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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June 2021 HK\$'000 (Unaudited)	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Change (%)
Results			
Revenue	363,184	249,126	45.8
Profit before tax	29,760	15,913	87.0
Profit attributable to owners of the Company	24,569	12,524	96.2
Basic and diluted earnings per share (expressed in HK cents per share)	10.2	5.2	96.2

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Yan Tat Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	<i>Notes</i>	Six months ended 30 June 2021 HK\$'000 (Unaudited)	Six months ended 30 June 2020 HK\$'000 (Unaudited)
REVENUE	4	363,184	249,126
Cost of sales		<u>(293,263)</u>	<u>(189,788)</u>
Gross profit		69,921	59,338
Other income and gains	4	8,226	8,875
Selling and distribution expenses		(8,654)	(7,229)
General and administrative expenses		(39,034)	(40,082)
Other expenses		(544)	(3,647)
Finance costs	6	<u>(155)</u>	<u>(1,342)</u>
PROFIT BEFORE TAX	5	29,760	15,913
Income tax expense	7	<u>(5,191)</u>	<u>(3,389)</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>24,569</u>	<u>12,524</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted		<u>HK10.2 cents</u>	<u>HK5.2 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June 2021 HK\$'000 (Unaudited)	Six months ended 30 June 2020 HK\$'000 (Unaudited)
PROFIT FOR THE PERIOD	<u>24,569</u>	<u>12,524</u>
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	4,920	(9,863)
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	<u>(67)</u>	<u>(58)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>4,853</u>	<u>(9,921)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>29,422</u>	<u>2,603</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		352,408	359,736
Investment properties		28,867	28,933
Right-of-use assets		6,142	7,063
Deposit		180	180
Deferred tax assets		9,942	9,875
Financial asset at fair value through other comprehensive income		4,345	4,311
		<hr/>	<hr/>
Total non-current assets		401,884	410,098
CURRENT ASSETS			
Inventories		97,388	47,686
Trade and bills receivables	9	248,260	234,191
Prepayments, deposits and other receivables		18,358	4,679
Pledged deposits		31,929	31,820
Cash and cash equivalents		247,395	244,688
		<hr/>	<hr/>
Total current assets		643,330	563,064
CURRENT LIABILITIES			
Trade payables	10	158,986	122,786
Other payables and accruals		67,249	61,758
Interest-bearing bank borrowings		20,349	5,548
Lease liabilities		1,265	1,580
Tax payable		18,719	18,814
		<hr/>	<hr/>
Total current liabilities		266,568	210,486
NET CURRENT ASSETS		<hr/> 376,762	<hr/> 352,578
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 778,646	<hr/> 762,676

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
Lease liabilities	444	965
Deposit received	120,180	118,820
Deferred tax liabilities	23,075	22,051
Deferred income	13,054	13,969
	<hr/>	<hr/>
Total non-current liabilities	156,753	155,805
	<hr/>	<hr/>
Net assets	621,893	606,871
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	2,400	2,400
Reserves	619,493	604,471
	<hr/>	<hr/>
Total equity	621,893	606,871
	<hr/> <hr/>	<hr/> <hr/>

NOTES

30 June 2021

1. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

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 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 phase 2 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 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.
- (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 amendment did not have any impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

The Group focuses primarily on the manufacturing and selling of printed circuit boards during the period. Information reported to the Group’s chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group’s resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2021 HK\$'000 (Unaudited)	Six months ended 30 June 2020 HK\$'000 (Unaudited)
Mainland China	147,033	96,801
Europe	98,409	54,505
Hong Kong	3,040	5,320
North America	21,766	17,365
Asia (except Mainland China and Hong Kong)	90,579	69,054
Africa	2,332	6,028
Oceania	10	48
South America	15	5
	<u>363,184</u>	<u>249,126</u>

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

(b) Non-current assets

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Hong Kong	2,104	3,140
Mainland China	385,493	392,772
	<u>387,597</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:

	Six months ended 30 June 2021 HK\$'000 (Unaudited)	Six months ended 30 June 2020 HK\$'000 (Unaudited)
Customer A	108,281	78,941
Customer B	57,638	37,290
	<u>165,919</u>	<u>116,231</u>

4. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June 2021 HK\$'000 (Unaudited)	Six months ended 30 June 2020 HK\$'000 (Unaudited)
Revenue from contracts with customers		
Sale of goods	<u>363,184</u>	<u>249,126</u>
Other income		
Bank interest income	1,126	244
Rental income	271	239
Government grants	<u>4,053</u>	<u>5,744</u>
	<u>5,450</u>	<u>6,227</u>
Gains		
Fair value gains on investment properties	–	486
Sales of scraps	2,776	1,373
Foreign exchange gains, net	<u>–</u>	<u>789</u>
	<u>2,776</u>	<u>2,648</u>
	<u>8,226</u>	<u>8,875</u>

5. PROFIT BEFORE TAX

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

	Six months ended 30 June 2021 HK\$'000 (Unaudited)	Six months ended 30 June 2020 HK\$'000 (Unaudited)
Cost of inventories sold	293,263	189,788
Depreciation of property, plant and equipment	13,779	13,982
Depreciation of right-of-use assets	972	962
Write-down/(reversal of write-down) of inventories to net realisable value [^]	161	(459)
Impairment/(reversal of impairment) of trade and bills receivables	(54)	530
Loss on disposal of items of property, plant and equipment	–	2,945
Fair value losses/(gains) on investment properties	395	(486)
Write-off of items of property, plant and equipment	125	687
Foreign exchange differences, net*	<u>894</u>	<u>(789)</u>

[^] Write-down/(reversal of write-down) of inventories to net realisable value is included in “Cost of inventories sold” in the interim condensed consolidated statement of profit or loss.

* These gains are included in “Other income and gains” and the losses are included in “General and administrative expenses”, as appropriate, in the interim condensed consolidated statement of profit or loss.

6. FINANCE COSTS

	Six months ended 30 June 2021 HK\$'000 (Unaudited)	Six months ended 30 June 2020 HK\$'000 (Unaudited)
Interest on:		
Bank loans and trust receipt loans	103	1,299
Lease liabilities	52	43
	<u>155</u>	<u>1,342</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 period, 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 People's Republic of China (the "PRC") laws and regulations. Land appreciation tax has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

All subsidiaries of the Group established in the PRC are subject to PRC corporate income tax at a standard rate of 25% (period ended 30 June 2020: 25%) during the period, except for a subsidiary of the Group which qualified as a High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% (period ended 30 June 2020: 15%) has been applied during the period.

	Six months ended 30 June 2021 HK\$'000 (Unaudited)	Six months ended 30 June 2020 HK\$'000 (Unaudited)
Current — Hong Kong		
Charge for the period	1,288	430
Current — Mainland China		
Charge for the period	3,487	2,441
Overprovision in prior years	(562)	(357)
Deferred	978	875
	<u>5,191</u>	<u>3,389</u>

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

The calculation of the basic earnings per share amount for the six months ended 30 June 2021 attributable to ordinary equity holders of the Company is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$24,569,000 (six months ended 30 June 2020: HK\$12,524,000) and the weighted average number of ordinary shares of the Company of 240,000,000 (six months ended 30 June 2020: 240,000,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2021 and 2020 as the Group had no potentially dilutive ordinary shares in issue during these periods.

9. TRADE AND BILLS RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	227,354	198,600
Bills receivable	<u>24,226</u>	<u>38,929</u>
	251,580	237,529
Impairment	<u>(3,320)</u>	<u>(3,338)</u>
	<u>248,260</u>	<u>234,191</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:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within one month	83,764	118,838
One to two months	65,306	64,121
Two to three months	51,490	44,930
Over three months	<u>47,700</u>	<u>6,302</u>
	<u>248,260</u>	<u>234,191</u>

10. 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:

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Within three months	143,932	106,985
Three to six months	13,307	14,678
Over six months	1,747	1,123
	<u>158,986</u>	<u>122,786</u>

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

11. DIVIDEND

	For the six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Final declared and paid — HK6 cents (2020: Nil) per ordinary share	<u>14,400</u>	<u>–</u>

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Development

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

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

Our continuous diversification of product mix and market coverage allows the Group to swiftly cater for the changes in demand from certain sectors and adjust our production output accordingly, resulting in reduced reliance on a single product and market. Benefited from the enormous business opportunities generated from automobile electronics in recent years, the proportion of our revenue generated from this sector 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 operating in a multinational model. Certain of our major OEM customers are leading players in their markets. The Group supplied PCB products directly to a number of leading electronic manufacturing service providers, in order to assemble finished goods of OEM for the Group’s indirect OEM customers. To date, the Group has built up long-term relationship with major customers, and some of them have been working with us for over a decade. The Company believed that these customers also considered the Group as their important partner for their supply chain. Therefore, our profound and long-term relationship with customers will enable the Group to know the trend of customers’ demand more quickly.

The Group is of the view that product and process quality are integral to its business. The Group complies with various international quality standards and systems, including ISO9001, ISO14001 and IATF16949 certifications. The Group has put in place a number of quality measures and simplification plan to promote a culture of quality product. Quality is of paramount importance to the business of the Group and is regularly reviewed and improved by dedicated personnel to enhance customer satisfaction. In addition, the Group obtained AS9100 certification in 2009 to qualify for the provision of advanced and reliable PCBs for the aerospace industry. This is a testament to our product quality.

The impact caused by the high production cost affected the current year. Followed by the sweep of emission limits and environmental protection measures across China, PCB manufacturers are facing steep challenges. As a PCB manufacturer, the Group needs to formulate appropriate responses and increasing the capital input in respect of environmental protection. At the end, it is expected that part of the profits would be set off; however, viewing from another perspective, manufacturers failing to meet the required standards would be eliminated or would greatly increase their costs for the compliance with the required standards, whereas the Group has realized the need for environmental protection and has made relevant investment many years ago. Therefore, compared with those failing to meet the standards, the Group is under less pressure in such new setting in the PCB market and better positioned to seize opportunities.

Although China remains to be the “World Factory”, labor costs are no longer as low as those over a decade ago and have gradually increased. In addition, the labor supply is insufficient in the coastal areas. Driven by Industry 4.0, the Group has enhanced its production automation, promoting the use and flow of production information, optimizing and improving costs and quality, and hence leading the Group to develop towards intelligent production in the future.

In 2021, the novel coronavirus (2019-nCoV) (“COVID-19”) is still adding serious negative influence 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 the virus re-assortment, which has been threatening the pace of global recovery, was found. 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 with no sign of alleviation up to the first half 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 challenge will expose 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 of the Company 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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Turnover	363,184	249,126
Gross profit	69,921	59,338
Earnings before interest, taxes, depreciation and amortisation (“EBITDA”)	43,540	31,955
Net profit	24,569	12,524

The Group's turnover for the six months ended 30 June 2021 was approximately HK\$363.2 million, representing an increase of approximately 45.8% as compared to approximately HK\$249.1 million for the last corresponding period, which was primarily attributable to the increase in sales orders from customers due to the global economic recovery from COVID-19 pandemic in the first half of 2021.

The Group's gross profit margin for the six months ended 30 June 2021 was approximately 19.3%, representing a decrease of approximately 4.5% over the gross profit margin of the last corresponding period of approximately 23.8%, which was primarily attributable to the increase in the price of major raw materials.

The Group's total operating expenses for the six months ended 30 June 2021 were approximately HK\$47.7 million, representing an increase of approximately 0.8% over the last corresponding period, mainly due to the increase in selling and distribution expenses.

The Group's EBITDA amounted to approximately HK\$43.5 million for the six months ended 30 June 2021 as compared to approximately HK\$32.0 million for the last corresponding period.

The Group recorded a net profit attributable to owners of the Company of approximately HK\$24.6 million for the six months ended 30 June 2021 as compared to approximately HK\$12.5 million for the last corresponding period.

Other income and gains

Other income and gains decreased by approximately HK\$0.7 million, or 7.9%, to approximately HK\$8.2 million for the six months ended 30 June 2021 from approximately HK\$8.9 million for the six months ended 30 June 2020, primarily due to the net effect of the decrease in government grants of approximately HK\$1.7 million, and the increase in bank interest income of approximately HK\$0.9 million.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK\$1.5 million, or 20.8%, to approximately HK\$8.7 million for the six months ended 30 June 2021 from approximately HK\$7.2 million for the six months ended 30 June 2020. The increase was primarily due to the increase in commission and transportation cost.

General and administrative expenses

General and administrative expenses decreased by approximately HK\$1.1 million, or 2.7%, to approximately HK\$39.0 million for the six months ended 30 June 2021 from approximately HK\$40.1 million for the six months ended 30 June 2020. The decrease was primarily due to the net effect of the decrease in legal and professional fee of approximately HK\$6.0 million, and the increase in salaries and bonus of approximately HK\$4.0 million.

Other expenses

Loss on disposal of old machinery amounted to approximately HK\$2.9 million were incurred during the period ended 30 June 2020. As no such expenses were incurred for the current period, other expenses decreased significantly.

Finance costs

Finance costs decreased by approximately HK\$1.1 million, or 84.6%, to approximately HK\$0.2 million for the six months ended 30 June 2021 from approximately HK\$1.3 million for the six months ended 30 June 2020, primarily due to the decrease in bank loans interest resulting from the decrease in average bank borrowings during the period.

Profit for the period attributable to owners of the Company

The Group recorded a profit attributable to owners of the Company of approximately HK\$24.6 million for the six months ended 30 June 2021 as compared to approximately HK\$12.5 million for the six months ended 30 June 2020, representing an increase of approximately 96.8%. The increase of profit attributable to owners of the Company was mainly due to the increase in gross profit of approximately HK\$10.6 million.

Property, plant and equipment

The net carrying amount as at 30 June 2021 was approximately HK\$352.4 million, representing a decrease of approximately HK\$7.3 million from the net carrying amount of approximately HK\$359.7 million as at 31 December 2020. This was mainly due to depreciation of approximately HK\$13.8 million for the Group's property, plant and equipment, which was partly set off by an increase in exchange realignment of approximately HK\$4.2 million in the current period.

Trade and bills receivables

There was an increase in trade and bills receivables as at 30 June 2021 of approximately HK\$14.1 million as compared to 31 December 2020 which was mainly due to the increase in sales in the second quarter of 2021 as compared to the fourth quarter of 2020.

Bank borrowings

The Group had bank borrowings as at 30 June 2021 in the sum of approximately HK\$20.3 million, representing an increase by approximately HK\$14.8 million from the sum of approximately HK\$5.5 million as at 31 December 2020. The main reason for the increase in borrowings was the draw down of new borrowings during the period. No financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

Liquidity and financial resources

As at 30 June 2021, the Group had total current assets of approximately HK\$643.3 million (31 December 2020: HK\$563.1 million), including cash and cash equivalents and pledged deposits totalling approximately HK\$279.3 million (31 December 2020: HK\$276.5 million). As at 30 June 2021, the Group had non-current liabilities of approximately HK\$156.8 million (31 December 2020: HK\$155.8 million), and its current liabilities amounted to approximately HK\$266.6 million (31 December 2020: HK\$210.5 million), consisting mainly of payables arising from the normal course of operation and borrowings. Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 2.4 as at 30 June 2021 (31 December 2020: 2.7).

Gearing ratio

The gearing ratio of the Group, calculated as total borrowings over total equity, was approximately 0.03 as at 30 June 2021 (31 December 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 period under review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Directors closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Foreign currency risk exposure

As at 30 June 2021, the Group had cash and cash equivalents, pledged deposits, trade and bills receivables, deposits and other receivables, trade payables, other payables and interest-bearing bank borrowings, which are denominated in currencies other than Hong Kong dollars, and consequently we have foreign currency risk exposure from translation of amount denominated in foreign currencies as at the reporting date. During the six months ended 30 June 2021, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

Capital structure

There has been no major change in the capital structure of the Company during the six months ended 30 June 2021 and the full year of 2020. The capital of the Company comprises ordinary shares and capital reserves.

Capital commitments

As at 30 June 2021, capital commitments of the Group amounted to approximately HK\$1.5 million (31 December 2020: HK\$1.5 million).

Information on employees

As at 30 June 2021, the Group had 802 (31 December 2020: 739) employees, including the executive Directors. Remuneration is determined with reference to market norms and individual employee's performance, qualification and experience.

On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual's performance. Other staff benefits include contributions to the Mandatory Provident Fund scheme in Hong Kong and various welfare plans including the provision of pension funds, medical insurance and other relevant insurance for employees who are employed by our Group pursuant to the PRC rules and regulations and the existing policy requirements of the local PRC government as well as share options.

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

Significant investment held

During the six months ended 30 June 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, 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

During the six months ended 30 June 2021, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Charges of assets

As at 30 June 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\$6.7 million (31 December 2020: HK\$6.7 million).
- (ii) pledged deposits with banks amounting to approximately HK\$31.9 million (31 December 2020: HK\$31.8 million).

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2021 (31 December 2020: Nil).

PROSPECTS

COVID-19 is still affecting economic and social activities. Despite permission granted to the use of various vaccines, vaccination rates are low. In addition, the emergence of new virus strains has added uncertainties to economic recovery. As the pandemic is prolonged and widespread, various aspects would be negatively affected. Another challenge in 2021 is cost control. Since the end of last year, the prices of a variety of major raw materials such as copper clad laminates, prepregs and copper foils have been soaring incessantly, and there has even been a shortage in supply. The production cost of circuit board producers has significantly increased and it is expected the business environment is unlikely to change in a short period of time. Also, the U.S. government is not treating China amicably, thus business operation and development of Chinese companies would be negatively affected. In conclusion, we will face more serious challenges in the future. Leveraging on our diversified market and industry segments, our broad base of quality customers has made us more resilient. Despite the unfavorable environment, the Company's performance during the first half of the year was better as compared with that of the corresponding period last year. Nevertheless, the Company is closely monitoring the development of external affairs as well as our internal situation regarding customer orders and will make appropriate adjustments accordingly.

EVENTS AFTER THE REPORT PERIOD

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

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company confirms that, other than the deviation from Code Provisions A.2.1, the Company has complied with all the code provisions ("**Code Provisions**") set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the six months ended 30 June 2021.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions. All Directors confirm that, having made specific enquiries of all Directors, they have complied with the required standards of dealing as set out in the Model Code during the six months ended 30 June 2021.

AUDIT COMMITTEE

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

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have been reviewed by the audit committee and the audit committee is of the view that the interim report for the six months ended 30 June 2021 has been prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

The unaudited consolidated interim results of the Company and its subsidiaries for the six months ended 30 June 2021 have been reviewed by the Company's auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report will be included in the Company's 2021 interim report to the shareholders.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of both the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.yantat.com>). An interim report of the Company for the six months ended 30 June 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the aforementioned websites in due course.

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

Hong Kong, 25 August 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.