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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 2019**

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 2019 together with the comparative figures for the last year.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***Year ended 31 December 2019*

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>650,408</b>	766,006
Cost of sales		<u>(502,018)</u>	<u>(587,117)</u>
Gross profit		<b>148,390</b>	178,889
Other income and gains	4	<b>22,850</b>	18,333
Selling and distribution expenses		<b>(19,028)</b>	(25,063)
General and administrative expenses		<b>(77,968)</b>	(82,448)
Other expenses		<b>(113)</b>	(62)
Finance costs	6	<u><b>(6,075)</b></u>	<u>(8,099)</u>
<b>Profit before tax</b>	5	<b>68,056</b>	81,550
Income tax expense	7	<u><b>(12,155)</b></u>	<u>(23,157)</u>
<b>Profit for the year</b> <b>attributable to owners of the Company</b>		<u><b>55,901</b></u>	<u>58,393</u>
<b>Earnings per share attributable</b> <b>to ordinary equity holders of the Company</b>	9		
Basic and diluted		<u><b>HK23.3 cents</b></u>	<u>HK24.3 cents</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Year ended 31 December 2019*

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>55,901</b>	58,393
<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>(18,417)</b>	(27,323)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of a financial asset at fair value through other comprehensive income	<b>133</b>	163
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(18,284)</b>	(27,160)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>37,617</b>	31,233

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>362,956</b>	398,676
Investment properties		<b>26,641</b>	25,850
Right-of-use assets		<b>6,657</b>	–
Prepaid land lease payments		–	4,599
Deposits for purchases of items of property, plant and equipment		–	616
Deposits		<b>116</b>	296
Deferred tax assets		<b>9,166</b>	11,706
Financial asset at fair value through other comprehensive income		<b>4,159</b>	4,119
Total non-current assets		<b>409,695</b>	445,862
<b>CURRENT ASSETS</b>			
Inventories		<b>51,928</b>	61,599
Trade and bills receivables	<i>10</i>	<b>216,446</b>	255,704
Prepayments, deposits and other receivables		<b>2,760</b>	8,473
Pledged deposits and restricted cash		<b>31,433</b>	31,621
Cash and cash equivalents		<b>129,434</b>	135,876
Assets classified as held for sale		<b>432,001</b> <b>5,454</b>	493,273 –
Total current assets		<b>437,455</b>	493,273
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>11</i>	<b>109,492</b>	124,973
Other payables and accruals		<b>65,220</b>	75,249
Interest-bearing bank borrowings		<b>84,236</b>	178,539
Finance lease payables		–	436
Lease liabilities		<b>1,623</b>	–
Tax payable		<b>15,959</b>	17,319
Liabilities directly associated with assets classified as held for sale		<b>276,530</b> <b>117</b>	396,516 –
Total current liabilities		<b>276,647</b>	396,516
<b>NET CURRENT ASSETS</b>		<b>160,808</b>	96,757
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>570,503</b>	542,619

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>570,503</b>	542,619
<b>NON-CURRENT LIABILITIES</b>		
Finance lease payables	–	563
Lease liabilities	<b>567</b>	–
Deferred tax liabilities	<b>22,998</b>	20,549
Deferred income	<b>12,086</b>	9,854
Total non-current liabilities	<b>35,651</b>	30,966
Net assets	<b>534,852</b>	511,653
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Issued capital	<b>2,400</b>	2,400
Reserves	<b>532,452</b>	509,253
Total equity	<b>534,852</b>	511,653

## NOTES

31 December 2019

### 1. CORPORATE INFORMATION

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

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

The Company's shares 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

#### New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

#### As a lessee — Leases previously classified as operating leases

##### *Nature of the effect of adoption of HKFRS 16*

The Group has lease contracts for various properties and a vehicle. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases.

##### *Impacts on transition*

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate when the Group applied the incremental borrowing rate at 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This included HK\$4.8 million recognised previously as prepaid land lease payments on 31 December 2018 that were reclassified as right-of-use assets.

As a lessee — Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under HKAS 17.

Financial impact at 1 January 2019

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	<b>Increase/ (decrease)</b> <i>HK\$'000</i>
<b>Assets</b>	
Increase in right-of-use assets	7,868
Decrease in property, plant and equipment	(117)
Decrease in prepaid land lease payments	(4,840)
	<hr/>
Increase in total assets	<u>2,911</u>
<b>Liabilities</b>	
Increase in lease liabilities	3,928
Decrease in finance lease payable	(999)
	<hr/>
Increase in total liabilities	<u>2,929</u>
	<hr/>
Decrease in retained profits	<u>18</u>

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	<b>Increase/ (decrease)</b> <i>HK\$'000</i>
<b>Operating lease commitments as at 31 December 2018</b>	3,056
Weighted average incremental borrowing rate as at 1 January 2019	5.12%
	<hr/>
Discounted operating lease commitments as at 1 January 2019	2,929
Add: Commitments relating to leases previously classified as finance leases	999
	<hr/>
<b>Lease liabilities as at 1 January 2019</b>	<u>3,928</u>



### 3. OPERATING SEGMENT INFORMATION

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

#### Geographical information

(a) Revenue from external customers

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Mainland China	273,300	327,809
Europe	158,440	168,938
Hong Kong	13,618	20,411
North America	34,848	52,872
Asia (except Mainland China and Hong Kong)	156,337	165,022
Africa	13,754	30,850
Oceania	106	96
South America	5	8
	<u>650,408</u>	<u>766,006</u>

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

(b) Non-current assets

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	3,072	1,717
Mainland China	393,298	428,320
	<u>396,370</u>	<u>430,037</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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A	227,074	237,112
Customer B	83,779	95,375
	<u>310,853</u>	<u>332,487</u>

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

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Revenue from contracts with customers</b>		
Sale of goods	<u>650,408</u>	<u>766,006</u>
<b>Other income</b>		
Bank interest income	598	568
Rental income	312	200
Government grants <sup>^</sup>	9,058	9,659
Others	<u>4</u>	<u>184</u>
	<u>9,972</u>	<u>10,611</u>
<b>Gains</b>		
Fair value gains on investment properties	1,387	2,001
Gains on disposal of items of property, plant and equipment	306	310
Sales of scraps	2,290	966
Foreign exchange gain, net	3,548	4,445
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	5,333	–
Others	<u>14</u>	<u>–</u>
	<u>12,878</u>	<u>7,722</u>
	<u>22,850</u>	<u>18,333</u>

<sup>^</sup> Government grants have been 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>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold <sup>^</sup>	<b>502,018</b>	587,117
Minimum lease payments under operating leases	–	1,715
Auditor's remuneration	<b>2,084</b>	2,105
Depreciation of property, plant and equipment	<b>27,993</b>	28,070
Depreciation of right-of-use assets	<b>2,048</b>	–
Amortisation of land lease payments	–	249
Employee benefit expense <sup>@</sup> (including directors' and chief executive's remuneration):		
Wages, salaries, allowances, bonuses, commission and benefits in kind	<b>94,221</b>	107,249
Pension scheme contributions (defined contribution schemes)	<b>215</b>	213
Other employee benefits	<b>8,654</b>	9,639
	<b>103,090</b>	117,101
Research and development costs <sup>##</sup>	<b>7,752</b>	11,261
Write-off of items of property, plant and equipment	<b>58</b>	–
Reversal of write-down of inventories to net realisable value <sup>^</sup>	<b>(408)</b>	(1,240)
Fair value gains on investment properties	<b>(1,387)</b>	(2,001)
Impairment/(reversal of impairment) of trade and bills receivables	<b>(211)</b>	898
Impairment of other receivables	<b>27</b>	–
Gain on disposal of items of property, plant and equipment <sup>*</sup>	<b>(306)</b>	(310)
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary <sup>*</sup>	<b>(5,333)</b>	–
Foreign exchange differences, net <sup>*</sup>	<b>(3,548)</b>	(4,445)

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

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

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

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

## 6. FINANCE COSTS

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on:		
Bank loans and trust receipt loans	<b>5,944</b>	7,936
Finance leases	–	163
Lease liabilities	<b>131</b>	—
	<u><b>6,075</b></u>	<u>8,099</u>

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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 effective from the year of assessment 2018/2019. The first HK\$2,000,000 (2018: Nil) of assessable profits of this subsidiary is 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.

All subsidiaries of the Group established in the PRC are subject to PRC corporate income tax at a standard rate of 25% (2018: 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% (2018: 15%) has been applied for the year.

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	<b>1,050</b>	481
Overprovision in prior years	<b>(40)</b>	(28)
Current — Mainland China		
Charge for the year	<b>7,064</b>	10,119
Overprovision in prior years	<b>(857)</b>	(753)
Deferred	<b>4,938</b>	13,338
	<u><b>12,155</b></u>	<u>23,157</u>

## 8. DIVIDEND

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Final — Nil (2018: HK6.0 cents) per ordinary share	—	14,400

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

## 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\$55,901,000 (2018: HK\$58,393,000) and the weighted average number of ordinary shares of 240,000,000 (2018: 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 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

## 10. TRADE AND BILLS RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	197,743	222,699
Bills receivable	22,260	36,844
	<u>220,003</u>	<u>259,543</u>
Impairment	(3,557)	(3,839)
	<u>216,446</u>	<u>255,704</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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within one month	84,425	95,114
One to two months	54,338	76,157
Two to three months	47,349	56,923
Over three months	30,334	27,510
	<u>216,446</u>	<u>255,704</u>

## 11. TRADE AND BILLS PAYABLES

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	<b>109,291</b>	122,100
Bills payable	<b>201</b>	2,873
	<u><b>109,492</b></u>	<u>124,973</u>

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within three months	<b>93,403</b>	108,442
Three to six months	<b>14,929</b>	15,734
Over six months	<b>1,160</b>	797
	<u><b>109,492</b></u>	<u>124,973</u>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Overview

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 2019, global economy registered some growth. According to the International Monetary Fund (“IMF”), global economic growth was estimated to increase by 2.9% in 2019, and is forecast to increase by 3.3% and 3.4% in 2020 and 2021, respectively. In the next few years, the global PCB market will maintain moderate growth as sectors including the automobile electronics, Internet-of-Things, cloud server and storage equipment will become the growth engine driving the demand for PCBs.

According to the statistics, the output value of PCBs in the global market amounted to US\$62.4 billion in 2018, and the same will maintain moderate growth at a compound growth rate of 3.7% from 2018 to 2023. By 2023, the output value of PCBs in the global market will amount to US\$74.7 billion.

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 information available, the output value of PCBs in China is anticipated to reach US\$32.7 billion in 2018, accounting for approximately 52.4% of the global output value. It is anticipated that the output value of PCBs in China will amount to US\$40.56 billion in 2023.

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

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

The new applications of PCBs will further drive the development of the PCB industry. The 5G deployment will significantly advance the progress of the PCB industry, resulting in a soaring number of PCBs used in unit devices and base stations amid a growing demand for a total number of devices and base stations. 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 novel coronavirus disease (COVID-19) outbreak in early 2020, which has spread across China with worldwide infection, has caused material impact on a wide range of economic activities. The operation of PCB manufacturers is unavoidably affected, and the seriousness of the negative impact will depend on the development of the epidemic.

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

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

## **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, 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, the bulk production capacity of the Group will be relocated gradually to the new production base. The Group will also proactively explore the possible cooperation with independent parties in relation to the urban renewal project located at the current production area in Pingshan District. At the same time, the Group will also consider opportunities to maximize shareholders' benefits from time to time.

## Financial Review

in HK\$'000	2019	2018
Turnover	<b>650,408</b>	766,006
Gross profit	<b>148,390</b>	178,889
Earnings before interest, taxes, depreciation and amortisation (“EBITDA”)	<b>103,574</b>	117,400
Net profit	<b>55,901</b>	58,393

The Group's turnover for the year of 2019 was approximately HK\$650.4 million, representing a decrease of approximately 15.1% compared to that of the last year, primarily due to the instability of global economy, resulting in a decrease in sales orders and a reduction in the sales price.

The Group's gross profit for the year of 2019 was approximately HK\$148.4 million, representing a decrease of approximately 17.0% compared to that of the last year. Gross profit margin decreased by approximately 0.6% to 22.8% from 23.4%, primarily due to decrease in sales and production in volume.

The Group's total operating expenses for the year of 2019 were approximately HK\$97.0 million, representing a decrease of approximately 9.8% compared to approximately HK\$107.5 million for the last year, primarily due to the decrease in commission, transportation cost, research and development costs and salaries.

The Group's EBITDA amounted to approximately HK\$103.6 million for the year of 2019 as compared to approximately HK\$117.4 million for the last year.

The Group recorded a profit attributable to ordinary equity holders of the Company of approximately HK\$55.9 million for the year of 2019 as compared to approximately HK\$58.4 million for the last year.

### *Other income and gains*

Other income and gains increased by approximately HK\$4.6 million, or 25.1%, to approximately HK\$22.9 million for the year ended 31 December 2019 from approximately HK\$18.3 million for the year ended 31 December 2018, primarily due to realisation of exchange fluctuation reserve upon deregistration of a subsidiary.

### *Selling and distribution expenses*

Selling and distribution expenses decreased by approximately HK\$6.1 million, or 24.3%, to approximately HK\$19.0 million for the year ended 31 December 2019 from approximately HK\$25.1 million for the year ended 31 December 2018. The decrease was primarily due to decrease in commission and transportation cost.

### *General and administrative expenses*

General and administrative expenses decreased by approximately HK\$4.4 million, or 5.3%, to approximately HK\$78.0 million for the year ended 31 December 2019 from approximately HK\$82.4 million for the year ended 31 December 2018. The decrease was primarily due to decrease in research and development costs and salaries.

### *Other expenses*

Other expenses for the year ended 31 December 2019 were approximately HK\$0.1 million, similar to the amount of approximately HK\$0.06 million for the last year.

### *Finance costs*

Finance costs decreased by approximately HK\$2.0 million, or 24.7%, to approximately HK\$6.1 million for the year ended 31 December 2019 from approximately HK\$8.1 million for the year ended 31 December 2018. The decrease was primarily due to the decrease in bank loans interest resulting from the decrease in bank borrowings during the period.

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

The Group recorded profit attributable to ordinary equity holders of the Company of approximately HK\$55.9 million for the year ended 31 December 2019 compared to approximately HK\$58.4 million for the year ended 31 December 2018, representing a decrease of approximately 4.3%. The decrease of profit attributable to ordinary equity holders of the Company was mainly due to the net effect of the decrease in gross profit of approximately HK\$30.5 million, the increase in other income and gains of approximately HK\$4.6 million mainly due to realisation of exchange fluctuation reserve upon deregistration of a subsidiary, the decrease in selling and distribution expenses of approximately HK\$6.1 million mainly due to the decrease in commission and transportation cost, the decrease in general and administrative expenses of approximately HK\$4.4 million mainly due to the decrease in research and development costs and salaries, and the decrease in income tax expense of approximately HK\$11.0 million.

### *Property, plant and equipment*

The net carrying amount as at 31 December 2019 was approximately HK\$363.0 million, representing a decrease of approximately HK\$35.7 million from that of 31 December 2018. This was mainly due to the net effect of (i) depreciation of approximately HK\$28.0 million with respect to the Group's property, plant and equipment in the current year, (ii) decrease in exchange realignment of approximately HK\$8.7 million, (iii) total additions and transfer in during the year of approximately HK\$9.7 million, and (iv) total disposals and transfer out during the year of approximately HK\$8.6 million.

### *Trade and bills receivables*

There was an decrease in trade and bills receivables as at 31 December 2019 of approximately HK\$39.3 million as compared to that of 31 December 2018, which was mainly due to the decrease in revenue.

### *Trade and bills payables*

There was a decrease in trade and bills payables as at 31 December 2019 of approximately HK\$15.5 million as compared to that of 31 December 2018, which was mainly due to the decrease of trade payables caused by the drop in sales as well as purchases.

### *Bank and other borrowings*

The Group had bank and other borrowings as at 31 December 2019 in the sum of approximately HK\$84.2 million, representing a decrease of approximately HK\$95.3 million from the sum of approximately HK\$179.5 million as at 31 December 2018. The decrease in borrowings was mainly due to repayment of borrowings. No financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

### *Assets/liabilities classified as held for sale*

As at 31 December 2019, the Group has been undergoing negotiations with an independent third party on the possible disposal of a wholly owned subsidiary of the Group. Such possible disposal was part of a framework agreement in relation to the urban renewal project located at the production area of the Group. For details, please refer to the Company's announcement dated 13 November 2019.

### *Liquidity and financial resources*

As at 31 December 2019, the Group had current assets of approximately HK\$437.5 million (2018: HK\$493.3 million) including cash and cash equivalents, pledged deposits and restricted cash totalling approximately HK\$160.9 million (2018: HK\$167.5 million). As at 31 December 2019, the Group had non-current liabilities of approximately HK\$35.7 million (2018: HK\$31.0 million), and its current liabilities amounted to approximately HK\$276.6 million (2018: HK\$396.5 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 1.6 as at 31 December 2019 (2018: 1.2).

### *Gearing ratio*

The gearing ratio of the Group, calculated as total borrowings over total equity, was approximately 0.2 as at 31 December 2019 (2018: approximately 0.4).

### *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 2019. 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 2019, we had cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, other payables and interest-bearing bank borrowings which are denominated in currencies other than Hong Kong dollar, and consequently we have foreign exchange exposure from translation of amounts denominated in foreign currencies as at the reporting date. During the year ended 31 December 2019, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its foreign currency exposure.

### *Capital structure*

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

### *Capital commitments*

As at 31 December 2019, capital commitments of the Group amounted to approximately HK\$2.1 million (2018: HK\$1.6 million).

### *Dividend*

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: a final dividend of HK6.0 cents per share).

### *Information on employees*

As at 31 December 2019, the Group had 977 employees (2018: 986 employees), including the executive Directors. Total employee benefit expense (including Directors' remuneration) was approximately HK\$103.1 million, as compared to approximately HK\$117.1 million for the year ended 31 December 2018. 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 2019, the Group did not hold any significant investment.

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

Save as disclosed in this announcement, the Group has been exploring the opportunity and discussing with independent third parties in relation to: (i) the investment of the establishment of a Greater Bay Area production base for the production and manufacturing of PCBs; (ii) the possible cooperation for the urban renewal project located at the production area of Yan Tat Printed Circuit (Shenzhen) Co., Ltd. in Pingshan District, Shenzhen, the PRC. For details, please refer to the Company's announcements dated 23 October 2019 and 13 November 2019.

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

During the year ended 31 December 2019, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

#### *Charges of assets*

As at 31 December 2019, 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\$6.5 million (2018: HK\$6.4 million).
- (ii) pledged deposits with banks amounting to approximately HK\$31.4 million (2018: HK\$31.1 million).

#### *Contingent liabilities*

The Group had no material contingent liabilities as at 31 December 2019 (2018: nil).

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

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

## **EVENTS AFTER THE REPORT DATE**

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

## **CLOSURE OF THE REGISTER OF MEMBERS**

To determine the eligibility of the shareholders of the Company to attend the annual general meeting of the Company ("AGM") to be held on Friday, 22 May 2020, the register of members will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020, 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 Monday, 18 May 2020.

## **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 2019 and up to the date of this results announcement, the Company had complied with the code provisions ("**Code Provision**") set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Listing Rules**"), except Code Provision A.2.1 as more particularly described below.

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

## **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings of the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions by Directors during the year ended 31 December 2019.

## **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 2019. The audit committee opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

## **REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Company’s auditor, Ernst & Young, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement.

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

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](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 2019 containing all information required by the Listing Rules will be dispatched to shareholders and published on above websites in due course.

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

Hong Kong, 24 March 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.*