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 2019

	Six months ended 30 June 2019 ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2018 *HK$'000* (Unaudited)	Change *(%)*
Results			
Revenue	**326,279**	376,044	(13.2)
Profit before tax	**21,228**	34,209	(37.9)
Profit attributable to owners of the Company	**16,549**	29,495	(43.9)
Basic and diluted earnings per share (expressed in HK cents per share)	**6.9**	12.3	(43.9)

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 2019, together with the comparative figures for the corresponding period in 2018.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	**Six months ended 30 June 2019** *HK$'000* **(Unaudited)**	Six months ended 30 June 2018 *HK$'000* (Unaudited)
REVENUE	*4*	**326,279**	376,044
Cost of sales		**(253,371)**	(291,847)
Gross profit		**72,908**	84,197
Other income and gains	*4*	**6,085**	5,179
Selling and distribution expenses		**(9,101)**	(10,204)
General and administrative expenses		**(44,930)**	(40,732)
Other expenses		**(15)**	(39)
Finance costs	*6*	**(3,719)**	(4,192)
PROFIT BEFORE TAX	*5*	**21,228**	34,209
Income tax expense	*7*	**(4,679)**	(4,714)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**16,549**	29,495
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic and diluted		**HK6.9 cents**	HK12.3 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June 2019 *HK$'000* **(Unaudited)**	Six months ended 30 June 2018 *HK$'000* (Unaudited)
PROFIT FOR THE PERIOD	**16,549**	29,495
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,261)**	(5,447)
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	**79**	88
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	**(1,182)**	(5,359)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	**15,367**	24,136

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Notes	**30 June 2019 *HK$'000* (Unaudited)**	31 December 2018 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**385,354**	398,676
Investment properties		**26,374**	25,850
Right-of-use assets	*2*	**6,766**	–
Prepaid land lease payments		**–**	4,599
Deposits for purchases of items of property, plant and equipment		**1,209**	616
Deposit		**296**	296
Deferred tax assets		**10,070**	11,706
Financial asset at fair value through other comprehensive income		**4,181**	4,119
Total non-current assets		**434,250**	445,862
CURRENT ASSETS			
Inventories		**53,932**	61,599
Trade and bills receivables	*9*	**217,679**	255,704
Prepayments, deposits and other receivables		**8,307**	8,473
Pledged deposits and restricted cash		**33,689**	31,621
Cash and cash equivalents		**117,859**	135,876
Total current assets		**431,466**	493,273
CURRENT LIABILITIES			
Trade and bills payables	*10*	**109,079**	124,973
Other payables and accruals		**70,246**	75,249
Interest-bearing bank borrowings		**122,388**	178,539
Finance lease payables		**–**	436
Lease liabilities	*2*	**2,102**	–
Tax payable		**13,804**	17,319
Total current liabilities		**317,619**	396,516
NET CURRENT ASSETS		**113,847**	96,757
TOTAL ASSETS LESS CURRENT LIABILITIES		**548,097**	542,619

	Notes	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		**548,097**	542,619
NON-CURRENT LIABILITIES			
Finance lease payables		**–**	563
Lease liabilities	*2*	**785**	–
Deferred tax liabilities		**21,576**	20,549
Deferred income		**13,134**	9,854
Total non-current liabilities		**35,495**	30,966
Net assets		**512,602**	511,653
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**2,400**	2,400
Reserves		**510,202**	509,253
Total equity		**512,602**	511,653

NOTES

30 June 2019

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 2018, 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 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Other than as further explained below regarding the impact of HKFRS 16 *Leases*, 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 16 are as follows:

HKFRS 16 *Leases*

HKFRS 16 replaces HKAS 17 *Leases* ("HKAS 17"), HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* ("HK (IFRIC)-Int 4"), HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

<u>New definition of a lease</u>

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices.

<u>As a lessee — Leases previously classified as operating leases</u>

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various properties and a vehicle. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases.

2. **BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

HKFRS 16 *Leases* (continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate when the Group applied the incremental borrowing rate at 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This included HK$4.8 million recognised previously as prepaid land lease payments on 31 December 2018 that were reclassified as right-of-use assets.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *HK$'000* (Unaudited)
Assets	
Increase in right-of-use assets	7,868
Decrease in property, plant and equipment	(117)
Decrease in prepaid land lease payments	(4,840)
Increase in total assets	2,911
Liabilities	
Increase in lease liabilities	3,928
Decrease in finance lease payable	(999)
Increase in total liabilities	2,929
Decrease in retained profits	18

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	Increase/ (decrease) *HK$'000* (Unaudited)
Operating lease commitments as at 31 December 2018	3,056
Weighted average incremental borrowing rate as at 1 January 2019	5.12%
Discounted operating lease commitments as at 1 January 2019	2,929
Add: Commitments relating to leases previously classified as finance leases	999
Lease liabilities as at 1 January 2019	3,928

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

HKFRS 16 *Leases* (continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments).

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets *HK$'000* (Unaudited)	**Lease liabilities** *HK$'000* (Unaudited)
As at 1 January 2019	7,868	3,928
Depreciation charges	(1,085)	–
Interest expenses	–	76
Payments	–	(1,117)
Exchange realignment	(17)	–
As at 30 June 2019	6,766	2,887

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 2019	Six months ended 30 June 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Mainland China	**134,107**	157,015
Europe	**80,953**	83,293
Hong Kong	**8,374**	9,671
North America	**16,403**	31,642
Asia (except Mainland China and Hong Kong)	**79,514**	81,143
Africa	**6,901**	13,220
Oceania	**27**	57
South America	**–**	3
	326,279	376,044

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

(b) Non-current assets

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Hong Kong	**3,418**	1,717
Mainland China	**416,581**	428,320
	419,999	430,037

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 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 2019 *HK$'000* **(Unaudited)**	Six months ended 30 June 2018 *HK$'000* (Unaudited)
Customer A	**104,840**	112,925
Customer B	**39,698**	54,993
	144,538	167,918

4. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June 2019 *HK$'000* **(Unaudited)**	Six months ended 30 June 2018 *HK$'000* (Unaudited)
Revenue from contracts with customers		
Sale of goods	**326,279**	376,044
Other income		
Bank interest income	**282**	161
Rental income	**106**	134
Government grants	**4,035**	1,050
	4,423	1,345
Gains		
Fair value gains on investment properties	**636**	1,578
Gain on disposal of items of property, plant and equipment	**–**	310
Sales of scraps	**1,026**	806
Foreign exchange gains, net	**–**	1,140
	1,662	3,834
	6,085	5,179

5. PROFIT BEFORE TAX

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

	Six months ended 30 June 2019 *HK$'000* **(Unaudited)**	Six months ended 30 June 2018 *HK$'000* (Unaudited)
Cost of inventories sold	**253,371**	291,847
Depreciation of property, plant and equipment	**12,831**	14,674
Depreciation of right-of-use assets	**1,085**	–
Amortisation of land lease payments	**–**	129
Reversal of write-down of inventories to net realisable value^	**(133)**	(415)
Impairment of trade and bills receivables	**1,178**	–
Write-off of trade receivables	**–**	104
Gain on disposal of items of property, plant and equipment	**–**	(310)
Fair value gains on investment properties	**(636)**	(1,578)
Foreign exchange differences, net	**581**	(1,140)

^ Reversal of write-down of inventories to net realisable 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 2019 *HK$'000* **(Unaudited)**	Six months ended 30 June 2018 *HK$'000* (Unaudited)
Interest on:		
Bank loans and trust receipt loans	**3,643**	4,042
Finance leases	**–**	150
Lease liabilities	**76**	–
	3,719	4,192

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (period ended 30 June 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. 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 People's Republic of China (the "PRC") laws and regulations. Land appreciation tax has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

All subsidiaries of the Group established in the PRC are subject to PRC corporate income tax at a standard rate of 25% (period ended 30 June 2018: 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 2018: 15%) has been applied during the period.

	Six months ended 30 June 2019 *HK$'000* **(Unaudited)**	Six months ended 30 June 2018 *HK$'000* (Unaudited)
Current — Hong Kong		
Charge for the period	**89**	278
Current — Mainland China		
Charge for the period	**2,784**	4,165
Overprovision in prior years	**(871)**	(776)
Deferred	**2,677**	1,047
Total tax charge for the period	**4,679**	4,714

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 2019 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$16,549,000 (six months ended 30 June 2018: HK$29,495,000) and the weighted average number of ordinary shares of the Company of 240,000,000 (six months ended 30 June 2018: 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 2019 and 2018 as the Group had no potentially dilutive ordinary shares in issue during these periods.

9. TRADE AND BILLS RECEIVABLES

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**202,061**	222,699
Bills receivable	**20,622**	36,844
	222,683	259,543
Impairment	**(5,004)**	(3,839)
	217,679	255,704

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. In view of the aforementioned and the fact that the Group's trade and bills receivables related to a large amount of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills 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 loss allowance, is as follows:

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one month	**92,257**	95,114
One to two months	**54,914**	76,157
Two to three months	**39,808**	56,923
Over three months	**30,700**	27,510
	217,679	255,704

10. TRADE AND BILLS PAYABLES

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**107,318**	122,100
Bills payable	**1,761**	2,873
	109,079	124,973

10. TRADE AND BILLS PAYABLES (continued)

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 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within three months	**86,122**	108,442
Three to six months	**20,281**	15,734
Over six months	**2,676**	797
	109,079	124,973

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 2019 (six months ended 30 June 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Development

The Group is an original equipment manufacturer ("OEM") provider of printed circuit board ("PCB") 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 realised 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, optimising 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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Turnover	**326,279**	376,044
Gross profit	**72,908**	84,197
Earnings before interest, taxes, depreciation and amortisation ("EBITDA")	**38,581**	53,043
Net profit	**16,549**	29,495

The Group's turnover for the six months ended 30 June 2019 was approximately HK$326.3 million, representing a decrease of approximately 13.2% as compared to approximately HK$376.0 million for the last corresponding period, which was primarily attributable to the instability of global economy, resulting in a decrease in sales orders and a reduction in the sales price.

The Group's gross profit margin for the six months ended 30 June 2019 was approximately 22.3%, representing a decrease of approximately 0.1% over the gross profit margin of the last corresponding period of approximately 22.4%.

The Group's total operating expenses for the six months ended 30 June 2019 were approximately HK$54.0 million, representing an increase of approximately 6.1% over the last corresponding period, mainly due to increase in general and administrative expenses.

The Group's EBITDA amounted to approximately HK$38.6 million for the six months ended 30 June 2019 as compared to approximately HK$53.0 million for the last corresponding period.

The Group recorded a net profit attributable to owners of the Company of approximately HK$16.5 million for the six months ended 30 June 2019 as compared to approximately HK$29.5 million for the last corresponding period.

Other income and gains

Other income and gains increased by approximately HK$0.9 million or 17.3%, to approximately HK$6.1 million for the six months ended 30 June 2019 from approximately HK$5.2 million for the six months ended 30 June 2018, primarily due to the net effect of (1) the increase in government grants of approximately HK$3.0 million, (2) the decrease in net foreign exchange gains of approximately HK$1.1 million, and (3) the decrease in fair value gains on investment properties of approximately HK$0.9 million.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately HK$1.1 million or 10.8%, to approximately HK$9.1 million for the six months ended 30 June 2019 from approximately HK$10.2 million for the six months ended 30 June 2018. The decrease was primarily due to the decrease in transportation cost.

General and administrative expenses

General and administrative expenses increased by approximately HK$4.2 million, or 10.3%, to approximately HK$44.9 million for the six months ended 30 June 2019 from approximately HK$40.7 million for the six months ended 30 June 2018. The increase was mainly due to the increase in consultant expense.

Other expenses

Other expenses for the six months ended 30 June 2019 were approximately HK$0.02 million, similar to the amount of approximately HK$0.04 million for the last corresponding period.

Finance costs

Finance costs decreased by approximately HK$0.5 million, or 11.9%, to approximately HK$3.7 million for the six months ended 30 June 2019 from approximately HK$4.2 million for the six months ended 30 June 2018, primarily due to the decrease in bank loans interest resulting from the decrease in bank borrowings 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$16.5 million for the six months ended 30 June 2019 as compared to approximately HK$29.5 million for the six months ended 30 June 2018, representing a decrease of approximately 44.1%. The decrease of profit attributable to owners of the Company was mainly due to the decrease in gross profit of approximately HK$11.3 million.

Property, plant and equipment

The net carrying amount as at 30 June 2019 was approximately HK$385.4 million, representing a decrease of approximately HK$13.3 million from the net carrying amount of approximately HK$398.7 million as at 31 December 2018. This was mainly due to depreciation of approximately HK$12.8 million for the Group's property, plant and equipment in the current period.

Trade and bills receivables

There was a decrease in trade and bills receivables as at 30 June 2019 of approximately HK$38.0 million as compared to 31 December 2018 which was mainly due to the decrease in sales in the second quarter of 2019 as compared to the fourth quarter of 2018.

Bank and other borrowings

The Group had bank and other borrowings as at 30 June 2019 in the sum of approximately HK$123.2 million, representing a decrease by approximately HK$56.3 million from the sum of approximately HK$179.5 million as at 31 December 2018. 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 2019, the Group had total current assets of approximately HK$431.5 million (31 December 2018: HK$493.3 million) including cash and cash equivalents, pledged deposits and restricted cash totalling approximately HK$151.5 million (31 December 2018: HK$167.5 million). As at 30 June 2019, the Group had total current liabilities amounted to approximately HK$317.6 million (31 December 2018: HK$396.5 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 1.4 as at 30 June 2019 (31 December 2018: 1.2).

Gearing ratio

The gearing ratio of the Group, calculated as total borrowings over total equity, was approximately 0.2 as at 30 June 2019 (31 December 2018: 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 of directors 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 currency risk exposure

As at 30 June 2019, 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 2019, 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 2019 and the full year of 2018. The capital of the Company comprises ordinary shares and capital reserves.

Capital commitments

As at 30 June 2019, capital commitments of the Group amounted to approximately HK$2.0 million (31 December 2018: HK$1.6 million).

Information on employees

As at 30 June 2019, the Group had 1,002 (31 December 2018: 986) 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 (the "Share Option Scheme") 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 2019, 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 2019, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Charges of assets

As at 30 June 2019, 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$188.7 million (31 December 2018: HK$192.1 million).

(ii) the Group's leasehold lands situated in Mainland China which are classified as right-of-use assets (31 December 2018: prepaid land lease payments) with an aggregate carrying amount of approximately HK$4.7 million (31 December 2018: HK$4.8 million).

(iii) pledged deposits with banks amounting to approximately HK$33.7 million (31 December 2018: HK$31.1 million).

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2019 (31 December 2018: Nil).

PROSPECTS

The continuance of US-China trade war and Trump's 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 last year, the negative impacts during this 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 reversed 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 PERIOD

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 2019, 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, 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 2019.

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.

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 2019.

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 2019 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 2019 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 2019 (six months ended 30 June 2018: 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 2019 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, 27 August 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.