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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 2020**

	<b>Six months ended 30 June 2020 HK\$'000 (Unaudited)</b>	<b>Six months ended 30 June 2019 HK\$'000 (Unaudited)</b>	<b>Change (%)</b>
<b>Results</b>			
Revenue	<b>249,126</b>	326,279	(23.6)
Profit before tax	<b>15,913</b>	21,228	(25.0)
Profit attributable to owners of the Company	<b>12,524</b>	16,549	(24.3)
Basic and diluted earnings per share (expressed in HK cents per share)	<b>5.2</b>	6.9	(24.6)

## 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 2020, together with the comparative figures for the corresponding period in 2019.

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2020*

	<i>Notes</i>	<b>Six months ended 30 June 2020 HK\$'000 (Unaudited)</b>	<b>Six months ended 30 June 2019 HK\$'000 (Unaudited)</b>
<b>REVENUE</b>	4	<b>249,126</b>	326,279
Cost of sales		<b>(189,788)</b>	(253,371)
Gross profit		<b>59,338</b>	72,908
Other income and gains	4	<b>8,875</b>	6,085
Selling and distribution expenses		<b>(7,229)</b>	(9,101)
General and administrative expenses		<b>(40,082)</b>	(44,930)
Other expenses		<b>(3,647)</b>	(15)
Finance costs	6	<b>(1,342)</b>	(3,719)
<b>PROFIT BEFORE TAX</b>	5	<b>15,913</b>	21,228
Income tax expense	7	<b>(3,389)</b>	(4,679)
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>12,524</b>	16,549
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic and diluted		<b>HK5.2 cents</b>	HK6.9 cents

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2020*

	<b>Six months ended 30 June 2020 HK\$'000 (Unaudited)</b>	<b>Six months ended 30 June 2019 HK\$'000 (Unaudited)</b>
<b>PROFIT FOR THE PERIOD</b>	<b><u>12,524</u></b>	<b><u>16,549</u></b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>(9,863)</b>	<b>(1,261)</b>
Other comprehensive income/(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	<b><u>(58)</u></b>	<b><u>79</u></b>
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b><u>(9,921)</u></b>	<b><u>(1,182)</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b><u>2,603</u></b>	<b><u>15,367</u></b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2020*

	<i>Notes</i>	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		345,441	362,956
Investment properties		26,615	26,641
Right-of-use assets		5,610	6,657
Deposit		116	116
Deferred tax assets		8,879	9,166
Financial asset at fair value through other comprehensive income		4,023	4,159
		<b>390,684</b>	409,695
Total non-current assets			
<b>CURRENT ASSETS</b>			
Inventories		49,660	51,928
Trade and bills receivables	9	162,776	216,446
Prepayments, deposits and other receivables		6,214	2,760
Pledged deposits and restricted cash		31,061	31,433
Cash and cash equivalents		260,963	129,434
		<b>510,674</b>	432,001
Assets classified as held for sale		–	5,454
		<b>510,674</b>	437,455
Total current assets			
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	79,698	109,492
Other payables and accruals		66,630	65,220
Interest-bearing bank borrowings		61,240	84,236
Lease liabilities		1,116	1,623
Tax payable		13,270	15,959
		<b>221,954</b>	276,530
Liabilities directly associated with assets classified as held for sale		–	117
		<b>221,954</b>	276,647
Total current liabilities			
<b>NET CURRENT ASSETS</b>		<b>288,720</b>	160,808
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>679,404</b>	570,503

		<b>30 June 2020</b>	31 December 2019
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	(Audited)
<b>NON-CURRENT LIABILITIES</b>			
Deposit received	<i>10</i>	<b>100,012</b>	–
Lease liabilities		<b>230</b>	567
Deferred tax liabilities		<b>23,618</b>	22,998
Deferred income		<b>18,089</b>	12,086
		<hr/>	<hr/>
Total non-current liabilities		<b>141,949</b>	35,651
		<hr/>	<hr/>
Net assets		<b>537,455</b>	534,852
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital		<b>2,400</b>	2,400
Reserves		<b>535,055</b>	532,452
		<hr/>	<hr/>
Total equity		<b>537,455</b>	534,852
		<hr/> <hr/>	<hr/> <hr/>

## NOTES

30 June 2020

### 1. CORPORATE INFORMATION

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

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

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

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial information are the same as those used in the annual financial statements for the year ended 31 December 2019, 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 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

### 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

	<b>Six months ended 30 June 2020 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Mainland China	<b>96,801</b>	134,107
Europe	<b>54,505</b>	80,953
Hong Kong	<b>5,320</b>	8,374
North America	<b>17,365</b>	16,403
Asia (except Mainland China and Hong Kong)	<b>69,054</b>	79,514
Africa	<b>6,028</b>	6,901
Oceania	<b>48</b>	27
South America	<b>5</b>	–
	<b>249,126</b>	326,279

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

(b) *Non-current assets*

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Hong Kong	2,130	3,072
Mainland China	<u>375,652</u>	<u>393,298</u>
	<u><b>377,782</b></u>	<u><b>396,370</b></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:

	<b>Six months ended 30 June 2020 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Customer A	78,941	104,840
Customer B	<u>37,290</u>	<u>39,698</u>
	<u><b>116,231</b></u>	<u><b>144,538</b></u>



#### 4. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June 2020 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2019 <i>HK\$'000</i> (Unaudited)
<b>Revenue from contracts with customers</b>		
Sale of goods	<u>249,126</u>	<u>326,279</u>
<b>Other income</b>		
Bank interest income	244	282
Rental income	239	106
Government grants	<u>5,744</u>	<u>4,035</u>
	<u>6,227</u>	<u>4,423</u>
<b>Gains</b>		
Fair value gains on investment properties	486	636
Sales of scraps	1,373	1,026
Foreign exchange gains, net	<u>789</u>	<u>–</u>
	<u>2,648</u>	<u>1,662</u>
	<u>8,875</u>	<u>6,085</u>

#### 5. PROFIT BEFORE TAX

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

	Six months ended 30 June 2020 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2019 <i>HK\$'000</i> (Unaudited)
Cost of inventories sold	189,788	253,371
Depreciation of property, plant and equipment	13,982	12,831
Depreciation of right-of-use assets	962	1,085
Reversal of write-down of inventories to net realisable value <sup>^</sup>	(459)	(133)
Impairment of trade and bills receivables	530	1,178
Loss on disposal of items of property, plant and equipment	2,945	–
Fair value gains on investment properties	(486)	(636)
Write-off of items of property, plant and equipment	687	–
Foreign exchange differences, net*	<u>(789)</u>	<u>581</u>

<sup>^</sup> 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

	<b>Six months ended 30 June 2020 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Interest on:		
Bank loans and trust receipt loans	1,299	3,643
Lease liabilities	43	76
	<u>1,342</u>	<u>3,719</u>

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (period ended 30 June 2019: 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 (period ended 30 June 2019: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 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 2019: 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 2019: 15%) has been applied during the period.

	<b>Six months ended 30 June 2020 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Current — Hong Kong		
Charge for the period	430	89
Current — Mainland China		
Charge for the period	2,441	2,784
Overprovision in prior years	(357)	(871)
Deferred	875	2,677
	<u>3,389</u>	<u>4,679</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 2020 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\$12,524,000 (six months ended 30 June 2019: HK\$16,549,000) and the weighted average number of ordinary shares of the Company of 240,000,000 (six months ended 30 June 2019: 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 2020 and 2019 as the Group had no potentially dilutive ordinary shares in issue during these periods.

## 9. TRADE AND BILLS RECEIVABLES

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Trade receivables	<b>139,237</b>	197,743
Bills receivable	<b>27,234</b>	22,260
	<b>166,471</b>	220,003
Impairment	<b>(3,695)</b>	(3,557)
	<b>162,776</b>	216,446

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:

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Within one month	<b>59,932</b>	84,425
One to two months	<b>43,424</b>	54,338
Two to three months	<b>40,070</b>	47,349
Over three months	<b>19,350</b>	30,334
	<b>162,776</b>	216,446

## 10. DEPOSIT RECEIVED

As at 30 June 2020, deposit received represents the initial deposit received in relation to cooperation for an urban renewal project located at the production area in Pingshan District, Shenzhen, the PRC.

## 11. TRADE AND BILLS PAYABLES

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Trade payables	<b>79,698</b>	109,291
Bills payable	<u>–</u>	<u>201</u>
	<b><u>79,698</u></b>	<b><u>109,492</u></b>

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

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Within three months	<b>63,199</b>	93,403
Three to six months	<b>15,106</b>	14,929
Over six months	<u><b>1,393</b></u>	<u>1,160</u>
	<b><u>79,698</u></b>	<b><u>109,492</u></b>

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

## 12. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 allows the Group to swiftly cater for the changes in demand from certain sectors and adjust our production output accordingly, resulting in reduced reliance on a single product and market. Benefited from the enormous business opportunities generated from automobile electronics in recent years, the proportion of this section is correspondingly higher.

Over the past 30 years of our operation, the Group has established a solid foundation and close relationship with our customers. The Group provided direct and indirect services to OEM customers across Asia, Europe, Africa, North America, South America and Oceania, who are engaged in various industries with many of them running in a multinational model. Certain of our major OEM customers are leading players in their markets. The Group supplied PCB products directly to a number of leading electronic manufacturing service providers, in order to assemble finished goods of OEM for the Group’s indirect OEM customers. To date, the Group has built up long-term relationship with major customers, and some of them have been working with us for over a decade. The Company believed that these customers also considered the Group as their important partner for their supply chain. Therefore, our profound and long-term relationship with customers will enable the Group to know the trend of customers’ demand more quickly.

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

The impact caused by the high production cost affected the current year. Followed by the sweep of emission limits and environmental protection measures across China, PCB manufacturers are facing steep challenges. As a PCB manufacturer, the Group needs to formulate appropriate responses and increasing the capital input in respect of environmental protection. Finally, part of the profits would be set off; however, viewing from another perspective, manufacturers failing to meet the required standards would be eliminated or would greatly increase their costs for the compliance with the required standards, whereas the Group has 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 2020, 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 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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$’000</b>	HK\$’000
	<b>(Unaudited)</b>	(Unaudited)
Turnover	<b>249,126</b>	326,279
Gross profit	<b>59,338</b>	72,908
Earnings before interest, taxes, depreciation and amortisation (“EBITDA”)	<b>31,955</b>	38,581
Net profit	<b>12,524</b>	16,549

The Group’s turnover for the six months ended 30 June 2020 was approximately HK\$249.1 million, representing a decrease of approximately 23.6% as compared to approximately HK\$326.3 million for the last corresponding period, which was primarily attributable to the decrease in sales orders and the delayed delivery for certain orders demanded by customers due to the periodic suspension in global economic activities as a result of the impact of the outbreak of the novel coronavirus (“COVID-19”).

The Group’s gross profit margin for the six months ended 30 June 2020 was approximately 23.8%, representing an increase of approximately 1.5% over the gross profit margin of the last corresponding period of approximately 22.3%.

The Group's total operating expenses for the six months ended 30 June 2020 were approximately HK\$47.3 million, representing a decrease of approximately 12.4% over the last corresponding period, mainly due to decrease in selling and distribution expenses, and general and administrative expenses.

The Group's EBITDA amounted to approximately HK\$32.0 million for the six months ended 30 June 2020 as compared to approximately HK\$38.6 million for the last corresponding period.

The Group recorded a net profit attributable to owners of the Company of approximately HK\$12.5 million for the six months ended 30 June 2020 as compared to approximately HK\$16.5 million for the last corresponding period.

#### *Other income and gains*

Other income and gains increased by approximately HK\$2.8 million or 45.9%, to approximately HK\$8.9 million for the six months ended 30 June 2020 from approximately HK\$6.1 million for the six months ended 30 June 2019, primarily due to the increase in government grants of approximately HK\$1.7 million.

#### *Selling and distribution expenses*

Selling and distribution expenses decreased by approximately HK\$1.9 million or 20.9%, to approximately HK\$7.2 million for the six months ended 30 June 2020 from approximately HK\$9.1 million for the six months ended 30 June 2019. The decrease was primarily due to the decrease in commission.

#### *General and administrative expenses*

General and administrative expenses decreased by approximately HK\$4.8 million, or 10.7%, to approximately HK\$40.1 million for the six months ended 30 June 2020 from approximately HK\$44.9 million for the six months ended 30 June 2019. The decrease was primarily due to the net effect of (1) the increase in legal and professional fee of approximately HK\$5.4 million, (2) the decrease in consultant expense of approximately HK\$4.2 million, (3) the decrease in research and development costs of approximately HK\$1.3 million, (4) the decrease in staff welfare expense of approximately HK\$1.1 million, and (5) the decrease in impairment of trade and bills receivables of approximately HK\$0.6 million.

#### *Other expenses*

Loss on disposal of old machinery amounted to approximately HK\$2.9 million and write-off of old machinery amounted to approximately HK\$0.7 million were incurred during the current period. As a result, other expenses increased by approximately HK\$3.6 million, to approximately HK\$3.7 million for six months ended 30 June 2020 from approximately HK\$0.02 million for six months ended 30 June 2019.

#### *Finance costs*

Finance costs decreased by approximately HK\$2.4 million, or 64.9%, to approximately HK\$1.3 million for the six months ended 30 June 2020 from approximately HK\$3.7 million for the six months ended 30 June 2019, primarily due to the decrease in bank loans interest resulting from the decrease in bank borrowings during the period.

### *Profit for the period attributable to owners of the Company*

The Group recorded a profit attributable to owners of the Company of approximately HK\$12.5 million for the six months ended 30 June 2020 as compared to approximately HK\$16.5 million for the six months ended 30 June 2019, representing a decrease of approximately 24.2%. The decrease of profit attributable to owners of the Company was mainly due to the decrease in gross profit of approximately HK\$13.6 million.

### *Property, plant and equipment*

The net carrying amount as at 30 June 2020 was approximately HK\$345.4 million, representing a decrease of approximately HK\$17.6 million from the net carrying amount of approximately HK\$363.0 million as at 31 December 2019. This was mainly due to depreciation of approximately HK\$14.0 million for the Group's property, plant and equipment in the current period.

### *Trade and bills receivables*

There was a decrease in trade and bills receivables as at 30 June 2020 of approximately HK\$53.7 million as compared to 31 December 2019 which was mainly due to the decrease in sales in the second quarter of 2020 as compared to the fourth quarter of 2019.

### *Bank and other borrowings*

The Group had bank and other borrowings as at 30 June 2020 in the sum of approximately HK\$61.2 million, representing a decrease by approximately HK\$23.0 million from the sum of approximately HK\$84.2 million as at 31 December 2019. The main reason for the decrease in borrowings was the repayment of borrowings during the period. No financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

### *Liquidity and financial resources*

As at 30 June 2020, the Group had total current assets of approximately HK\$510.7 million (31 December 2019: HK\$437.5 million) including cash and cash equivalents, pledged deposits and restricted cash totalling approximately HK\$292.0 million (31 December 2019: HK\$160.9 million). As at 30 June 2020, the Group had total current liabilities amounted to approximately HK\$222.0 million (31 December 2019: HK\$276.6 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 2.3 as at 30 June 2020 (31 December 2019: 1.6).

### *Gearing ratio*

The gearing ratio of the Group, calculated as total borrowings over total equity, was approximately 0.1 as at 30 June 2020 (31 December 2019: approximately 0.2).



### *Treasury policies*

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the 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 2020, the Group had cash and cash equivalents, pledged deposits and restricted cash, trade and bills receivables, deposits and other receivables, trade and bills payables, other payables and interest-bearing bank and other borrowings, which are denominated in currencies other than Hong Kong dollars, and consequently we have foreign currency risk exposure from translation of amount denominated in foreign currencies as at the reporting date. During the six months ended 30 June 2020, 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 2020 and the full year of 2019. The capital of the Company comprises ordinary shares and capital reserves.

### *Capital commitments*

As at 30 June 2020, capital commitments of the Group amounted to approximately HK\$1.6 million (31 December 2019: HK\$2.1 million).

### *Information on employees*

As at 30 June 2020, the Group had 749 (31 December 2019: 977) 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 2020, the Group did not hold any significant investment.

#### *Future plans for material investments and capital assets*

Other than those disclosed in this announcement, 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 and manufacturing of PCBs. On 8 May 2020, the Group has entered into, amongst others, a cooperation agreement for the urban renewal project located at the production area 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.

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

During the six months ended 30 June 2020, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

#### *Charges of assets*

As at 30 June 2020, certain assets of the Group as set out below were charged to secure banking facilities granted to the Group:

- (i) the Group's investment property amounting to approximately HK\$6.2 million (31 December 2019: HK\$6.5 million).
- (ii) pledged deposits with banks amounting to approximately HK\$31.1 million (31 December 2019: HK\$31.4 million).

#### *Contingent liabilities*

The Group had no material contingent liabilities as at 30 June 2020 (31 December 2019: Nil).

## **PROSPECTS**

The COVID-19 outbreak at the end of 2019 has spread across the world, continuously exerting an impact on the economy and people's livelihood. As the epidemic prolongs and spreads to a greater extent, a greater negative impact on various aspects will ensue. The economic development across the globe is adversely affected by various factors, including President Trump's America First policy and his crackdown on Chinese enterprises, and multiple geopolitical tensions. In general, as compared with last year, the negative impacts during this year will be larger. Leveraging on our diversified market and industry segments, our broad base of quality customers has made us more resilient, and under the environment of widespread decline, the Company's performance during the first half of the year has reversed as compared with that of the same period last year. Nevertheless, the Company is closely monitoring the development of external affairs as well as our internal situation regarding customer orders and will make appropriate adjustments accordingly.

## **EVENTS AFTER THE REPORT PERIOD**

Save for the approval by the shareholders of the Company at the extraordinary general meeting on 14 July 2020 of the cooperation agreement for the urban renewal project (details of which are disclosed in the paragraph "Future plans for material investments and capital assets" above), 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 2020, 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 and A.6.7, 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 2020.

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.

Pursuant to Code Provision A.6.7 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, non-executive directors should attend general meeting. However, Mr. Chan Yan Kwong, being the non-executive Director, was unable to attend the general meeting on 22 May 2020 due to the need to attend other meetings. However, Mr. Chan often provides valuable advice to the Company with his skills, experience and expertise and he will strive to attend future general meeting(s) of the Company so as to keep a balanced understanding of the views of shareholders of the Company.

## **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 2020.

## **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 2020 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 2020 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 2020 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 2020 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 2020 (six months ended 30 June 2019: 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 2020 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, 26 August 2020

*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.*