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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 2021**

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 2021 together with the comparative figures for the previous year.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

		2021	2020
	Notes	HK\$'000	HK\$'000
<b>REVENUE</b>	4	<b>763,836</b>	587,133
Cost of sales		<u>(620,842)</u>	<u>(450,602)</u>
Gross profit		<b>142,994</b>	136,531
Other income and gain	4	<b>19,144</b>	18,180
Selling and distribution expenses		<b>(18,348)</b>	(14,835)
General and administrative expenses		<b>(77,315)</b>	(80,275)
Other expenses		<b>(858)</b>	(7,241)
Finance costs	6	<u><b>(400)</b></u>	<u>(1,813)</u>
<b>PROFIT BEFORE TAX</b>	5	<b>65,217</b>	50,547
Income tax expense	7	<u><b>(18,973)</b></u>	<u>(11,845)</u>
<b>PROFIT FOR THE YEAR</b> <b>ATTRIBUTABLE TO OWNERS OF</b> <b>THE COMPANY</b>		<u><b>46,244</b></u>	<u>38,702</u>
<b>EARNINGS PER SHARE</b> <b>ATTRIBUTABLE TO ORDINARY</b> <b>EQUITY HOLDERS OF THE</b> <b>COMPANY</b>	9		
Basic and diluted		<u><b>HK19.3 cents</b></u>	<u>HK16.1 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>46,244</b>	<b>38,702</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	14,253	33,375
Other comprehensive loss 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	(67)	(58)
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>14,186</b>	<b>33,317</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>60,430</b>	<b>72,019</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2021*

	<i>Notes</i>	2021 <b>HK\$'000</b>	2020 <b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>347,100</b>	359,736
Investment properties		<b>29,293</b>	28,933
Right-of-use assets		<b>6,573</b>	7,063
Deposits		<b>202</b>	180
Deferred tax assets		<b>9,923</b>	9,875
Financial asset at fair value through other comprehensive income		<b>4,440</b>	4,311
		<hr/>	<hr/>
Total non-current assets		<b>397,531</b>	410,098
<b>CURRENT ASSETS</b>			
Inventories		<b>104,084</b>	47,686
Trade and bills receivables	<i>10</i>	<b>256,740</b>	234,191
Prepayments, deposits and other receivables		<b>10,971</b>	4,679
Pledged deposits		<b>32,100</b>	31,820
Cash and cash equivalents		<b>272,342</b>	244,688
		<hr/>	<hr/>
		<b>676,237</b>	563,064
Assets classified as held for sale		<b>3,619</b>	–
		<hr/>	<hr/>
Total current assets		<b>679,856</b>	563,064
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>11</i>	<b>138,006</b>	122,786
Other payables and accruals		<b>65,484</b>	61,758
Interest-bearing bank borrowings		<b>32,010</b>	5,548
Lease liabilities		<b>1,623</b>	1,580
Tax payable		<b>28,175</b>	18,814
		<hr/>	<hr/>
Total current liabilities		<b>265,298</b>	210,486
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>414,558</b>	352,578
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>812,089</b>	762,676
		<hr/>	<hr/>

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>812,089</b>	762,676
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	567	965
Deposit received	122,310	118,820
Deferred tax liabilities	24,588	22,051
Deferred income	11,723	13,969
Total non-current liabilities	<b>159,188</b>	155,805
Net assets	<b>652,901</b>	606,871
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Issued capital	2,400	2,400
Reserves	650,501	604,471
Total equity	<b>652,901</b>	606,871

## NOTES

31 December 2021

### 1. CORPORATE AND GROUP INFORMATION

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

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

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

### 2.1 BASIS OF PREPARATION

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

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

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39,  
HKFRS 7, HKFRS 4 and HKFRS 16  
Amendment to HKFRS 16

*Interest Rate Benchmark Reform — Phase 2*

*Covid-19-Related Rent Concessions beyond  
30 June 2021 (early adopted)*

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in United States dollars based on the London Interbank Offered Rate (“**LIBOR**”) as at 31 December 2021. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021. However, the Group has not received COVID-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

### 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Mainland China	300,949	233,311
Europe	199,716	136,693
Hong Kong	7,236	7,809
North America	51,465	34,735
Asia (except Mainland China and Hong Kong)	199,119	165,242
Africa	5,158	9,281
Oceania	154	57
South America	39	5
	<u>763,836</u>	<u>587,133</u>

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

(b) Non-current assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	2,485	3,140
Mainland China	380,683	392,772
	<u>383,168</u>	<u>395,912</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	221,099	183,785
Customer B	<u>102,638</u>	<u>91,824</u>
	<u><u>323,737</u></u>	<u><u>275,609</u></u>

### 4. REVENUE, OTHER INCOME AND GAIN

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue from contracts with customers</b>		
Sale of goods	<u><u>763,836</u></u>	<u><u>587,133</u></u>
<b>Other income</b>		
Bank interest income	2,187	1,483
Rental income	604	539
Government grants <sup>^</sup>	5,985	12,395
Income linked to recycling	10,368	3,222
Others	<u>-</u>	<u>1</u>
	<u><u>19,144</u></u>	<u><u>17,640</u></u>
<b>Gain</b>		
Fair value gain on investment properties	<u>-</u>	<u>540</u>
	<u><u>19,144</u></u>	<u><u>18,180</u></u>

<sup>^</sup> 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):

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold <sup>^</sup>	<b>620,842</b>	450,602
Auditor's remuneration	<b>2,153</b>	2,086
Depreciation of property, plant and equipment	<b>27,367</b>	29,835
Depreciation of right-of-use assets	<b>1,946</b>	1,929
Employee benefit expense <sup>@</sup> (including directors' and chief executive's remuneration):		
Wages, salaries, allowances, bonuses, commission and benefits in kind	<b>83,952</b>	78,489
Pension scheme contributions (defined contribution schemes)**	<b>230</b>	234
Other employee benefits	<b>3,778</b>	1,238
	<b>87,960</b>	79,961
Research and development costs <sup>##</sup>	<b>9,433</b>	9,170
Write-off of items of property, plant and equipment	<b>304</b>	4,048
Write-down/(reversal of write-down) of inventories to net realisable value <sup>^</sup>	<b>442</b>	(881)
Fair value loss/(gain) on investment properties <sup>#</sup>	<b>482</b>	(540)
Impairment/(reversal of impairment) of trade and bills receivables	<b>(108)</b>	21
Loss on disposal of items of property, plant and equipment <sup>#</sup>	<b>–</b>	3,132
Foreign exchange differences, net <sup>*</sup>	<b>2,244</b>	5,906

\* 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.

@ Employee benefit expense of HK\$42,595,000 (2020: HK\$38,840,000) 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.

\*\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

## 6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on:		
Bank loans and trust receipt loans	305	1,656
Lease liabilities	95	157
	<u>400</u>	<u>1,813</u>

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 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% (2020: 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% (2020: 15%) has been applied for the year.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	4,589	2,187
Underprovision in prior years	7,843	839
Current — Mainland China		
Charge for the year	4,566	6,061
Overprovision in prior years	(565)	(364)
Deferred	<u>2,540</u>	<u>3,122</u>
Total tax charge for the year	<u>18,973</u>	<u>11,845</u>

## 8. DIVIDEND

The Board recommended to declare a final dividend of HK6.0 cents (2020: HK6.0 cents) per ordinary share, equivalent to a total amount of HK\$14,400,000 (2020: HK\$14,400,000), for the year ended 31 December 2021.

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\$46,244,000 (2020: HK\$38,702,000) and the weighted average number of ordinary shares of 240,000,000 (2020: 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 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

## 10. TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	227,634	198,600
Bills receivable	<u>32,416</u>	<u>38,929</u>
	260,050	237,529
Impairment	<u>(3,310)</u>	<u>(3,338)</u>
	<u><u>256,740</u></u>	<u><u>234,191</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. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one month	103,743	118,838
One to two months	72,119	64,121
Two to three months	61,001	44,930
Over three months	<u>19,877</u>	<u>6,302</u>
	<u><u>256,740</u></u>	<u><u>234,191</u></u>

## 11. TRADE PAYABLES

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within three months	<b>121,702</b>	106,985
Three to six months	<b>13,986</b>	14,678
Over six months	<b>2,318</b>	1,123
	<b>138,006</b>	122,786

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Overview

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

In 2021, under the backdrop of the coronavirus disease 2019 (“COVID-19”) pandemic and complicated international relations, the global economy recorded moderate growth as compared to 2020. According to the International Monetary Fund (“IMF”), the economy is estimated to have increased by about 5.9% in 2021. Although a number of COVID-19 vaccines were approved for use in early 2021, the outbreak of another wave of the COVID-19 pandemic, together with rapid spread of Delta and Omicron variants, brought adverse effects to the economic development. Under uncertain circumstances, IMF predicts that the global economy grows by about 4.4% in 2022.

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 COVID-19 pandemic in 2020 has an impact on the industry, the rapid development of 5G technology has given the PCB industry more room for growth. The research report states that the output value of PCBs in the global market amounted to approximately US\$65.2 billion in 2020 and it is predicted that it will reach approximately US\$78.0 billion by 2026.

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\$35.05 billion in 2020, accounting for approximately 53.8% of the global market share.

A PCB is a necessary component of electronic products. With continuous technology advancements, the demand for PCBs is steady and is expected to grow continuously. 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 technology, new energy vehicles, Internet-of-Things, big data, cloud computing, energy conservation and environmental protection, and information security, good business opportunities will be maintained in the PCB market.

Automobile electronics has 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 and the PCB value of new energy vehicle is approximately 4 times than that of conventional vehicles. 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 technology deployment will significantly advance the progress of the PCB industry. In 2020, 5G technology-related PCB orders focused on base station construction. It is estimated that there are approximately 0.6 million newly-built 5G base stations in the PRC for 2021 and will reach its maximum in 2022 at approximately 1.1 million. After that, the number will be gradually reduced to approximately 0.44 million in 2026. With the establishment of a complete 5G network, it also accelerates 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 inevitably affected. Although a number of COVID-19 vaccines have been approved for use worldwide in 2021, their effectiveness fell short of expectations. The emerging of new variants Delta and Omicron, which have higher transmission, has brought more uncertainties to the duration of the pandemic, and even slowed down the development of global economy.

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 undergo 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 COVID-19 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. Their 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 even be tight supply of raw materials, and the situation of shortages and price increase in raw materials continued in 2021. After rounds of price increase, it stabilized from its peak at the end of 2021, and at the same time, PCB enterprises also transferred part of its costs to the downstream, resulting in gradual stabilization of profitability.

## **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 32 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, optimized and improved costs and quality which could eventually lead the Group to develop towards intelligent production in the future.

In 2021, COVID-19 is still bringing serious negative consequences to people's living and the global economy. Despite successive use of vaccines over the world, low vaccination rates are recorded in many regions. A worse case happened when variant strains of virus emerged threatening the pace of global recovery. As the production base of the Company is located in Mainland China, where effective control over the COVID-19 pandemic is easily observed, its production environment is better than other regions. However, the Company shall pay attention to changes in situation for the pandemic and shall adjust its production strategy accordingly.

For the circuit board industry, raw materials account for a large proportion of costs. Since mid-2020, the prices of a variety of major raw materials such as copper clad laminates, prepregs and copper foils have been soaring incessantly. They stabilized from its peak at the end of 2021. Amid this difficult environment, customers are eagerly required to share the effects of rising costs, while the profit margin of the Company is inevitably reduced.

In 2021, serious challenges exposed the Group to a lot of risks and uncertainties. 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 headquarters 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 third 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Turnover	<b>763,836</b>	587,133
Gross profit	<b>142,994</b>	136,531
Earnings before interest, taxes, depreciation and amortisation (“ <b>EBITDA</b> ”)	<b>92,743</b>	82,641
Net profit	<b>46,244</b>	38,702

The Group’s turnover for the year of 2021 was approximately HK\$763.8 million, representing an increase of approximately 30.1% compared to that of the previous year, which was primarily attributable to the increase in sales orders from customers due to the global economic recovery from COVID-19 pandemic in 2021.

The Group’s gross profit for the year of 2021 was approximately HK\$143.0 million, representing an increase of approximately 4.7% compared to that of the previous year, primarily due to the increase in sales and production in volume. Gross profit margin decreased by approximately 4.6% to 18.7% from 23.3%, which was primarily attributable to the increase in the price of major raw materials.

The Group’s total operating expenses for the year of 2021 were approximately HK\$95.7 million, representing an increase of approximately 0.6% compared to approximately HK\$95.1 million for the previous year, primarily due to the increase in selling and distribution expenses.

The Group’s EBITDA amounted to approximately HK\$92.7 million for the year of 2021 as compared to approximately HK\$82.6 million for the previous year.

The Group recorded a profit attributable to ordinary equity holders of the Company of approximately HK\$46.2 million for the year of 2021 as compared to approximately HK\$38.7 million for the previous year.

### *Other income and gain*

Other income and gain increased by approximately HK\$0.9 million, or 4.9%, to approximately HK\$19.1 million for the year ended 31 December 2021 from approximately HK\$18.2 million for the year ended 31 December 2020, primarily due to the net effect of the decrease in government grants of approximately HK\$6.4 million, and the increase in income linked to recycling of approximately HK\$7.1 million.

### *Selling and distribution expenses*

Selling and distribution expenses increased by approximately HK\$3.5 million, or 23.6%, to approximately HK\$18.3 million for the year ended 31 December 2021 from approximately HK\$14.8 million for the year ended 31 December 2020. The increase was primarily due to increase in commission and transportation cost resulting from the increase in sales orders.

### *General and administrative expenses*

General and administrative expenses decreased by approximately HK\$3.0 million, or 3.7%, to approximately HK\$77.3 million for the year ended 31 December 2021 from approximately HK\$80.3 million for the year ended 31 December 2020. The decrease was primarily due to the decrease in legal and professional fees of approximately HK\$3.8 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 year ended 31 December 2020. As only write-off of old machinery amounted to approximately HK\$0.3 million and other miscellaneous expenses were incurred for the year ended 31 December 2021, other expenses decreased significantly.

### *Finance costs*

Finance costs decreased by approximately HK\$1.4 million, or 77.8%, to approximately HK\$0.4 million for the year ended 31 December 2021 from approximately HK\$1.8 million for the year ended 31 December 2020. The decrease was primarily due to the decrease in the amount of bank loans interest resulting from the decrease in average bank borrowings during the year ended 31 December 2021.

### *Profit attributable to ordinary equity holders of the Company*

The Group recorded profit attributable to ordinary equity holders of the Company of approximately HK\$46.2 million for the year ended 31 December 2021 compared to approximately HK\$38.7 million for the year ended 31 December 2020, representing an increase of approximately 19.4%. The increase of profit attributable to ordinary equity holders of the Company was mainly due to the net effect of the increase in gross profit of approximately HK\$6.5 million, the increase in other income and gain of approximately HK\$0.9 million, the increase in selling and distribution expenses of approximately HK\$3.5 million, the decrease in general and administrative expenses of approximately HK\$3.0 million, the decrease in other expenses of approximately HK\$6.4 million, the decrease in finance costs of approximately HK\$1.4 million and the increase in income tax expense of approximately HK\$7.1 million.

### *Property, plant and equipment*

The net carrying amount as at 31 December 2021 was approximately HK\$347.1 million, representing a decrease of approximately HK\$12.6 million from that of 31 December 2020. This was mainly due to the net effect of (i) depreciation of approximately HK\$27.4 million with respect to the Group's property, plant and equipment in the current year, (ii) increase in exchange realignment of approximately HK\$10.6 million, (iii) total additions during the year of approximately HK\$8.1 million, and (iv) reclassification to assets classified as held for sale of approximately HK\$3.6 million.

### *Trade and bills receivables*

There was an increase in trade and bills receivables of approximately HK\$22.5 million as at 31 December 2021 as compared to that as at 31 December 2020, which was mainly due to the rise in sales in the fourth quarter of 2021 as compared to the fourth quarter of 2020.

### *Trade payables*

There was an increase in trade payables as at 31 December 2021 of approximately HK\$15.2 million as compared to that as at 31 December 2020, which was mainly due to the increase of trade payables caused by the rise in sales in the fourth quarter of 2021 as well as purchases.

### *Bank and other borrowings*

The Group had bank borrowings as at 31 December 2021 in the sum of approximately HK\$32.0 million, representing an increase of approximately HK\$26.5 million from the sum of approximately HK\$5.5 million as at 31 December 2020. The increase in borrowings was mainly due to the increased use of trade finance in the fourth quarter of 2021 as compared to the fourth quarter of 2020. 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 2021, the Group had current assets of approximately HK\$679.9 million (2020: HK\$563.1 million) including cash and cash equivalents and pledged deposits totalling approximately HK\$304.4 million (2020: HK\$276.5 million). As at 31 December 2021, the Group had non-current liabilities of approximately HK\$159.2 million (2020: HK\$155.8 million), and its current liabilities amounted to approximately HK\$265.3 million (2020: HK\$210.5 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 2.6 as at 31 December 2021 (2020: 2.7).

### *Gearing ratio*

The gearing ratio of the Group, calculated as total borrowings over total equity, was approximately 0.05 as at 31 December 2021 (2020: approximately 0.01).

### *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 2021. 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 2021, we had cash and cash equivalents, pledged deposits, trade and bills receivables, trade 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 2021, 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 previous years. The capital of the Company is comprised of ordinary shares and capital reserves.

### *Capital commitments*

As at 31 December 2021, capital commitments of the Group amounted to approximately HK\$1.6 million (2020: HK\$1.5 million).

### *Dividend*

The Board recommended the payment of a final dividend of HK6.0 cents per share for the year ended 31 December 2021 (2020: HK6.0 cents per share).

The proposed dividend is subject to approval by the shareholders of the Company at the annual general meeting to be held on Thursday, 2 June 2022 and, if approved, is expected to be paid on or about Wednesday, 6 July 2022 to shareholders whose names appear on the register of members of the Company on Wednesday, 15 June 2022. The dividend is declared and will be paid in HKD.

### *Information on employees*

As at 31 December 2021, the Group had 766 employees (2020: 739 employees), including the executive Directors, amongst others, 482 males and 284 females. Total employee benefit expense (including Directors' remuneration) was approximately HK\$88.0 million, as compared to approximately HK\$80.0 million for the year ended 31 December 2020. 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 2021, 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, the Group is currently 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. The Company will make further disclosure as and when appropriate pursuant to the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

### *Material acquisitions and disposals of subsidiaries, associates and joint ventures*

On 8 May 2020, the Group has entered into a cooperation agreement with independent third parties 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 the urban renewal approval (立項完成) has not yet been obtained, the disposals have not been 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 during the year ended 31 December 2021.

### *Charges on assets*

As at 31 December 2021, 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\$6.9 million (2020: HK\$6.7 million).
- (ii) pledged deposits with banks amounting to approximately HK\$32.1 million (2020: HK\$31.8 million).

### *Contingent liabilities*

The Group had no material contingent liabilities as at 31 December 2021 (2020: 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 Thursday, 2 June 2022, the register of members will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022, 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, 27 May 2022.

In addition, to determine shareholders' entitlement to the dividend, the register of members will be closed from Monday, 13 June 2022 to Wednesday, 15 June 2022, 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, 10 June 2022.

## **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 2021 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 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 2021.

#### **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 2021. The audit committee opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

## **SCOPE OF WORK OF INDEPENDENT AUDITORS**

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 2021 as set out in this preliminary announcement have been agreed by the Group's auditors, 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 and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on the 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](http://www.hkexnews.hk) and the Company's website at [www.yantat.com](http://www.yantat.com). The annual report of the Company for the year ended 31 December 2021 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, 25 March 2022

*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.*