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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 2022**

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 2022 together with the comparative figures for the previous year.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>REVENUE</b>	4	<b>743,612</b>	763,836
Cost of sales		<u>(562,835)</u>	<u>(620,842)</u>
Gross profit		<b>180,777</b>	142,994
Other income and gains	4	<b>29,001</b>	19,144
Selling and distribution expenses		<b>(19,492)</b>	(18,348)
General and administrative expenses		<b>(77,838)</b>	(77,315)
Other expenses		<b>(1,131)</b>	(858)
Finance costs	6	<b>(409)</b>	(400)
<b>PROFIT BEFORE TAX</b>	5	<b>110,908</b>	65,217
Income tax expense	7	<b>(16,644)</b>	(18,973)
<b>PROFIT FOR THE YEAR</b> <b>ATTRIBUTABLE TO OWNERS OF</b> <b>THE COMPANY</b>		<b><u>94,264</u></b>	<b><u>46,244</u></b>
<b>EARNINGS PER SHARE</b> <b>ATTRIBUTABLE TO ORDINARY</b> <b>EQUITY HOLDERS OF</b> <b>THE COMPANY</b>	9		
Basic and diluted		<b><u>HK39.3 cents</u></b>	<b><u>HK19.3 cents</u></b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>94,264</b>	46,244
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(49,332)	14,253
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	(35)	(67)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b>(49,367)</b>	14,186
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>44,897</b>	60,430

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>293,267</b>	347,100
Investment properties		<b>26,868</b>	29,293
Right-of-use assets		<b>6,329</b>	6,573
Deposits for purchases of items of property, plant and equipment		<b>678</b>	–
Deposits		<b>116</b>	202
Deferred tax assets		<b>9,300</b>	9,923
Financial asset at fair value through other comprehensive income		<b>4,019</b>	4,440
		<hr/>	<hr/>
Total non-current assets		<b>340,577</b>	397,531
<b>CURRENT ASSETS</b>			
Inventories		<b>87,080</b>	104,084
Trade and bills receivables	<i>10</i>	<b>212,778</b>	256,740
Prepayments, deposits and other receivables		<b>5,550</b>	10,971
Pledged deposits		<b>31,522</b>	32,100
Cash and cash equivalents		<b>377,555</b>	272,342
		<hr/>	<hr/>
		<b>714,485</b>	676,237
Assets classified as held for sale		<b>3,319</b>	3,619
		<hr/>	<hr/>
Total current assets		<b>717,804</b>	679,856
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>11</i>	<b>103,346</b>	138,006
Other payables and accruals		<b>68,282</b>	65,484
Interest-bearing bank borrowings		<b>35,983</b>	32,010
Lease liabilities		<b>1,580</b>	1,623
Tax payable		<b>18,765</b>	28,175
		<hr/>	<hr/>
Total current liabilities		<b>227,956</b>	265,298
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>489,848</b>	414,558
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>830,425</b>	812,089
		<hr/>	<hr/>

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>965</b>	567
Deposit received	<b>111,950</b>	122,310
Deferred tax liabilities	<b>25,782</b>	24,588
Deferred income	<b>8,330</b>	11,723
	<hr/>	<hr/>
Total non-current liabilities	<b>147,027</b>	159,188
	<hr/>	<hr/>
Net assets	<b>683,398</b>	652,901
	<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>680,998</b>	650,501
	<hr/>	<hr/>
Total equity	<b>683,398</b>	652,901
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## NOTES

31 December 2022

### 1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 8 July 2014 as an exempted company with limited liability. The address of the registered office of the Company is Winward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is located at Room 809–810, Kwong Sang Hong Centre, 151–153 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

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

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

### 2.1 BASIS OF PREPARATION

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

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

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
  - HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group’s financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

### 3. OPERATING SEGMENT INFORMATION

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

#### Geographical information

(a) *Revenue from external customers*

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mainland China	282,845	300,949
Europe	197,528	199,716
Hong Kong	4,446	7,236
North America	69,486	51,465
Asia (except Mainland China and Hong Kong)	183,568	199,119
Africa	5,563	5,158
Oceania	60	154
South America	116	39
	<u>743,612</u>	<u>763,836</u>

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

(b) *Non-current assets*

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	2,838	2,485
Mainland China	324,420	380,683
	<u>327,258</u>	<u>383,168</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	184,774	221,099
Customer B	<u>88,968</u>	<u>102,638</u>
	<u>273,742</u>	<u>323,737</u>

## 4. REVENUE, OTHER INCOME AND GAINS

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Revenue from contracts with customers</b>		
Sale of goods	<u>743,612</u>	<u>763,836</u>
<b>Other income</b>		
Bank interest income	2,919	2,187
Rental income	538	604
Government grants <sup>^</sup>	5,854	5,985
Income linked to recycling	8,966	10,368
Others	<u>425</u>	<u>–</u>
	<u>18,702</u>	<u>19,144</u>
<b>Gains</b>		
Fair value gain on investment properties	58	–
Foreign exchange gains, net	<u>10,241</u>	<u>–</u>
	<u>10,299</u>	<u>–</u>
	<u>29,001</u>	<u>19,144</u>

<sup>^</sup> The government grants recognised during the year mainly represented grants received from certain government authorities of the People's Republic of China ("PRC") in recognition of the Group's efforts in environmental awareness and protection and technological development. There are no unfulfilled conditions or contingencies relating to these grants recognised during the year.

## 5. PROFIT BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold <sup>^</sup>	562,835	620,842
Auditor's remuneration	2,143	2,153
Depreciation of property, plant and equipment	27,693	27,367
Depreciation of right-of-use assets	1,937	1,946
Employee benefit expense <sup>@</sup> (including directors' and chief executive's remuneration):		
Wages, salaries, allowances, bonuses, commission and benefits in kind	95,253	83,952
Pension scheme contributions (defined contribution schemes)**	230	230
Other employee benefits	8,752	3,778
	<u>104,235</u>	<u>87,960</u>
Research and development costs <sup>##</sup>	11,964	9,433
Write-off of items of property, plant and equipment	501	304
Write-down of inventories to net realisable value <sup>^</sup>	131	442
Fair value loss/(gain) on investment properties <sup>#</sup>	(58)	482
Impairment/(reversal of impairment) of trade and bills receivables	1,783	(108)
Foreign exchange differences, net*	<u>(10,241)</u>	<u>2,244</u>

\* 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.

# The gain is included in "Other income and gains" and the loss is included in "Other expenses", as appropriate, in the consolidated statement of profit or loss.

@ Employee benefit expense of HK\$55,752,000 (2021: HK\$42,595,000) is included in "Cost of inventories sold" in the consolidated statement of profit or loss.

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

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

\*\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions. At 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: Nil).

## 6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on:		
Bank loans and trust receipt loans	336	305
Lease liabilities	73	95
	<u>409</u>	<u>400</u>

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The provision for land appreciation tax has been estimated according to the requirements set forth in the relevant PRC laws and regulations. Land appreciation tax has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

All subsidiaries of the Group established in the PRC are subject to PRC corporate income tax at a standard rate of 25% (2021: 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% (2021: 15%) has been applied for the year.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	4,517	4,589
Underprovision/(overprovision) in prior years	(20)	7,843
Current — Mainland China		
Charge for the year	10,471	4,566
Overprovision in prior years	—	(565)
Deferred	<u>1,676</u>	<u>2,540</u>
Total tax charge for the year	<u>16,644</u>	<u>18,973</u>

## 8. DIVIDEND

The Board recommended to declare a final dividend of HK12.0 cents (2021: HK6.0 cents) per ordinary share, equivalent to a total amount of HK\$28,800,000 (2021: HK\$14,400,000), for the year ended 31 December 2022.

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

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

The calculation of the basic earnings per share amount for the year attributable to ordinary equity holders of the Company is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$94,264,000 (2021: HK\$46,244,000) and the weighted average number of ordinary shares of 240,000,000 (2021: 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 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

## 10. TRADE AND BILLS RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	193,115	227,634
Bills receivable	<u>24,487</u>	<u>32,416</u>
	217,602	260,050
Impairment	<u>(4,824)</u>	<u>(3,310)</u>
	<u><u>212,778</u></u>	<u><u>256,740</u></u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance may be required. The Group maintains a defined credit policy and credit periods are usually granted ranging from one to four months from the month-end of the date of invoice to customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables. Trade and bills receivables are non-interest-bearing.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one month	78,465	103,743
One to two months	57,923	72,119
Two to three months	50,696	61,001
Over three months	<u>25,694</u>	<u>19,877</u>
	<u><u>212,778</u></u>	<u><u>256,740</u></u>

## 11. TRADE PAYABLES

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within three months	<b>89,194</b>	121,702
Three to six months	<b>13,351</b>	13,986
Over six months	<b>801</b>	2,318
	<b><u>103,346</u></b>	<u>138,006</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, machinery, and chemical materials. They are also given the name of “the mother of electronic products”.

In 2022, global economic activities generally slowed down. Various countries faced cost of living crisis due to high inflation. Financial environment of various regions has been contracting. Russia-Ukraine conflict and the persistence of COVID-19 have posed severe impacts to the economic outlook. International Monetary Fund predicted that the global economy will grow by about 3.4% in 2022. The growth rate, however, is expected to decrease to 2.9% in 2023 and slightly increase in 2024.

Despite the threat of unpredictable factors such as geopolitics, high inflation and high level of inventories, it is estimated that the global PCB industry will still grow slightly in 2022 with global output value of approximately US\$84.6 billion. PCB market of 5G related equipment, servers, new energy vehicles and the supply chain of Apple Inc. recorded better performance. Research institutions predict that global PCB market will grow to approximately US\$101.5 billion in 2026.

The PCB industry has been long established, with its early presence mainly distributed in Europe, North America, and Japan. Due to global migration of the electronics sector, Asia takes the lead in the PCB industry development on the globe. According to the information available, the output value of PCBs in the PRC was approximately US\$44.2 billion in 2021, accounting for approximately 54.6% of the global market share.

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

Automobile electronics has become a global trend, which promotes the rapid growth of automobile PCBs. PCBs are widely used in engine, control, safety, information and in-vehicle systems. Compared with conventional vehicles, the requirement of electronics for new energy vehicle is higher and the PCB value of new energy vehicles is approximately 4 times than that of conventional vehicles. In view of the immense effort in promoting the development of new energy vehicle by countries around the world, it shall create tremendous business opportunities to the PCB market in the future.

The new applications of PCBs will further drive the development of the PCB industry. The 5G technology deployment will significantly advance the progress of the PCB industry. There are approximately 0.654 million newly-built 5G base stations in the PRC for 2021. As at September 2022, 5G base stations which have been established and commenced operation amounted to approximately 2.2 million in total. A research institute estimates that the output value of PCBs for communications infrastructure was approximately US\$8 billion in 2021 and will reach US\$9.2 billion in 2026. With the establishment of a complete 5G network, it also accelerates the formation of the consumer 5G electronics industry chain. It is expected that prospect will emerge in the PCB market.

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

The COVID-19 outbreak in early 2020, which has spread across China with worldwide infection, has caused material impact on a wide range of economic activities. The operation of PCB manufacturers is inevitably affected. After a long time of three years, various countries around the globe are moving along the path to normalcy, yet the PRC has progressed rather slowly in this regard. In 2022, the COVID-19 pandemic quickly spread across the PRC, and has been quickly contained. The PRC has accelerated opening up recently, laying a smooth path towards global economic recovery.

Against the large-scale capacity expansion launched by many PCB manufacturers with excess capacity amid a growing number of new PCB manufacturers in recent years, the market has eventually become increasingly competitive, with the possibility of triggering a fierce pricing competition. With the unit price being adjusted downwards, the slim profit margin will further shrink.

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

## **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’ requirements.

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

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

Over the past 33 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. During 2022, the Group complies with ISO 13485 certification, proving that the Group's quality management system complies with the production and sales requirement of circuit boards for medical equipment.

The high production cost continues to affect the PCB industry in 2022. Followed by the sweep of emission limits and environmental protection measures across China, PCB manufacturers are facing steep challenges. As a PCB manufacturer, the Group needs to formulate appropriate responses and increase the capital input in respect of environmental protection resulting in the set-off of part of the profits of the Group. However, viewing from another perspective, manufacturers failing to meet the required standards would be eliminated or would have to enhance their operation cost in order to comply with the required standards, whereas the Group has realized the need for environmental protection and has made relevant investment many years ago. Therefore, compared with those failing to meet the standards, the Group is under less pressure in such new setting in the PCB market and better positioned to seize opportunities.

Although China remains to be the "World Factory", labor costs are no longer as low as a decade before and have gradually increased. In addition, the labor supply is insufficient in the coastal areas. The Group enhanced its production automation, promoted the use and flow of production information, optimized and improved costs and quality which could eventually lead the Group to develop towards intelligent production in the future.

In 2022, various foreign countries have overcome the COVID-19 crisis. As the overseas market recovers, the demand for downstream PCB products increases. The Group grasps this opportunity and maintains its overseas sales. However, domestic business environment is still under the influence of the pandemic. During the middle of the year, the pandemic spread quickly. Fortunately, its spread has been suppressed shortly and has not caused severe adverse impact to the Group's domestic market. Accordingly, the Group's sales remains steady.

In 2022, enterprises which focus on the overseas market are likely to enjoy foreign exchange gain as the exchange rate of USD against RMB increases from US\$1 to approximately RMB6.35 in the beginning of the year to US\$1 to approximately RMB7.25 in October. As a certain proportion of the Group's sales originates from the overseas market, the Group can obtain a considerable amount of foreign exchange gain.

In 2022, serious challenges exposed the Group to a lot of risks and uncertainties. The Group has been concentrating on its PCB business for over 30 years, in which the accumulated experience and networks allow the Group to make further development in the PCB market. With the rapid progress of the urbanization in Shenzhen, the Shenzhen Pingshan District Government has also made strategic planning for promoting its local development. Given the increased labor costs in Shenzhen and the need to maintain competitiveness and respond to the future change in the planned use of the current production area of Yan Tat Printed Circuits (Shenzhen) Co., Ltd., after consultation with the Board and the professional advisers, the Group plans to establish another production base in the Greater Bay Area to support the long-term development of the Group. Apart from the headquarters in China and the research and development department which will remain located in Pingshan District, Shenzhen, the bulk production capacity of the Group will be relocated gradually to the new production base. The Group entered into a cooperation agreement with independent third parties in relation to the urban renewal project (the “**Urban Renewal Project**”) located at the current production area in Pingshan District, details of which are further particularised in “Financial Review — Future plans for material investments and capital assets” below. At the same time, the Group will also consider opportunities to maximize shareholders’ benefits from time to time.

## Financial Review

	<b>2022</b> <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Turnover	<b>743,612</b>	763,836
Gross profit	<b>180,777</b>	142,994
Earnings before interest, taxes, depreciation and amortisation (“ <b>EBITDA</b> ”)	<b>138,028</b>	92,743
Net profit	<b>94,264</b>	46,244

The Group’s turnover for the year of 2022 was approximately HK\$743.6 million, representing a decrease of approximately 2.6% compared to that of the previous year, which was primarily attributable to the slight decrease in sales orders from customers due to the generally slowed-down global economic activities in 2022.

The Group’s gross profit for the year of 2022 was approximately HK\$180.8 million, representing an increase of approximately 26.4% compared to that of the previous year. Gross profit margin increased by approximately 5.6% to 24.3% from 18.7%. The increase of gross profit and gross profit margin were mainly due to reduction in production costs and the recovery of certain surging material costs from certain clients.

The Group’s total operating expenses for the year of 2022 were approximately HK\$97.3 million, representing an increase of approximately 1.7% compared to approximately HK\$95.7 million for the previous year, primarily due to the increase in selling and distribution expenses.

The Group's EBITDA amounted to approximately HK\$138.0 million for the year of 2022 as compared to approximately HK\$92.7 million for the previous year.

The Group recorded a profit attributable to ordinary equity holders of the Company of approximately HK\$94.3 million for the year of 2022 as compared to approximately HK\$46.2 million for the previous year.

#### *Other income and gains*

Other income and gains increased by approximately HK\$9.9 million, or 51.8%, to approximately HK\$29.0 million for the year ended 31 December 2022 from approximately HK\$19.1 million for the year ended 31 December 2021, primarily due to the net effect of the decrease in income linked to recycling of approximately HK\$1.4 million, and net foreign exchange gain of approximately HK\$10.2 million.

#### *Selling and distribution expenses*

Selling and distribution expenses increased by approximately HK\$1.2 million, or 6.6%, to approximately HK\$19.5 million for the year ended 31 December 2022 from approximately HK\$18.3 million for the year ended 31 December 2021. The increase was primarily due to increase in commission paid to employees resulting from the increase in sales orders from certain customers.

#### *General and administrative expenses*

General and administrative expenses increased by approximately HK\$0.5 million, or 0.6%, to approximately HK\$77.8 million for the year ended 31 December 2022 from approximately HK\$77.3 million for the year ended 31 December 2021. The increase was primarily due to the increase in employee salaries of approximately HK\$0.8 million.

#### *Other expenses*

Other expenses for the year ended 31 December 2022 were approximately HK\$1.1 million, which was slightly higher than the amount of approximately HK\$0.9 million recorded during the previous year.

#### *Finance costs*

Finance costs for the year ended 31 December 2022 were approximately HK\$0.4 million, which was similar to the amount of approximately HK\$0.4 million recorded during the previous year.

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

The Group recorded profit attributable to ordinary equity holders of the Company of approximately HK\$94.3 million for the year ended 31 December 2022 compared to approximately HK\$46.2 million for the year ended 31 December 2021, representing an increase of approximately 104.1%. The increase of profit attributable to ordinary equity holders of the Company was mainly due to the net effect of the increase in gross profit of approximately HK\$37.8 million, the increase in other income and gains of approximately HK\$9.9 million, the increase in selling and distribution expenses of approximately HK\$1.2 million, the increase in general and administrative expenses of approximately HK\$0.5 million, and the decrease in income tax expense of approximately HK\$2.3 million.

### *Property, plant and equipment*

The net carrying amount as at 31 December 2022 was approximately HK\$293.3 million, representing a decrease of approximately HK\$53.8 million from that of 31 December 2021. This was mainly due to the net effect of (i) depreciation of approximately HK\$27.7 million with respect to the Group's property, plant and equipment in the current year, (ii) exchange realignment loss of approximately HK\$29.8 million due to the depreciation of RMB against HKD and (iii) total additions during the year of approximately HK\$4.1 million.

### *Trade and bills receivables*

There was a decrease in trade and bills receivables of approximately HK\$44.0 million as at 31 December 2022 as compared to that as at 31 December 2021, which was mainly due to the decrease in sales in the fourth quarter of 2022 as compared to the fourth quarter of 2021.

### *Trade payables*

There was a decrease in trade payables as at 31 December 2022 of approximately HK\$34.7 million as compared to that as at 31 December 2021, which was mainly due to the decrease in trade payables caused by the decrease in purchases in the fourth quarter of 2022.

### *Bank and other borrowings*

The Group had bank borrowings as at 31 December 2022 in the sum of approximately HK\$36.0 million, representing an increase of approximately HK\$4.0 million from the sum of approximately HK\$32.0 million as at 31 December 2021. The increase in borrowings was mainly due to the increased use of trade finance in the fourth quarter of 2022 as compared to the fourth quarter of 2021. No financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

### *Liquidity and financial resources*

As at 31 December 2022, the Group had current assets of approximately HK\$717.8 million (2021: HK\$679.9 million) including cash and cash equivalents and pledged deposits totalling approximately HK\$409.1 million (2021: HK\$304.4 million). As at 31 December 2022, the Group had non-current liabilities of approximately HK\$147.0 million (2021: HK\$159.2 million), and its current liabilities amounted to approximately HK\$228.0 million (2021: HK\$265.3 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 3.1 as at 31 December 2022 (2021: 2.6).

### *Gearing ratio*

The gearing ratio of the Group, calculated as total borrowings over total equity, was approximately 0.05 as at 31 December 2022 (2021: approximately 0.05).

### *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 2022. 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 risks, 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 2022, we had cash and cash equivalents, pledged deposits, trade and bills receivables, trade payables, other payables and interest-bearing bank borrowings which are denominated in currencies other than Hong Kong dollar, and consequently we have foreign exchange exposure from translation of amounts denominated in foreign currencies as at the reporting date. During the year ended 31 December 2022, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its foreign currency exposure.

### *Capital structure*

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

### *Capital commitments*

As at 31 December 2022, capital commitments of the Group amounted to approximately HK\$0.8 million (2021: HK\$1.6 million).

### *Dividend*

The Board recommended the payment of a final dividend of HK12.0 cents per share for the year ended 31 December 2022 (2021: HK6.0 cents per share).

The proposed dividend is subject to approval by the shareholders of the Company at the annual general meeting to be held on Friday, 2 June 2023 and, if approved, is expected to be paid on or about Thursday, 6 July 2023 to shareholders whose names appear on the register of members of the Company on Wednesday, 14 June 2023. The dividend is declared and will be paid in HKD.

### *Information on employees*

As at 31 December 2022, the Group had 696 employees (2021: 766 employees), including the executive Directors. Total employee benefit expense (including Directors' remuneration) was approximately HK\$104.2 million, as compared to approximately HK\$88.0 million for the year ended 31 December 2021. 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 the 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 ("**Share Option Scheme**") where options to subscribe for shares of the Company 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 2022, 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 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. As disclosed in the Company's announcements dated 24 June 2022, 14 October 2022 and 1 December 2022, as a result of the progress of the Urban Renewal Project being slightly affected by the COVID-19 pandemic, payment schedule of certain payment installments under the Urban Renewal Project has been postponed at the request of the counterparty. However, such payment installments have become due from and payable by the counterparty, and remain outstanding as at the date of this announcement. No further agreement has been made between the parties to further postpone the payment schedule nor the milestones of the Urban Renewal Project as at the date of this announcement. The Company is in the course of further following up with the counterparty on, among other things, the status of the outstanding payment installments. For details, please refer to the Company's announcements dated 15 May 2020, 14 July 2020, 24 June 2022, 14 October 2022 and 1 December 2022, and the circular dated 24 June 2020.

Also, the Group is currently exploring the opportunity and proactively discussing with independent third parties in relation to the investment of the establishment of a Greater Bay Area production base for the production of PCBs. The Company will make further disclosure as and when appropriate pursuant to the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

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

On 8 May 2020, the Group entered into a cooperation agreement with independent third parties on a disposal of certain parcels of land located in Pingshan New District, Shenzhen, with certain parcels of the land being used by the Group for the production of PCB, through disposal of subsidiaries of the Group and/or disposal of the relevant land and properties in relation to the Urban Renewal Project. As at the date of this announcement, as Urban Renewal Approval (立項完成) has not yet been obtained, the disposals have not been materialised. For further details, please refer to Company's announcements dated 15 May 2020, 14 July 2020, 24 June 2022, 14 October 2022 and 1 December 2022, and the circular dated 24 June 2020.

Save as disclosed above and those disclosed elsewhere in this announcement, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

### *Charges on assets*

As at 31 December 2022, certain assets of the Group as set out below were charged to secure banking facilities granted to the Group:

- (i) investment property of the Group amounting to approximately HK\$6.0 million (2021: HK\$6.9 million).
- (ii) pledged deposits with banks amounting to approximately HK\$31.5 million (2021: HK\$32.1 million).

### *Contingent liabilities*

The Group had no material contingent liabilities as at 31 December 2022 (2021: 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, 2 June 2023, the register of members will be closed from Tuesday, 30 May 2023 to Friday, 2 June 2023, 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, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 29 May 2023.

In addition, to determine shareholders' entitlement to the dividend, the register of members will be closed from Monday, 12 June 2023 to Wednesday, 14 June 2023, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlements to the dividend, all completed transfers documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 pm on Friday, 9 June 2023.



## **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 2022 and up to the date of this results announcement, the Company had complied with the code provisions (“**Code Provision**”) set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, except Code Provision C.2.1 as more particularly described below.

Pursuant to Code Provision C.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 2022.

## **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 2022. The audit committee opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on the preliminary announcement.

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

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.yantat.com](http://www.yantat.com). The annual report of the Company for the year ended 31 December 2022 containing all information required by the Listing Rules will be dispatched to shareholders and published on the above websites in due course.

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

Hong Kong, 24 March 2023

*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.*