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 2023

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 2023 together with the comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
REVENUE	4	**629,430**	743,612
Cost of sales		**(462,360)**	(562,835)
Gross profit		**167,070**	180,777
Other income and gains	4	**21,897**	29,001
Selling and distribution expenses		**(20,298)**	(19,492)
General and administrative expenses		**(77,085)**	(77,838)
Other expenses		**(1,728)**	(1,131)
Finance costs	6	**(568)**	(409)
PROFIT BEFORE TAX	5	**89,288**	110,908
Income tax expense	7	**(14,205)**	(16,644)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**75,083**	94,264
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted		**HK31.3 cents**	HK39.3 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**75,083**	94,264
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(9,000)**	(49,332)
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	**(33)**	(35)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(9,033)**	(49,367)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**66,050**	44,897

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**274,447**	293,267
Investment properties		**25,844**	26,868
Right-of-use assets		**5,677**	6,329
Deposits for purchases of items of property, plant and equipment		**2,352**	678
Deposits		**116**	116
Deferred tax assets		**9,384**	9,300
Financial asset at fair value through other comprehensive income		**3,928**	4,019
Total non-current assets		**321,748**	340,577
CURRENT ASSETS			
Inventories		**56,449**	87,080
Trade and bills receivables	*10*	**188,953**	212,778
Prepayments, deposits and other receivables		**5,481**	5,550
Tax recoverable		**1,417**	–
Pledged deposits		**31,874**	31,522
Cash and cash equivalents		**462,796**	377,555
		746,970	714,485
Assets classified as held for sale		**–**	3,319
Total current assets		**746,970**	717,804
CURRENT LIABILITIES			
Trade payables	*11*	**88,407**	103,346
Other payables and accruals		**68,155**	68,282
Interest-bearing bank borrowings		**33,105**	35,983
Lease liabilities		**1,621**	1,580
Tax payable		**16,594**	18,765
Total current liabilities		**207,882**	227,956
NET CURRENT ASSETS		**539,088**	489,848
TOTAL ASSETS LESS CURRENT LIABILITIES		**860,836**	830,425

	2023	2022
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**569**	965
Deposit received	**110,350**	111,950
Deferred tax liabilities	**21,766**	25,782
Deferred income	**7,503**	8,330
Total non-current liabilities	**140,188**	147,027
Net assets	**720,648**	683,398
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**2,400**	2,400
Reserves	**718,248**	680,998
Total equity	**720,648**	683,398

NOTES

31 December 2023

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 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.

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

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

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any significant impact on the financial position or performance of the Group upon initial application.

(d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to 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

	2023	2022
	HK$'000	*HK$'000*
Mainland China	**282,805**	282,845
Europe	**136,485**	197,528
Hong Kong	**3,620**	4,446
North America	**54,321**	69,486
Asia (except Mainland China and Hong Kong)	**149,465**	183,568
Africa	**2,710**	5,563
Oceania	**–**	60
South America	**24**	116
Total revenue	**629,430**	743,612

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

(b) Non-current assets

	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**4,235**	2,838
Mainland China	**304,201**	324,420
Total non-current assets	**308,436**	327,258

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:

	2023 *HK$'000*	2022 *HK$'000*
Customer A	**146,514**	184,774
Customer B	**102,934**	N/A
Customer C	**N/A**	88,968

4. REVENUE, OTHER INCOME AND GAINS

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

	2023 *HK$'000*	2022 *HK$'000*
Revenue from contracts with customers		
Sale of goods	**629,430**	743,612
Other income		
Bank interest income	**11,866**	2,919
Rental income	**568**	538
Government grants^	**2,037**	5,854
Income linked to recycling	**4,566**	8,966
Others	**65**	425
	19,102	18,702
Gains		
Fair value gain on investment properties	**–**	58
Foreign exchange gains, net	**2,795**	10,241
	2,795	10,299
	21,897	29,001

^ 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):

	2023	2022
	HK$'000	*HK$'000*
Cost of inventories sold^@	**462,360**	562,835
Auditor's remuneration	**2,225**	2,143
Depreciation of property, plant and equipment	**26,794**	27,693
Depreciation of right-of-use assets	**1,926**	1,937
Employee benefit expense@ (including directors' and chief executive's remuneration):		
Wages, salaries, allowances, bonuses, commission and benefits in kind	**84,455**	95,253
Pension scheme contributions (defined contribution schemes)**	**217**	230
Other employee benefits	**6,153**	8,752
	90,825	104,235
Research and development costs##	**6,755**	11,964
Write-off of items of property, plant and equipment	**112**	501
Write-down of inventories to net realisable value^	**820**	131
Fair value loss/(gain) on investment properties#	**644**	(58)
Impairment/(reversal of impairment) of trade and bills receivables	**(1,041)**	1,783
Loss on disposal of items of property, plant and equipment#	**964**	–
Foreign exchange differences, net*	**(2,795)**	(10,241)

* 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$42,244,000 (2022: HK$55,752,000) 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 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022: Nil).

6. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest on:		
Bank loans and trust receipt loans	**473**	336
Lease liabilities	**95**	73
	568	409

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 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% (2022: 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% (2022: 15%) has been applied for the year.

	2023	2022
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**2,947**	4,517
Overprovision in prior years	**–**	(20)
Current — Mainland China		
Charge for the year	**8,839**	10,471
Underprovision in prior years	**262**	–
Deferred	**2,157**	1,676
Total tax charge for the year	**14,205**	16,644

8. DIVIDEND

The Board recommended to declare a final dividend of HK10.0 cents (2022: HK12.0 cents) per ordinary share, equivalent to a total amount of HK$24,000,000 (2022: HK$28,800,000), for the year ended 31 December 2023.

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$75,083,000 (2022: HK$94,264,000) and the weighted average number of ordinary shares of 240,000,000 (2022: 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 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

10. TRADE AND BILLS RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**174,892**	193,115
Bills receivable	**17,803**	24,487
	192,695	217,602
Impairment	**(3,742)**	(4,824)
	188,953	212,778

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:

	2023	2022
	HK$'000	*HK$'000*
Within one month	**86,932**	78,465
One to two months	**46,838**	57,923
Two to three months	**28,692**	50,696
Over three months	**26,491**	25,694
	188,953	212,778

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:

	2023	2022
	HK$'000	*HK$'000*
Within three months	**70,683**	89,194
Three to six months	**13,315**	13,351
Over six months	**4,409**	801
	88,407	103,346

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".

The global economy recovered from the COVID-19, the Russia-Ukraine conflict and various crises has shown greater resilience than expected, with inflation declining faster than expected from its peak in 2022, and with fewer adverse impacts than expected on employment and economic activities. This reflects the effective tightening policies across countries and relatively stable interest rates. The International Monetary Fund estimated that global growth of the global economy was approximately 3.1% in 2023, and it is estimated to remain unchanged at 3.1% in 2024, before rising slightly to 3.2% in 2025.

Despite the threat of adverse factors such as geopolitics, high inflation, high interest rates and de-inventory, the global PCB output value was approximately US$73.9 billion in 2023, with a decline of approximately 15.6% as compared to the previous year. In the long run, the PCB industry is a connection of the entire electronics industry chain. The booming development of 5G-related equipment, AI servers, new energy vehicles and other markets will drive the demand for PCB. Research institutions predict that the global PCB output value will reach approximately US$98.4 billion in 2027.

The PCB industry has been long established, with its early presence mainly concentrated in Europe, North America, and Japan. Due to the global migration of the electronics sector, Asia takes the lead in the PCB industry development on the globe. According to the information available, PRC's PCB output value accounted for approximately 53.3% of global market in 2023, and it is estimated that it will still account for more than 50% of the global PCB market in 2028.

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.

New energy vehicles and automobile electronics drive the growth of PCB demand. 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. The Internet of Things of electric smart vehicles is bound to drive the growth of the entire industry chain. Benefitting from the drive toward automotive intellectualization, the development of smart vehicle electrification and the development of three core systems (batteries, motors and electric) of new energy vehicles resulted in the considerable increase in the PCB value and volume of each vehicle. In view of the immense effort in promoting the development of new energy vehicle by countries around the world, resulting in an increase in the penetration rate of new energy vehicles and the growth of automotive electronics market, 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. With the construction and promotion of 5G networks, the demand of PCBs for communication facilities such as base stations, routers, switches, and backbone transmission equipment will increase significantly. According to the estimation of China Academy of Information and Communications Technology (CAICT), the direct output of 5G in 2025 and 2030 will be RMB3.3 trillion and RMB6.3 trillion respectively, which will undoubtedly bring huge market space and development opportunities for China's PCB industry.

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.

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 severe involution of PCB price in 2023, and the already slim profit margins are expected to 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.

In response to clients' requests for risk diversification and expansion into new markets, a trend of southbound investments appeared, with Thailand, Vietnam and Malaysia as the main choices. With the launch of various investment schemes, Thailand has become an emerging hub for the PCB industry, a development that is now firmly established. Due to the incomplete PCB supply chain in Southeast Asia, there has been a shortage of talent prior to the commencement of formal production. As compared to the comprehensive production support in the mainland China, it is estimated that there will not be a significant decline in the PRC's PCB industry in a short period of time.

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 sector is correspondingly higher.

Over the past 34 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.

Apart from focusing on product quality, the Company also focuses on staff benefits. The Company passed the ISO45001 Occupational Health and Safety Management System Certification in 2023. Through the international standard certification process, we are able to identify deficiencies in the area of staff "Occupational Safety and Health", and focus on improvement and enhancement, so that our staff can work in a safe and healthy environment.

The high production cost continues to affect the PCB industry in 2023. Followed by the sweep of emission limits and environmental protection measures across China, PCB manufacturers are facing steep challenges. As a PCB manufacturer, the Group needs to formulate appropriate responses and increase the capital input in respect of environmental protection resulting in the set-off of part of the profits of the Group. However, viewing from another perspective, manufacturers failing to meet the required standards would be eliminated or would have to enhance their operation cost in order to comply with the required standards, whereas the Group has realized the need for environmental protection and has made relevant investment many years ago. Therefore, compared with those failing to meet the standards, the Group is under less pressure in such new setting in the PCB market and better positioned to seize opportunities.

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

In 2021 and 2022, the imbalance between supply and demand under the pandemic led to over-expansion of global consumption. After the pandemic, the Group faced the pressure of de-inventorying and interest rate hikes to curb inflation, therefore, the global PCB industry experienced a recession in 2023 and the sales of the Group also declined in line with the macro-environment. The Group has been focusing on the PCB business for more than 34 years, its accumulated experience and network are conducive to the PCB market development and its ability to respond to emergencies. 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 areas outside Pingshan, Shenzhen to support the long-term development of the Group. Apart from the Group's headquarters in the PRC 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. Due to the sluggish property market in the mainland China, the parties failed to enforce the terms of the agreement on time and the Group is actively seeking solutions. Particular details are set out in "Financial Review — Future plans for material investments and capital assets" below. Meanwhile, the Group will also consider from time to time the development of opportunities to maximize the interests for its shareholders.

Financial Review

	2023	2022
	HK$'000	*HK$'000*
Turnover	**629,430**	743,612
Gross profit	**167,070**	180,777
Earnings before interest, taxes, depreciation and amortisation ("**EBITDA**")	**106,710**	138,028
Net profit	**75,083**	94,264

The Group's turnover for the year of 2023 was approximately HK$629.4 million, representing a decrease of approximately 15.4% compared to that of the previous year, which was primarily attributable to the decrease in sales orders from customers due to the global downturn in the PCB market in 2023.

The Group's gross profit for the year of 2023 was approximately HK$167.1 million, representing a decrease of approximately 7.6% compared to that of the previous year. The Group's gross profit margin for the year ended 31 December 2023 was approximately 26.5%, representing an increase of approximately 2.2% compared to approximately 24.3% for the year ended 31 December 2022. The increase in gross profit margin was mainly due to the improvement in sales mix.

The Group's total operating expenses for the year of 2023 were approximately HK$97.4 million, representing an increase of approximately 0.1% compared to approximately HK$97.3 million for the previous year, primarily due to the increase in selling and distribution expenses.

The Group's EBITDA amounted to approximately HK$106.7 million for the year of 2023 as compared to approximately HK$138.0 million for the previous year.

The Group recorded a profit attributable to ordinary equity holders of the Company of approximately HK$75.1 million for the year of 2023 as compared to approximately HK$94.3 million for the previous year.

Other income and gains

Other income and gains decreased by approximately HK$7.1 million, or 24.5%, to approximately HK$21.9 million for the year ended 31 December 2023 from approximately HK$29.0 million for the year ended 31 December 2022, primarily due to the net effect of the increase in bank interest income of approximately HK$8.9 million, the decrease in government grants of approximately HK$3.8 million, the decrease in net foreign exchange gains of approximately HK$7.4 million, and the decrease in income linked to recycling of approximately HK$4.4 million.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK$0.8 million, or 4.1%, to approximately HK$20.3 million for the year ended 31 December 2023 from approximately HK$19.5 million for the year ended 31 December 2022. The increase was primarily due to the increase in commission and salaries.

General and administrative expenses

General and administrative expenses decreased by approximately HK$0.7 million, or 0.9%, to approximately HK$77.1 million for the year ended 31 December 2023 from approximately HK$77.8 million for the year ended 31 December 2022. The decrease was primarily due to the net effect of the decrease in research and development costs of approximately HK$5.2 million, and the increase in staff salaries and welfare of approximately HK$2.8 million.

Other expenses

Loss on disposal of items of property, plant and equipment amounting to approximately HK$1.0 million were incurred during the year ended 31 December 2023. As no such losses were incurred during the previous year, other expenses increased.

Finance costs

Finance costs increased by approximately HK$0.2 million, or 50.0%, to approximately HK$0.6 million for the year ended 31 December 2023 from approximately HK$0.4 million for the year ended 31 December 2022, primarily due to the increase in bank loan interest resulting from an increase in interest rate during the year ended 31 December 2023.

Profit attributable to ordinary equity holders of the Company

The Group recorded profit attributable to ordinary equity holders of the Company of approximately HK$75.1 million for the year ended 31 December 2023 compared to approximately HK$94.3 million for the year ended 31 December 2022, representing a decrease of approximately 20.4%. 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$13.7 million, the decrease in other income and gains of approximately HK$7.1 million, the increase in selling and distribution expenses of approximately HK$0.8 million, the decrease in general and administrative expenses of approximately HK$0.7 million, the increase in other expenses of approximately HK$0.6 million, and the decrease in income tax expense of approximately HK$2.4 million.

Property, plant and equipment

The net carrying amount as at 31 December 2023 was approximately HK$274.4 million, representing a decrease of approximately HK$18.8 million from that of 31 December 2022. This was mainly due to the net effect of (i) the depreciation of approximately HK$26.8 million with respect to the Group's property, plant and equipment in the current year, (ii) the exchange realignment loss of approximately HK$4.3 million due to the depreciation of RMB against HKD and (iii) the total additions and transfer in during the year of approximately HK$10.8 million.

Trade and bills receivables

There was a decrease in trade and bills receivables of approximately HK$23.8 million as at 31 December 2023 as compared to that as at 31 December 2022, which was mainly due to the decrease in sales in the fourth quarter of 2023 as compared to the fourth quarter of 2022.

Trade payables

There was a decrease in trade payables as at 31 December 2023 of approximately HK$14.9 million as compared to that as at 31 December 2022, which was mainly due to the decrease in purchases in the fourth quarter of 2023 as compared to the fourth quarter of 2022.

Bank borrowings

The Group had bank borrowings as at 31 December 2023 in the sum of approximately HK$33.1 million, representing a decrease of approximately HK$2.9 million from the sum of approximately HK$36.0 million as at 31 December 2022. The main reason for the decrease in borrowings was the net repayment of borrowings during the year ended 31 December 2023. 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 2023, the Group had current assets of approximately HK$747.0 million (2022: HK$717.8 million) including cash and cash equivalents and pledged deposits totalling approximately HK$494.7 million (2022: HK$409.1 million). As at 31 December 2023, the Group had non-current liabilities of approximately HK$140.2 million (2022: HK$147.0 million), and its current liabilities amounted to approximately HK$207.9 million (2022: HK$228.0 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 3.6 as at 31 December 2023 (2022: 3.1).

Gearing ratio

The gearing ratio of the Group, calculated as total borrowings over total equity, was approximately 0.05 as at 31 December 2023 (2022: 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 2023. 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 2023, 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 2023, 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 2023, capital commitments of the Group amounted to approximately HK$6.4 million (2022: HK$0.8 million). The increase was mainly due to the Group entered into new agreements to purchase equipment during the year.

Dividend

The Board recommended the payment of a final dividend of HK10.0 cents per share for the year ended 31 December 2023 (2022: HK12.0 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, 31 May 2024 and, if approved, is expected to be paid on or about Thursday, 4 July 2024 to shareholders whose names appear on the register of members of the Company on Wednesday, 12 June 2024. The dividend is declared and will be paid in HKD.

Information on employees

As at 31 December 2023, the Group had 739 employees (2022: 696 employees), including the executive Directors. Total employee benefit expense (including Directors' remuneration) was approximately HK$90.8 million, as compared to approximately HK$104.2 million for the year ended 31 December 2022. 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 2023, 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 (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, 1 December 2022 and 12 April 2023, 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 and the subsequent arrangements of the cooperation agreement. For details, please refer to the Company's announcements dated 15 May 2020, 14 July 2020, 24 June 2022, 14 October 2022, 1 December 2022 and 12 April 2023, 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 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

During the year ended 31 December 2023, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Charges on assets

As at 31 December 2023, 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$5.8 million (2022: HK$6.0 million).

(ii) pledged deposits with banks amounting to approximately HK$31.9 million (2022: HK$31.5 million).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2023 (2022: 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, 31 May 2024, the register of members will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024, 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, 27 May 2024.

In addition, to determine shareholders' entitlement to the dividend, the register of members will be closed from Friday, 7 June 2024 to Wednesday, 12 June 2024, 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 Thursday, 6 June 2024.

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 2023 and up to the date of this results announcement, the Company had complied with the code provisions ("**Code Provision**") set out in Part 2 of the Corporate Governance Code contained in Appendix C1 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, up to and until 1 August 2023, we did not have a separate chairman and chief executive officer and Mr. Chan Wing Yin performed 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 considered that the balance of power and authority for this arrangement would not be impaired and this structure enabled the Company to make and implement decisions promptly and effectively. With effect from 1 August 2023, Mr. Chan stepped down as the chairman and chief executive officer of the Company but remains an executive Director. Mrs. Chan Yung, an executive Director, has been appointed as the new chairman, and Mr. Chan Yan Wing, an executive Director, has taken on the role of chief executive officer of the Company. With these changes, the Company now adheres to the requirements outlined in Code Provision C.2.1.

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 C3 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 2023.

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 2023. 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 2023 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 and the Company's website at www.yantat.com. The annual report of the Company for the year ended 31 December 2023 containing all information required by the Listing Rules will be published on the above websites in due course.

By order of the Board of
Yan Tat Group Holdings Limited
CHAN Yung
Chairman

Hong Kong, 25 March 2024

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.