as our internal situation regarding customer orders and will make appropriate adjustments accordingly.

EVENTS AFTER THE REPORT DATE

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

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company confirms that, other than the deviation from Code Provisions A.2.1 and A.6.7, the Company has complied with all the code provisions ("**Code Provisions**") set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the six months ended 30 June 2018.

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 Company 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 Company 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 Company 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions. All Directors confirm that, having made specific enquiries of all Directors, they have complied with the required standards of dealing as set out in the Model Code during the six months ended 30 June 2018.

AUDIT COMMITTEE

The Company established an audit committee pursuant to a resolution of the Directors passed on 18 November 2014 with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules. The written terms of reference of the audit committee was adopted in compliance with the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange. The audit committee consists of three independent non-executive Directors, namely Mr. Yau Wing Yiu (chairman of the audit committee), Mr. Lau Shun Chuen and Mr. Chung Yuk Ming.

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018 have been reviewed by the audit committee and the audit committee is of the view that the interim report for the six months ended 30 June 2018 has been prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of both the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.yantat.com). An interim report of the Company for the six months ended 30 June 2018 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the aforementioned websites in due course.

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

Hong Kong, 28 August 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.