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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 2020**

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 2020 together with the comparative figures for the last year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*Year ended 31 December 2020*

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	4	587,133	650,408
Cost of sales		<u>(450,602)</u>	<u>(502,018)</u>
Gross profit		136,531	148,390
Other income and gains	4	18,180	22,850
Selling and distribution expenses		(14,835)	(19,028)
General and administrative expenses		(80,275)	(77,968)
Other expenses		(7,241)	(113)
Finance costs	6	<u>(1,813)</u>	<u>(6,075)</u>
PROFIT BEFORE TAX	5	50,547	68,056
Income tax expense	7	<u>(11,845)</u>	<u>(12,155)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>38,702</u>	<u>55,901</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted		<u>HK16.1 cents</u>	<u>HK23.3 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 December 2020*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PROFIT FOR THE YEAR	38,702	55,901
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	33,375	(18,417)
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	(58)	133
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	33,317	(18,284)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	72,019	37,617

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		359,736	362,956
Investment properties		28,933	26,641
Right-of-use assets		7,063	6,657
Deposits		180	116
Deferred tax assets		9,875	9,166
Financial asset at fair value through other comprehensive income		4,311	4,159
Total non-current assets		410,098	409,695
CURRENT ASSETS			
Inventories		47,686	51,928
Trade and bills receivables	<i>10</i>	234,191	216,446
Prepayments, deposits and other receivables		4,679	2,760
Pledged deposits and restricted cash		31,820	31,433
Cash and cash equivalents		244,688	129,434
Assets classified as held for sale		563,064	432,001
		–	5,454
Total current assets		563,064	437,455
CURRENT LIABILITIES			
Trade and bills payables	<i>11</i>	122,786	109,492
Other payables and accruals		61,758	65,220
Interest-bearing bank borrowings		5,548	84,236
Lease liabilities		1,580	1,623
Tax payable		18,814	15,959
Liabilities directly associated with assets classified as held for sale		210,486	276,530
		–	117
Total current liabilities		210,486	276,647
NET CURRENT ASSETS		352,578	160,808
TOTAL ASSETS LESS CURRENT LIABILITIES		762,676	570,503

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		762,676	570,503
NON-CURRENT LIABILITIES			
Lease liabilities		965	567
Deposit received	<i>12</i>	118,820	–
Deferred tax liabilities		22,051	22,998
Deferred income		13,969	12,086
Total non-current liabilities		155,805	35,651
Net assets		606,871	534,852
EQUITY			
Equity attributable to owners of the Company			
Issued capital		2,400	2,400
Reserves		604,471	532,452
Total equity		606,871	534,852

NOTES

31 December 2020

1. CORPORATE AND GROUP INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any significant impact on the financial position and performance of the Group.
- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

The Group focuses primarily on the manufacture and sale 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Mainland China	233,311	273,300
Europe	136,693	158,440
Hong Kong	7,809	13,618
North America	34,735	34,848
Asia (except Mainland China and Hong Kong)	165,242	156,337
Africa	9,281	13,754
Oceania	57	106
South America	5	5
	<u>587,133</u>	<u>650,408</u>

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

(b) Non-current assets

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	3,140	3,072
Mainland China	392,772	393,298
	<u>395,912</u>	<u>396,370</u>

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.

Information about major customers

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	183,785	227,074
Customer B	91,824	83,779
	<u>275,609</u>	<u>310,853</u>

4. REVENUE, OTHER INCOME AND GAINS

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers		
Sale of goods	<u>587,133</u>	<u>650,408</u>
Other income		
Bank interest income	1,483	598
Rental income	539	312
Government grants [^]	12,395	9,058
Others	<u>1</u>	<u>4</u>
	<u>14,418</u>	<u>9,972</u>
Gains		
Fair value gains on investment properties	540	1,387
Gains on disposal of items of property, plant and equipment	–	306
Sales of scraps	3,222	2,290
Foreign exchange gain, net	–	3,548
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	–	5,333
Others	<u>–</u>	<u>14</u>
	<u>3,762</u>	<u>12,878</u>
	<u>18,180</u>	<u>22,850</u>

[^] The government grants recognised during the year mainly represented grants received from certain government authorities of 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):

	2020	2019
	HK\$'000	HK\$'000
Cost of inventories sold [@]	450,602	502,018
Auditor's remuneration	2,086	2,084
Depreciation of property, plant and equipment	29,835	27,993
Depreciation of right-of-use assets	1,929	2,048
Employee benefit expense [@] (including directors' and chief executive's remuneration):		
Wages, salaries, allowances, bonuses, commission and benefits in kind	78,489	94,221
Pension scheme contributions (defined contribution schemes)	234	215
Other employee benefits	1,238	8,654
	79,961	103,090
Research and development costs ^{##}	9,170	7,752
Write-off of items of property, plant and equipment	4,048	58
Reversal of write-down of inventories to net realisable value [^]	(881)	(408)
Fair value gains on investment properties	(540)	(1,387)
Impairment/(reversal of impairment) of trade and bills receivables	21	(211)
Impairment of other receivables [*]	–	27
Loss/(gain) on disposal of items of property, plant and equipment [#]	3,132	(306)
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary [*]	–	(5,333)
Foreign exchange differences, net [*]	5,906	(3,548)

* 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.

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

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

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

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

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on:		
Bank loans and trust receipt loans	1,656	5,944
Lease liabilities	157	131
	<u>1,813</u>	<u>6,075</u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%). 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.

All subsidiaries of the Group established in the PRC are subject to PRC corporate income tax at a standard rate of 25% (2019: 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% (2019: 15%) has been applied for the year.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	2,187	1,050
Underprovision/(overprovision) in prior years	839	(40)
Current — Mainland China		
Charge for the year	6,061	7,064
Overprovision in prior years	(364)	(857)
Deferred	<u>3,122</u>	<u>4,938</u>
Total tax charge for the year	<u>11,845</u>	<u>12,155</u>

8. DIVIDEND

The Board recommended to declare a final dividend of HK6.0 cents (2019: Nil) per ordinary share, equivalent to a total amount of HK\$14,400,000 (2019: Nil), for the year ended 31 December 2020.

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

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

The calculation of the basic earnings per share amount for the year attributable to ordinary equity holders of the Company is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$38,702,000 (2019: HK\$55,901,000) and the weighted average number of ordinary shares of 240,000,000 (2019: 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 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

10. TRADE AND BILLS RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	198,600	197,743
Bills receivable	38,929	22,260
	<u>237,529</u>	<u>220,003</u>
Impairment	(3,338)	(3,557)
	<u><u>234,191</u></u>	<u><u>216,446</u></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. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one month	118,838	84,425
One to two months	64,121	54,338
Two to three months	44,930	47,349
Over three months	6,302	30,334
	<u><u>234,191</u></u>	<u><u>216,446</u></u>

11. TRADE AND BILLS PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	122,786	109,291
Bills payable	–	201
	<u>122,786</u>	<u>109,492</u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within three months	106,985	93,403
Three to six months	14,678	14,929
Over six months	1,123	1,160
	<u>122,786</u>	<u>109,492</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.

12. DEPOSIT RECEIVED

As at 31 December 2020, deposit received represents the initial deposit received in relation to cooperation for an urban renewal project located at the production area in Pingshan District, Shenzhen, the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

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

In 2020, under the backdrop of the novel coronavirus pandemic (COVID-19) and complicated international relations, the global economy declined sharply. According to the International Monetary Fund (“IMF”), the economy contracted by about 3.5% in 2020. Since a number of novel coronavirus vaccines were approved for use in early 2021, the pandemic is expected to be alleviated gradually. However, with the possibility of the new round of pandemic and the emergence of mutant viruses, the economic development has still been adversely affected. Under the circumstances of uncertainty, IMF predicts that the global economy will grow by 5.5% and 4.2% in 2021 and 2022, respectively.

In 2019, under the effect of trade friction, decline in terminal demand and exchange rate depreciation, the output value of PCBs in the global market amounted to US\$61.3 billion. Although the novel coronavirus in 2020 has an impact on the industry, the rapid development of 5G has given the PCB industry more room for growth. The research report predicts that the output value of PCBs in the global market will amount to US\$62.5 billion in 2020 and will reach US\$79.2 billion by 2025.

The PCB industry has been long established, with its early presence mainly distributed in Europe, North America, and Japan. Due to global migration of the electronics sector, Asia takes the lead in the PCB industry development on the globe. According to the information available, the output value of PCBs in the PRC was approximately US\$32.9 billion in 2019, accounting for approximately 53.7% of the global share.

A PCB is a component necessary for electronic products. With continuous technology advancements, the demand for PCBs is steady and is expected to continue to grow. The range of application of PCBs is extensive, including communication electronics, consumer electronics, computers, automotive electronics, industrial controller, medical devices, national defense and aerospace and other fields. In recent years, driven by the demands of emerging sectors such as 5G, new energy vehicles, Internet-of-Things, big data, cloud computing, energy conservation and environmental protection, and information security, good business opportunities will be brought to the PCB market.

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

The new applications of PCBs will further drive the development of the PCB industry. The 5G deployment will significantly advance the progress of the PCB industry. In 2020, 5G PCB orders focused on base station construction. With the establishment of a complete 5G network, the next step is to accelerate the formation of the consumer 5G electronics industry chain. It is expected that prospect will emerge in the PCB market.

Although the PCB market has an encouraging prospect, it also faces numerous difficulties. As the PRC government has strengthened its efforts on environmental protection, manufacturing enterprises that fail to meet the requirements will be subject to rectification, or even replacement or suspension. As a result, compliant PCB manufacturers are required to increase investments in environmental engineering and wastewater treatment capacities, which undoubtedly adds weight on their operating costs.

The COVID-19 outbreak in early 2020, which has spread across China with worldwide infection, has caused material impact on a wide range of economic activities. The operation of PCB manufacturers is unavoidably affected. Although a number of vaccines have been approved for use worldwide in 2021, their effectiveness has yet to be evaluated, and the seriousness of the negative impact in the future will depend on the development of the pandemic.

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

The labor costs in China have been on the rise over the past decade, as corporate expenditure rises due to full implementation of policies on social security and public housing fund. A phenomenon of “recruitment difficulty, labor shortage” often appears in the developed coastal areas, in which case, recruitment of frontline employees, particularly seasoned technicians, becomes increasingly difficult. As a result, many domestic PCB enterprises gradually relocate their production bases to inland provinces and cities, or comprehensive reform to accelerate the process of production automation and intellectualization to reduce the dependence on manpower and ensure the stability of quality.

The price increase of raw materials is a problem that PCB manufacturers have generally faced since the second half of 2020. The reason behind is the continuous impact of the novel coronavirus pandemic on production capacity and freight. The contradiction between the supply and demand of upstream raw materials such as copper foil, resin and aluminum sheet was prominent. Its price began to rise sharply in mid 2020, which forced PCB material manufacturers to decide to adjust product prices due to cost pressure, which would then be passed down to PCB manufacturers. There would be even tight supply of raw materials, and the situation of shortages and price increase in raw materials will continue for a period of time in 2021.

Business Review and Development

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

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

Our continuous diversification of product mix and market coverage allow 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 our revenue generated from this section is correspondingly higher.

Over the past 31 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 high production cost continues to affect the PCB industry in 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 increase the capital input in respect of environmental protection resulting in the set-off of part of the profits of the Group. However, viewing from another perspective, manufacturers failing to meet the required standards would be eliminated or would have to enhance their operation cost in order to comply 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 a decade before and have gradually increased. In addition, the labor supply is insufficient in the coastal areas. The Group enhanced its production automation, promoted the use and flow of production information, optionized and improved costs and quality which could eventually lead the Group to develop towards intelligent production in the future.

In 2020, the biggest challenge of the Company was the numerous problems caused by the COVID-19. The production schedule was affected under the limitation of initial lockdown policy of the Chinese government and limited movement of manpower and resources. Some customers have also delayed delivery for their orders when the pandemic spread worldwide. Fortunately, the domestic pandemic was gradually under control and production has returned to normal. Although the pandemic outside China has not yet controlled, orders have not decreased significantly.

The follow-up arrangement of the existing production base was an important issue in 2020. The Group has been concentrating on its PCB business for over 30 years, in which the accumulated experience and networks allow the Group to make further development in the PCB market. With the rapid progress of the urbanization in Shenzhen, the Shenzhen Pingshan District Government has also made strategic planning for promoting its local development. Given the increased labor costs in Shenzhen and the need to maintain competitiveness and respond to the future change in the planned use of the current production area of Yan Tat Printed Circuits (Shenzhen) Co., Ltd., after consultation with the Board and the professional advisers, the Group plans to establish another production base in the Greater Bay Area to support the long-term development of the Group. Apart from the headquarter in China and the research and development department which will remain located in Pingshan District, Shenzhen, the bulk production capacity of the Group will be relocated gradually to the new production base. The Group entered into a cooperation agreement with independent parties in relation to the urban renewal project located at the current production area in Pingshan District. At the same time, the Group will also consider opportunities to maximize shareholders’ benefits from time to time.

Financial Review

in HK\$’000	2020	2019
Turnover	587,133	650,408
Gross profit	136,531	148,390
Earnings before interest, taxes, depreciation and amortisation (“ EBITDA ”)	82,641	103,574
Net profit	38,702	55,901

The Group’s turnover for the year of 2020 was approximately HK\$587.1 million, representing a decrease of approximately 9.7% compared to that of the last year, which was primarily attributable to the decrease in sales orders and the delayed delivery for certain orders demanded by customers due to the periodic suspension in global economic activities as a result of the impact of the outbreak of COVID-19.

The Group's gross profit for the year of 2020 was approximately HK\$136.5 million, representing a decrease of approximately 8.0% compared to that of the last year, primarily due to decrease in sales and production in volume. Gross profit margin slightly increased by approximately 0.5% to 23.3% from 22.8%.

The Group's total operating expenses for the year of 2020 were approximately HK\$95.1 million, representing a decrease of approximately 2.0% compared to approximately HK\$97.0 million for the last year, primarily due to the decrease in selling and distribution expenses.

The Group's EBITDA amounted to approximately HK\$82.6 million for the year of 2020 as compared to approximately HK\$103.6 million for the last year.

The Group recorded a profit attributable to ordinary equity holders of the Company of approximately HK\$38.7 million for the year of 2020 as compared to approximately HK\$55.9 million for the last year.

Other income and gains

Other income and gains decreased by approximately HK\$4.7 million, or 20.5%, to approximately HK\$18.2 million for the year ended 31 December 2020 from approximately HK\$22.9 million for the year ended 31 December 2019, primarily due to the net effect of (1) the decrease in foreign exchange gain of approximately HK\$3.5 million, (2) the decrease in realisation of exchange fluctuation reserve upon deregistration of a subsidiary of approximately HK\$5.3 million, and (3) the increase in government grants of approximately HK\$3.3 million.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately HK\$4.2 million, or 22.1%, to approximately HK\$14.8 million for the year ended 31 December 2020 from approximately HK\$19.0 million for the year ended 31 December 2019. The decrease was primarily due to decrease in commission and transportation cost.

General and administrative expenses

General and administrative expenses increased by approximately HK\$2.3 million, or 2.9%, to approximately HK\$80.3 million for the year ended 31 December 2020 from approximately HK\$78.0 million for the year ended 31 December 2019. The increase was primarily due to the net effect of (1) the increase in foreign exchange losses of approximately HK\$5.9 million, (2) the increase in legal and professional fee of approximately HK\$5.1 million, (3) the increase in research and development costs of approximately HK\$1.4 million, (4) the decrease in consultant expense of approximately HK\$5.0 million, (5) the decrease in central pension scheme expenses of approximately HK\$2.0 million, (6) the decrease in staff welfare expense of approximately HK\$1.2 million, and (7) the decrease in traveling expenses of approximately HK\$1.7 million.

Other expenses

Loss on disposal of old machinery amounted to approximately HK\$3.1 million and write-off of old machinery amounted to approximately HK\$4.0 million were incurred during the current year. As a result, other expenses increased by approximately HK\$7.1 million, to approximately HK\$7.2 million for the year ended 31 December 2020 from approximately HK\$0.1 million for the year ended 31 December 2019.

Finance costs

Finance costs decreased by approximately HK\$4.3 million, or 70.5%, to approximately HK\$1.8 million for the year ended 31 December 2020 from approximately HK\$6.1 million for the year ended 31 December 2019. The decrease was primarily due to the decrease in the amount of bank loans interest resulting from the decrease in the amount of bank borrowings during the year.

Profit attributable to ordinary equity holders of the Company

The Group recorded profit attributable to ordinary equity holders of the Company of approximately HK\$38.7 million for the year ended 31 December 2020 compared to approximately HK\$55.9 million for the year ended 31 December 2019, representing a decrease of approximately 30.8%. The decrease of profit attributable to ordinary equity holders of the Company was mainly due to the net effect of the decrease in gross profit of approximately HK\$11.9 million, the decrease in other income and gains of approximately HK\$4.7 million, the decrease in selling and distribution expenses of approximately HK\$4.2 million, the increase in general and administrative expenses of approximately HK\$2.3 million, the increase in other expense of approximately HK\$7.1 million, and the decrease in finance costs of approximately HK\$4.3 million.

Property, plant and equipment

The net carrying amount as at 31 December 2020 was approximately HK\$359.7 million, representing a decrease of approximately HK\$3.2 million from that of 31 December 2019. This was mainly due to the net effect of (i) depreciation of approximately HK\$29.8 million with respect to the Group's property, plant and equipment in the current year, (ii) increase in exchange realignment of approximately HK\$23.0 million, (iii) total additions and transfer in during the year of approximately HK\$14.1 million, and (iv) total disposals and write-off during the year of approximately HK\$10.5 million.

Trade and bills receivables

There was an increase in trade and bills receivables of approximately HK\$17.7 million as at 31 December 2020 as compared to that of 31 December 2019, which was mainly due to the rise in sales in the fourth quarter of 2020 as compared to the fourth quarter of 2019.

Trade and bills payables

There was an increase in trade and bills payables as at 31 December 2020 of approximately HK\$13.3 million as compared to that of 31 December 2019, which was mainly due to the increase of trade payables caused by the rise in sales in the fourth quarter of 2020 as well as purchases.

Bank and other borrowings

The Group had bank and other borrowings as at 31 December 2020 in the sum of approximately HK\$5.5 million, representing a decrease of approximately HK\$78.7 million from the sum of approximately HK\$84.2 million as at 31 December 2019. The decrease in borrowings was mainly due to repayment of borrowings. No financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

Liquidity and financial resources

As at 31 December 2020, the Group had current assets of approximately HK\$563.1 million (2019: HK\$437.5 million) including cash and cash equivalents, pledged deposits and restricted cash totalling approximately HK\$276.5 million (2019: HK\$160.9 million). As at 31 December 2020, the Group had non-current liabilities of approximately HK\$155.8 million (2019: HK\$35.7 million), and its current liabilities amounted to approximately HK\$210.5 million (2019: HK\$276.6 million), consisting mainly of payables arising in the normal course of operations and bank borrowings for financing of production facilities. Accordingly, the Group's current ratio, being the ratio of current assets to current liabilities, was around 2.7 as at 31 December 2020 (2019: 1.6).

Gearing ratio

The gearing ratio of the Group, calculated as total borrowings over total equity, was approximately 0.01 as at 31 December 2020 (2019: approximately 0.2).

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 2020. 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 2020, we had cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, other payables and interest-bearing bank borrowings which are denominated in currencies other than Hong Kong dollar, and consequently we have foreign exchange exposure from translation of amounts denominated in foreign currencies as at the reporting date. During the year ended 31 December 2020, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its foreign currency exposure.

Capital structure

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

Capital commitments

As at 31 December 2020, capital commitments of the Group amounted to approximately HK\$1.5 million (2019: HK\$2.1 million).

Dividend

The Board recommend the payment of an final dividend of HK6.0 cents per share for the year ended 31 December 2020 (2019: nil).

The proposed dividend is subject to approval by the shareholders of the Company at the annual general meeting to be held on Friday, 21 May 2021 and, if approved, is expected to be paid on or about Wednesday, 23 June 2021 to shareholders whose names appear on the register of members of the Company on Wednesday, 2 June 2021. The dividend is declared and will be paid in HKD.

Information on employees

As at 31 December 2020, the Group had 739 employees (2019: 977 employees), including the executive Directors. Total employee benefit expense (including Directors' remuneration) was approximately HK\$80.0 million, as compared to approximately HK\$103.1 million for the year ended 31 December 2019. 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

As at 31 December 2020, the Group did not hold any significant investment.

Future plans for material investments and capital assets

Other than those disclosed in this announcement on 8 May 2020, the Group has entered into, amongst others, a cooperation agreement for the urban renewal project located at our production base in Pingshan District, Shenzhen, the PRC. The entering into of the cooperation agreement and the transactions thereunder have been approved by the shareholders of the Company at the extraordinary general meeting on 14 July 2020. For details, please refer to the Company's announcements dated 15 May 2020 and 14 July 2020, and the circular dated 24 June 2020. Also, currently the Group is exploring the opportunity and proactively discussing with independent third parties in relation to the investment of the establishment of a Greater Bay Area production base for the production of PCBs.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

On 8 May 2020, the Group has entered into a cooperation agreement with an independent third party on a disposal of certain parcels of land located in Pingshan New District, Shenzhen, with certain parcels of the land being used by the Group for the production of PCB, through disposal of subsidiaries of the Group and/or disposal of the relevant land and properties in relation to an urban renewal project. As at the date of this announcement, as Urban Renewal Approval (立項完成) has not yet been obtained, the disposals have not materialised. For further details, please refer to Company's announcements dated 15 May 2020 and 14 July 2020, and the circular dated 24 June 2020.

Save as disclosed above and those disclosed in this announcement, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Charges on assets

As at 31 December 2020, certain assets of the Group as set out below were charged to secure banking facilities granted to the Group:

- (i) the Group's investment property amounting to approximately HK\$6.7 million (2019: HK\$6.5 million).
- (ii) pledged deposits with banks amounting to approximately HK\$31.8 million (2019: HK\$31.4 million).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2020 (2019: Nil).

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

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

EVENTS AFTER THE REPORT DATE

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

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the annual general meeting of the Company ("AGM") to be held on Friday, 21 May 2021, the register of members will be closed from Monday, 17 May 2021 to Friday, 21 May 2021, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 14 May 2021.

In addition, to determine shareholders' entitlement to the dividend, the register of members will be closed from Monday, 31 May 2021 to Wednesday, 2 June 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlements to the dividend, all completed transfers documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 pm on Friday, 28 May 2021.

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 2020 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.

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 22 May 2020 due to the need to attend other meetings. However, Mr. Chan often provides valuable advice to the Company with his skills, experience and expertise and he will strive to attend future general meeting(s) of the Company so as to keep a balanced understanding of the views of shareholders of the Company.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings of the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions by Directors during the year ended 31 December 2020.

AUDIT COMMITTEE

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

The audit committee has met the auditor of the Company, Ernst & Young, and reviewed the Group's annual results for the year ended 31 December 2020. The audit committee opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement.

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

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.yantat.com. The annual report of the Company for the year ended 31 December 2020 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 2021

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.