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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 2016

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 2016 together with the comparative figures for the last year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*Year ended 31 December 2016*

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	4	591,407	638,930
Cost of sales		<u>(471,514)</u>	<u>(494,810)</u>
Gross profit		119,893	144,120
Other income and gains	4	12,050	7,972
Selling and distribution expenses		(20,492)	(25,329)
General and administrative expenses		(72,120)	(72,467)
Other expenses		(1,369)	(612)
Finance costs	6	<u>(7,549)</u>	<u>(3,960)</u>
Profit before tax	5	30,413	49,724
Income tax expense	7	<u>(7,030)</u>	<u>(7,311)</u>
Profit for the year Attributable to owners of the Company		<u>23,383</u>	<u>42,413</u>
Earnings per share attributable to ordinary equity holders of the Company	9		
Basic and diluted		<u>HK9.7 cents</u>	<u>HK17.7 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 December 2016*

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>23,383</u>	<u>42,413</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Change in fair value of an available-for-sale investment	179	426
Exchange differences on translation of foreign operations	<u>(30,517)</u>	<u>(20,714)</u>
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(30,338)	(20,288)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	–	647
Income tax effect	<u>–</u>	<u>(162)</u>
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	–	485
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(30,338)</u>	<u>(19,803)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(6,955)</u>	<u>22,610</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		396,525	410,165
Investment properties		19,351	5,966
Prepaid land lease payments		4,976	5,562
Deposits for purchases of items of property, plant and equipment		8,545	28,283
Deposits		2,169	7,809
Deferred tax assets		7,947	7,651
Available-for-sale investment		3,773	1,697
Loan to an investee		–	2,148
		<hr/>	<hr/>
Total non-current assets		443,286	469,281
CURRENT ASSETS			
Inventories		54,198	44,952
Trade and bills receivables	<i>10</i>	207,232	208,798
Prepayments, deposits and other receivables		6,236	16,175
Tax recoverable		1,089	760
Pledged deposits and restricted cash		34,930	23,322
Cash and bank balances		83,017	100,293
		<hr/>	<hr/>
Total current assets		386,702	394,300
CURRENT LIABILITIES			
Trade and bills payables	<i>11</i>	108,308	113,611
Other payables and accruals		55,145	93,634
Interest-bearing bank borrowings		202,273	163,277
Finance lease payables		5,826	5,470
Tax payable		10,777	12,390
		<hr/>	<hr/>
Total current liabilities		382,329	388,382
		<hr/>	<hr/>
NET CURRENT ASSETS		4,373	5,918
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		447,659	475,199
		<hr/>	<hr/>

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	8,108	25,655
Finance lease payables	7,222	11,899
Deferred tax liabilities	3,495	342
Other payable	–	2,624
Deferred income	7,005	5,895
	<hr/>	<hr/>
Total non-current liabilities	25,830	46,415
	<hr/>	<hr/>
Net assets	421,829	428,784
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	2,400	2,400
Reserves	419,429	426,384
	<hr/>	<hr/>
Total equity	421,829	428,784
	<hr/> <hr/>	<hr/> <hr/>

NOTES

31 December 2016

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 were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 December 2014. In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Million Pearl Holdings Ltd. which was incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 HKFRS 14	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements</i> <i>2012–2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above new and revised standards has had no significant financial effect on the consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the consolidated financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions²</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts²</i>
HKFRS 9	<i>Financial Instruments²</i>
Amendments to HKFRS 10 HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
HKFRS 15	<i>Revenue from Contracts with Customers²</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers²</i>
HKFRS 16	<i>Leases³</i>
Amendments to HKAS 7	<i>Disclosure Initiative¹</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses¹</i>

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's financial performance and financial position.

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

	2016	2015
	HK\$'000	HK\$'000
Mainland China	260,542	292,191
Europe	168,366	160,778
Hong Kong	27,717	43,302
North America	57,590	69,002
Asia (except Mainland China and Hong Kong)	64,434	50,965
Africa	12,186	21,590
Oceania	572	1,102
	591,407	638,930

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

(b) **Non-current assets**

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	2,594	3,810
Mainland China	428,972	456,123
	431,566	459,933

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

Information about major customers

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer A	175,615	176,158
Customer B	73,451	80,195
	249,066	256,353

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue		
Sale of goods	591,407	638,930
Other income		
Bank interest income	272	397
Rental income	295	222
Government grants [^]	2,205	4,414
Others	120	379
	2,892	5,412
Gains		
Fair value gains on investment properties	8,727	631
Gain on disposal of items of property, plant and equipment	–	78
Sales of scraps	431	591
Foreign exchange gains, net	–	1,260
	9,158	2,560
	12,050	7,972

[^] 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):

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cost of inventories sold [^]	471,514	494,810
Minimum lease payments under operating leases	2,147	1,673
Auditors' remuneration	1,842	1,979
Depreciation	29,120	18,051
Amortisation of land lease payments	246	263
Employee benefit expense [@] (including directors' remuneration):		
Wages, salaries, allowances, bonuses, commission and benefits in kind	93,191	96,429
Pension scheme contributions (defined contribution schemes)	245	200
Other employee benefits	6,631	4,299
	100,067	100,928
Research and development costs ^{##}	10,896	11,643
Write-off of items of property, plant and equipment	69	438
Write-off of deposits paid for purchase of items of property, plant and equipment	1,064	–
Write-down/(reversal of write-down) of inventories to net realisable value [^]	(2,390)	1,331
Fair value gains on investment properties	(8,727)	(631)
Reversal of impairment of trade receivables	–	(2,882)
Gain on disposal of items of property, plant and equipment [*]	–	(78)
Foreign exchange differences, net [*]	598	(1,260)

* 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".

^ Write-down/(reversal of write-down) of inventories is included in "Cost of inventories sold".

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

6. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on:		
Bank loans and trust receipt loans	7,195	6,417
Finance leases	652	68
	7,847	6,485
Less: Interest capitalised*	(298)	(2,525)
	7,549	3,960

* The borrowing costs had been capitalised at the rate of 6.54% (2015: 6.54% to 7.36%) per annum for the year.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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% (2015: 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% (2015: 15%) has been applied for the year.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	46	293
Overprovision in prior years	(21)	(27)
Current — Mainland China		
Charge for the year	4,630	5,281
Underprovision/(overprovision) in prior years	(144)	1,459
Deferred	2,519	305
Total tax charge for the year	7,030	7,311

8. DIVIDEND

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interim — Nil (2015: HK5 cents) per ordinary share	<u>—</u>	<u>12,000</u>

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016.

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\$23,383,000 (2015: HK\$42,413,000) and the weighted average number of ordinary shares of 240,000,000 (2015: 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 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

10. TRADE AND BILLS RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	176,943	187,529
Impairment	(2,880)	(3,074)
	<u>174,063</u>	<u>184,455</u>
Bills receivable	33,169	24,343
	<u>207,232</u>	<u>208,798</u>

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 aged 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one month	92,389	93,404
One to two months	50,366	52,867
Two to three months	46,497	39,390
Over three months	17,980	23,137
	<u>207,232</u>	<u>208,798</u>

11. TRADE AND BILLS PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	97,952	103,168
Bills payable	10,356	10,443
	<u>108,308</u>	<u>113,611</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within three months	94,437	92,172
Three to six months	12,077	20,319
Over six months	1,794	1,120
	<u>108,308</u>	<u>113,611</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

2016 witnessed the stagnation for global trade, weak investments and increased uncertainties in government policies, resulting in an estimated global growth in 2016 of approximately 3.1%[#]. Looking forward to 2017, the global economy will be rattled by a wide range of questions, particularly the progress of Brexit, protectionism from Donald Trump, the President of the United States of America, and Europe's "super election year". Sluggish global growth rate is expected to continue, probably register a marginal increase of approximately 3.4%[#] as compared to last year.

Despite various internal challenges, the economic growth of the PRC far exceeded the global level. According to the data from the International Monetary Fund (IMF), the economic growth of the PRC in 2016 returned to top spot in the world at 6.7%, 0.1% higher than India, the previous leader. The PRC will also remain the biggest driver of global economic growth in 2017.

Printed circuit board ("PCB(s)") is a basic component necessary for electronic products, known as the "mother of the electronic industry". As the global electronics industry is fundamentally correlated to the global economy and the level of demand is generally lower according to the data from Industrial Technology Research Institute, it is expected that the global value output of PCBs will increase slightly by 1.2% from approximately US\$59.31 billion in 2015 to approximately US\$60.03 billion in 2016.

One of the major drivers of the global PCB market is the demand for 3C products, being communications, computer and consumer electronics products. Regarding communications products, the industry is dominated by handsets and infrastructure related to applications of 4G and 5G communications. Given the fierce competitions in the 3C application market and its susceptibility to fluctuation in market sentiment, many factories have increased the portion of non-3C market applications.

Automobile circuit products have been an outstanding non-3C market application of PCBs in 2016. PCBs are commonly found in engine, control, safety, information and internal environment system. Recently, rapid development of new energy cars has also created great development opportunities of PCBs in the car batteries and charging system sectors.

According to the data from Industrial Technology Research Institute, the output value of PCBs in the PRC is estimated to be accounted for approximately 48.2% of the global market share, amounting to approximately US\$28.91 billion in 2016. In recent years, raw material and labour costs have been on the rise, and laws and environmental regulations are increasingly stringent, resulting in operation difficulties for factories in the PRC. Nevertheless, depreciation of Renminbi somewhat relieved the pressure. Despite its eroding advantage in production, the PRC will remain an indispensable global production base in the near future.

[#] According to the data from the International Monetary Fund

Industry 4.0 or Made in China 2025 centres on customised mass production and intelligent production which satisfy customers' specific requirements. It is a ground-breaking development for the PCB industry. It is rather complicated to satisfy customers' diverse needs while allocate proper resources to achieve efficient production. Enterprises will be encouraged to implement informatized and automated means of production, leading to improvements in cost and quality control.

The global PCB industry is witnessing changes in its development momentum, oversupply and fierce market competitions. The advantage of low labour costs traditionally enjoyed by manufacturers in the PRC is gradually fading, which forced manufacturers in the PRC to make greater strides in informatization and automation and adhere to the principle of Made in China 2025 in the future.

Business Review and Development

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

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

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

Over the past 27 years of our operation, the Group has established a solid foundation and close relationship with our customers. The Group provided direct and indirect services to OEM customers across Asia, North America, Europe, Africa and Oceania, who are engaged in various industries with many of them running in a multinational model. Certain of our major OEM customers are leading players in their markets. The Group supplied PCB products directly to a number of leading electronic manufacturing service providers, in order to assemble finished goods of OEM for the Group's indirect OEM customers. To date, the Group has built up long-term relationship with major customers, and some of them have been working with us for over a decade. The Company believed that these customers also considered the Group as their important partner for their supply chain. Therefore, our profound and long-term relationship with customers will enable the Group to know the trend of customers' demand more quickly.

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

The commissioning of the new production facility of the Group has significantly boosted equipment precision and automation level. Upon several rounds of fine-tuning and optimisation, we are capable of handling extra orders for more advanced products. Despite a disappointing global economy leading to decrease in order and turnover for the year, we are confident that the difficulty will fade and we will be well-equipped to capitalise on the rebound.

As operation of the Group's new production facilities and equipment commences, the annual depreciation costs and relevant fixed costs increased significantly this year and in the future, the gross profit margin of the Group may be reduced. However, the management of the Group is confident that the gross profit margin will be restored to a healthy level through economy of scale when customer orders and production capacity gradually increase.

The Group has been concentrating on its PCB business for over 27 years, accumulating experience and network throughout the years, which allows the Group to make further development into the PCB market and put existing hardware and software into efficient use for the future. In the course of its principal PCB business, the Group will also consider opportunities to maximize shareholders' benefits from time to time.

Financial Review

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Turnover	591,407	638,930
Gross profit	119,893	144,120
Earnings before interest, taxes, depreciation and amortisation ("EBITDA")	67,056	71,601
Net profit	23,383	42,413

The Group's turnover for the year of 2016 was approximately HK\$591.4 million, representing a decrease of approximately 7.4% compared to that of the last year, primarily due to the slowdown in global economy causing decrease in sales orders which negatively affects the sales amount of the Group.

The Group's gross profit for the year of 2016 was approximately HK\$119.9 million, representing a decrease of approximately 16.8% compared to that of the last year. Gross profit margin decreased by approximately 2.3% to 20.3% from 22.6%, primarily due to the significant increase in depreciation cost and operation cost for the new production facilities and equipment.

The Group's total operating expenses for the year of 2016 were approximately HK\$92.6 million, representing a decrease of approximately 5.3% compared to approximately HK\$97.8 million for the last year, primarily due to decrease in commission and transportation expenses.

The Group's EBITDA amounted to approximately HK\$67.1 million for the year of 2016 as compared to approximately HK\$71.6 million for the last year.

The Group recorded a profit attributable to ordinary equity holders of the Company of approximately HK\$23.4 million for the year of 2016 as compared to approximately HK\$42.4 million for the last year.

Other income and gains

Our other income and gains increased by approximately HK\$4.1 million, or 51.3%, to approximately HK\$12.1 million for the year ended 31 December 2016 from approximately HK\$8.0 million for the year ended 31 December 2015, primarily due to the fair value gains on investment properties of approximately HK\$8.7 million and the decrease in government grants of approximately HK\$2.2 million in 2016.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately HK\$4.8 million, or 19.0%, to approximately HK\$20.5 million for the year ended 31 December 2016 from approximately HK\$25.3 million for the year ended 31 December 2015. The decrease was primarily due to decrease in commission and transportation expenses.

General and administrative expenses

Our general and administrative expenses slightly decreased by approximately HK\$0.4 million, or 0.6%, to approximately HK\$72.1 million for the year ended 31 December 2016 from approximately HK\$72.5 million for the year ended 31 December 2015. The decrease was primarily due to decrease in legal and professional fees and reversal of impairment of trade receivables.

Other expenses

Our other expenses increased by approximately HK\$0.8 million, or 133.3%, to approximately HK\$1.4 million for the year ended 31 December 2016 from approximately HK\$0.6 million for the year ended 31 December 2015.

Finance costs

Our finance costs increased by approximately HK\$3.5 million, or 87.5%, to approximately HK\$7.5 million for the year ended 31 December 2016 from approximately HK\$4.0 million for the year ended 31 December 2015. The increase was primarily due to an interest of approximately HK\$2.5 million being capitalised for the year ended 31 December 2015.

Profit attributable to ordinary equity holders of the Company

The Group recorded a profit attributable to ordinary equity holders of the Company of approximately HK\$23.4 million for the year ended 31 December 2016 compared to approximately HK\$42.4 million for the year ended 31 December 2015, representing a decrease of approximately 44.8%. The decrease of profit attributable to ordinary equity holders of the Company was mainly due to the decrease in gross profit of approximately HK\$24.2 million.

Property, plant and equipment

The net carrying amount as at 31 December 2016 was approximately HK\$396.5 million, representing a decrease of approximately HK\$13.6 million from that of 31 December 2015. This was mainly due to the increase in accumulated depreciation of approximately HK\$17.3 million.

Trade and bills receivables

There was a decrease in trade and bills receivables as at 31 December 2016 of approximately HK\$1.6 million as compared to that of 31 December 2015, which was mainly due to the net effect of the corresponding decrease of trade receivables resulting from the drop in sales and increase of bills receivable of longer payment terms.

Trade and bills payables

There was a decrease in trade and bills payables as at 31 December 2016 of approximately HK\$5.3 million as compared to that of 31 December 2015, which was mainly due to the decrease of trade payables caused by the drop in sales as well as purchases.

Bank and other borrowings

The Group had bank and other borrowings as at 31 December 2016 in the sum of approximately HK\$223.4 million, which were increased by approximately HK\$17.1 million from the sum of approximately HK\$206.3 million as at 31 December 2015. The main reason for the increase in borrowings was to finance the internal decoration for the new factory and the purchase of new equipment. 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 2016, the Group had current assets of approximately HK\$386.7 million (2015: HK\$394.3 million) including cash and bank balances, pledged deposits and restricted cash totalling of approximately HK\$117.9 million (2015: HK\$123.6 million). As at 31 December 2016, the Group had non-current liabilities of approximately HK\$25.8 million (2015: HK\$46.4 million), and its current liabilities amounted to approximately HK\$382.3 million (2015: HK\$388.4 million), consisting mainly of payables arising in the normal course of operations and bank borrowings for financing of new production facilities. Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 1.0 as at 31 December 2016 (2015: 1.0).

Gearing ratio

The gearing ratio of the Group, calculated as total borrowings over total equity, was approximately 0.5 as at 31 December 2016 (2015: approximately 0.5).

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year of 2016. 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 2016, we had cash and bank balances, 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 amount denominated in foreign currencies as at the reporting date. During the year ended 31 December 2016, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its foreign currency exposure.

Capital commitments

As at 31 December 2016, capital commitments of the Group amounted to approximately HK\$9.7 million (2015: HK\$23.9 million).

Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

Information on employees

As at 31 December 2016, the Group had 936 employees (2015: 1,124 employees), including the executive Directors. Total employee benefit expense (including Directors' remuneration) was approximately HK\$100.1 million, as compared to approximately HK\$100.9 million for the year ended 31 December 2015. Remuneration is determined with reference to market norms and individual employee's performance, qualification and experience.

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

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

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

Significant investments held

Except for an available-for-sale investment as at 31 December 2016, 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 the prospectus of the Company dated 26 November 2014, currently the Group does not have other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the year ended 31 December 2016, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Charges of assets

As at 31 December 2016, 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\$183.2 million (2015: HK\$242.3 million).
- (ii) the Group's leasehold lands situated in Mainland China, which are classified as prepaid land lease payments with a carrying amount of approximately HK\$5.2 million (2015: HK\$5.8 million).
- (iii) pledged deposits with banks amounting to approximately HK\$34.4 million (2015: HK\$21.1 million).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2016 (2015: 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.

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 Wednesday, 24 May 2017, the register of members will be closed from Friday, 19 May 2017 to Wednesday, 24 May 2017, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 18 May 2017.

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 2016 and up to the date of this results announcement, the Company had complied with the code provisions ("**Code Provision**") set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Listing Rules**"), except Code Provision A.2.1 as more particularly described below.

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings of the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions by Directors during the year ended 31 December 2016.

REVIEW OF FINANCIAL INFORMATION

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 external auditor of the Company, Ernst & Young, and reviewed the Group’s annual results for the year ended 31 December 2016. The audit committee opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

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 2016 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, 24 March 2017

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