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If you have sold or transferred all your shares in Yan Tat Group Holdings Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

**VERY SUBSTANTIAL DISPOSAL
AND
VERY SUBSTANTIAL ACQUISITION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Unless the context requires otherwise, capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A Letter from the Board is set out on pages 9 to 33 of this circular.

The notice convening the extraordinary general meeting of the Company (the “**EGM**”) to be held at 7/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Tuesday, 14 July 2020 at 10:00 a.m. is set out on pages 115 to 116 of this circular. Whether or not you are able to attend the EGM, you are requested to complete, sign and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event before 10:00 a.m. (Hong Kong Time) on Sunday, 12 July 2020. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Hong Kong, 24 June 2020

CONTENTS

	<i>Pages</i>
DEFINITIONS	1
LETTER FROM THE BOARD	9
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	34
APPENDIX IIA — FINANCIAL INFORMATION OF YT INDUSTRIAL GROUP	43
APPENDIX IIB — FINANCIAL INFORMATION OF YT PRINTED CIRCUIT	55
APPENDIX IIIA — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP A	67
APPENDIX IIIB — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP B	81
APPENDIX IV — VALUATION REPORT	96
APPENDIX V — GENERAL INFORMATION	109
NOTICE OF THE EGM	115

DEFINITIONS

In this circular, unless otherwise defined or the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 15 May 2020 in relation to the Transactions
“Board”	the board of Directors
“business day(s)”	any day(s) (other than a Saturday, Sunday or public holiday in Hong Kong and any day on which tropical cyclone warning number eight or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are generally open for normal banking business
“Cash Received”	the compensation received by Party A that is in the form of cash under the Cooperation Agreement and the Relocation Agreement(s)
“Company”	Yan Tat Group Holdings Limited (恩達集團控股有限公司), an exempted company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1480)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreement”	the Cooperation Agreement entered into by Party A and Party B on 8 May 2020
“Cooperation Arrangement(s)”	Cooperation Arrangement A, Cooperation Arrangement B and/or Cooperation Arrangement C, as the case may be
“Cooperation Arrangement A”	one of the implementation options in relation to Target Land B as further described in the paragraph headed “III. The Cooperation Agreement — B. The Arrangement in relation to Target Land B — Cooperation Arrangement A — Relocation Compensation” in the Letter from the Board in this circular
“Cooperation Arrangement B”	one of the implementation options in relation to Target Land B as further described in the paragraph headed “III. The Cooperation Agreement — B. The Arrangement in relation to Target Land B — Cooperation Arrangement B — Disposal of Restructured YT Printed Circuit” in the letter from the Board in this circular

DEFINITIONS

“Cooperation Arrangement C”	one of the implementation options in relation to Target Land B as further described in the paragraph headed “III. The Cooperation Agreement — B. The Arrangement in relation to Target Land B — Cooperation Arrangement C” in the letter from the Board in this circular
“Deposit”	a deposit of RMB100 million (equivalent to approximately HK\$109 million) payable by Party B to Party A
“Director(s)”	the directors of the Company
“Disposal of Restructured YT Printed Circuit”	the transfer of entire equity interest of Restructured YT Printed Circuit from Party A to Party B
“Disposal of YT Industrial”	the transfer of entire equity interest of YT Industrial from Party A to Party B
“Effective Date”	the date on which the Cooperation Agreement comes into effect
“EGM”	the extraordinary general meeting of the Company to be convened and held on Tuesday, 14 July 2020 at 10:00 a.m. at 7/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong (or any adjournment thereto), notice of which is set out on pages 115 to 116 of this circular
“Escrow Account”	an escrow account set up by Party A and Party B in accordance with the terms of the Cooperation Agreement
“Excluded Assets”	the rights, title or interests in (i) the business of YT Printed Circuit that is not within the scope of the Urban Renewal Project namely, the manufacturing and sale of PCB, (ii) Julongshan properties and R&D Building, (iii) YT Environment, (iv) Shanghai Heying, (v) Pingshan Flats, and (vi) Shanghai Property
“Execution Principal (實施主體)”	the execution principal of the Urban Renewal Project. Under the Transactions, the Execution Principal (實施主體) is responsible for paying relocation compensation, demolishing existing buildings, executing contracts in relation to land transfer, applying for development and construction, handing over the title of the Resettlement Properties to Party A etc. Pursuant to the terms and conditions of the Cooperation Agreement, Huayu Tiancheng shall be the Execution Principal (實施主體), subject to the confirmation from the District Urban Renewal Function Department* (區城市更新職能部門) in Shenzhen

DEFINITIONS

“Exercise Period”	the period commencing from the date when Party B receives a notification from Party A of the completion of the Restructuring of the Excluded Assets and ending on the first month after the completion of YT Printed Circuit Relocation
“Fengyuan Weixin”	Shenzhen Fengyuan Weixin Industrial Co., Ltd.* (深圳市豐源偉信實業有限公司), a company established in the PRC with limited liability
“Financing Mortgage”	the financing mortgage that can be obtained by Party B with the written consent from Party A as stipulated in the Cooperation Agreement
“Government-guided Price (政府指導價)”	the government-guided price is a mechanism to provide reasonable guidance on the declared price of the project. Depending on the actual situation, the competent government department may refer to the average selling price of the same type of projects available for sale in the vicinity, or the price of the same type of second-hand houses in the vicinity, or the actual selling price of the previous phase of the project, and review the declared price of the project
“Grace YT”	Grace Yan Tat Electronics (Shenzhen) Co., Ltd.* (宏恩達電子(深圳)有限公司), a company established in the PRC with limited liability on 7 August 2012
“Grace YT Relocation Agreement”	the relocation compensation agreement (拆遷補償協議) dated 8 May 2020 entered into between Grace YT and Huayu Tiancheng
“Grace YT Relocation Compensation”	relocation compensation of RMB100 million (equivalent to approximately HK\$109 million) to be paid by Party B
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huayu Tiancheng”	Shenzhen Huayu Tiancheng Asset Management Co., Ltd.* (深圳市華譽天成資產管理有限公司), a company established in the PRC with limited liability

DEFINITIONS

“Independent Third Party(ies)”	person(s) who or company(ies) together with its/their ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are third party(ies) independent of the Company and its connected person(s)
“Julongshan properties and R&D Building”	a land parcel (Lot no. G13111-0099) with a total site area of approximately 4,430.23 sq.m. and a research and development building erected thereon with a gross floor area of approximately 9,011.56 sq.m.
“Latest Practicable Date”	23 June 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange
“Non-prescribed Cooperation Obligations”	the cooperation obligation in connection with the application of the Urban Renewal Project that is not prescribed in the Cooperation Agreement
“Outstanding YT Printed Circuit Consideration”	YT Printed Circuit Consideration deducting the Cash Received by Party A in accordance with the payment schedule under Cooperation Arrangement A
“Party A”	consists of YT Group, YT Industrial, Grace YT, YT Technology and YT Printed Circuit
“Party B”	consists of Huayu Tiancheng and Fengyuan Weixin
“PCB”	acronym for “printed circuit board(s)”
“Pingshan Flats”	flats situated at Flat Nos. 1812, 1912, 2012, 2112, 2206, 2306, 2402, 2406 and 2506, Elite Park, Yanziling Third Road, Pingshan New District, Shenzhen, the PRC
“Possible PCB Factory Relocation”	the possible relocation of the Yan Tat PCB Factory to another land for the continuance of the production of PCB of the Group as a result of the Transactions
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this circular

DEFINITIONS

“Relocation Agreements”	the Grace YT Relocation Agreement and the YT Printed Circuit Relocation Agreement
“Relocation Time Limit”	the time limit that Party A shall complete the YT Printed Circuit Relocation
“Remaining Group”	the Remaining Group A or the Remaining Group B subject to the choice of the Cooperation Arrangements under certain circumstances
“Remaining Group A”	the Company and its subsidiaries after the Disposal of YT Industrial and upon completion of Cooperation Arrangement A
“Remaining Group B”	the Company and its subsidiaries after the Disposal of YT Industrial and the Disposal of Restructured YT Printed Circuit pursuant to Cooperation Arrangement B
“Resettlement Properties”	the re-developed property with a gross floor area of 20,000 sq.m. (of which a gross floor area of 19,000 sq.m. shall be for commercial use, whilst the remainder shall be for residential use)
“Restructured YT Printed Circuit”	YT Printed Circuit after the Restructuring of the Excluded Assets
“Restructuring of the Excluded Assets”	the Restructuring of the Excluded Assets by YT Printed Circuit
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares of YT Industrial”	5,000,000 shares in the capital of YT Industrial, representing the entire issued share capital of YT Industrial
“Shanghai Heying”	Shanghai Heying Industrial Co. Ltd* (上海合穎實業有限公司), a company established in the PRC with limited liability on 25 October 2012. As at the Latest Practicable Date, YT Printed Circuit is beneficially interested in approximately 9% of the total issued share capital of Shanghai Heying
“Shanghai Property”	a property situated at Unit 2075, Level 27, Tongda Chuangye Building, No. 1, Alley 600, Tianshan Road, Changning District, Shanghai, the PRC
“Shareholder(s)”	holder(s) of Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

DEFINITIONS

“Shenzhen Land Bureau”	Shenzhen Planning and Natural Resources Bureau* (深圳市規劃和自然資源局), an Independent Third Party
“Shenzhen Municipal Government of Pingshan District”	the Shenzhen Municipal People’s Government of Pingshan District* (深圳市坪山區人民政府), an independent third party
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Land A”	the land and premises owned by Grace YT and situated at Plot A (a land parcel (Lot no. G12302-2(1)) with a total site area of approximately 2,670.30 sq.m.) and Plot B (a land parcel (Lot no. G12302-2(2) with a total site area of approximately 2,325.30 sq.m.)
“Target Land B”	the land and premises owned by YT Printed Circuit and situated at Plot C (a land parcel (Lot no. G11213-0226) with a total site area of approximately 60,868.19 sq.m.) and Plot D (a land parcel (Lot no. G12302-0009) with a total site area of approximately 7,481.30 sq.m.)
“Target Lands”	comprises Target Land A and Target Land B
“Transaction(s)”	the transaction(s) contemplated under the Cooperation Agreement, the Relocation Agreements and other related agreements
“Urban Renewal Approval (立項完成)”	Urban Renewal Approval is completed when (i) the city urban renewal planning (城市更新單元計劃) has been reviewed and approved by the relevant governmental body and there is (1) no objection has been received during the publication period, (2) objection has been received during the publication period but the objection is not established, or (3) objection has been received during the publication period and the objection has been properly resolved, and (ii) the filing of the City Urban Renewal Planning (城市更新單元計劃) has been completed at the Planning and Natural Resources Administration Department* (市規劃和自然資源部門)
“Urban Renewal Project”	the urban renewal project titled “深圳市坪山區恩達電子廠城市更新項目” (Shenzhen Pingshan District Yan Tat PCB Factory Urban Renewal Project) comprising the Target Lands with a total site area of approximately 73,345.09 sq.m.

DEFINITIONS

“Vincorn”	Vincorn Consulting and Appraisal Limited, the independent professional valuer appointed by the Company in respect of the valuation of the Target Lands and the Resettlement Properties
“Yan Tat PCB Factory”	the production facilities owned by the Company, which are currently situated on the Target Lands
“YT Environment”	Yan Tat Environmental Technology (Nantong) Co., Ltd.* (南通恩達環保科技有限公司), a company established in the PRC with limited liability on 30 December 2006, which is a wholly owned subsidiary of YT Printed Circuit
“YT Group”	Yan Tat Group Limited, a company incorporated in the BVI with limited liability on 27 August 2007, which is a wholly owned subsidiary of the Company
“YT Industrial”	Yan Tat (HK) Industrial Limited (恩達(香港)實業有限公司), a company incorporated in Hong Kong with limited liability on 23 January 1992, which is a wholly owned subsidiary of YT Group
“YT Industrial Consideration”	the consideration payable by Party B in connection with the transfer of the entire equity interest in YT Industrial;
“YT Industrial Group”	YT Industrial and its subsidiaries
“YT Printed Circuit”	Yan Tat Printed Circuit (Shenzhen) Co., Ltd.* (恩達電路(深圳)有限公司), a company established in the PRC with limited liability on 18 December 2001, which is a wholly owned subsidiary of YT Technology
“YT Printed Circuit Relocation”	has the meaning ascribed to it under paragraph headed “III. The Cooperation Agreement — B. The Arrangement in relation to Target Land B — Cooperation Arrangement A — Relocation Compensation — (iii) Relocation Arrangement of Target Land B
“YT Printed Circuit Relocation Retention Amount”	RMB300 million (equivalent to approximately HK\$327 million) payable by Party B within three months from the date of the completion of the YT Printed Circuit Relocation
“YT Printed Circuit Relocation Agreement”	the relocation compensation agreement (拆遷補償協議) dated 8 May 2020 entered into between YT Printed Circuit and Huayu Tiancheng

DEFINITIONS

“YT Printed Circuit Relocation Compensation” comprises (i) a monetary compensation of RMB600 million (equivalent to approximately HK\$654 million) to be paid by Party B; and (ii) the title to the Resettlement Properties subject to the terms of the Cooperation Agreement

“YT Technology” Yan Tat Technology Limited (恩達科技有限公司), a company incorporated in Hong Kong with limited liability on 14 November 2001, which is a wholly owned subsidiary of YT Group

* *for identification purpose only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Chan Wing Yin (*Chairman*)
Mrs. Chan Yung
Mr. Chan Yan Wing

Non-executive Director:

Mr. Chan Yan Kwong

Independent Non-executive Directors:

Mr. Chung Yuk Ming
Mr. Lau Shun Chuen
Mr. Yau Wing Yiu

Registered Office:

Clifton House
75 Fort Street, P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

*Headquarters and principal place of
business in Hong Kong:*

Room 809–810
Kwong Sang Hong Centre
151–153 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

24 June 2020

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL
AND
VERY SUBSTANTIAL ACQUISITION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

The Board refers to the Announcement of the Company dated 15 May 2020 in relation to the Transactions. The purpose of this circular is to provide the Shareholders with, amongst others: (i) further information regarding the Transactions; (ii) the financial information of the Group; (iii) the financial information of YT Industrial Group; (iv) the financial information of YT Printed Circuit; (v) the valuation report in respect of the Target Lands; and (vi) the notice convening the EGM and a proxy form.

LETTER FROM THE BOARD

II. THE TRANSACTIONS

On 8 May 2020 (after trading hours), Party A and Party B entered into the Cooperation Agreement pursuant to which Party A and Party B have conditionally agreed to cooperate in connection with the Urban Renewal Project, which comprises the following:

In respect of Target Land A,

- (i) Party A shall sell, and Party B shall purchase the entire equity interest in YT Industrial at a consideration of RMB100 million (equivalent to approximately HK\$109 million) in cash. As at the date of this Agreement, YT Industrial does not own any other substantive assets and businesses other than indirectly holding Target Land A and the buildings erected thereon; and

In respect of Target Land B,

- (ii) (a) Party A shall vacate from Target Land B and Party B shall demolish the buildings erected thereon, and obtain the land use right and development right in Target Land B and compensate Party A by paying the YT Printed Circuit Relocation Compensation, which comprises a monetary relocation compensation of RMB600 million (equivalent to approximately HK\$654 million) and the title to the Resettlement Properties of 20,000 sq.m. which is estimated to represent a monetary value of approximately RMB700 million (equivalent to approximately HK\$763 million) as at 30 April 2020 based on the preliminary valuation prepared by Vincorn, an independent valuer; or
- (ii) (b) Under certain circumstances and at the request of Party B, Party A shall sell, and Party B shall purchase the entire equity interest in Restructured YT Printed Circuit at an aggregate consideration of RMB1.3 billion (equivalent to approximately HK\$1.4 billion) or RMB600 million (equivalent to approximately HK\$654 million) plus the market value of the Resettlement Properties of 20,000 sq.m which shall be calculated in accordance with the terms of the Cooperation Agreement. Upon the transfer of Restructured YT Printed Circuit, Restructured YT Printed Circuit will not own any other substantive assets and businesses other than holding Target Land B and the buildings erected thereon.

If YT Printed Circuit fails to dispose of its interest in Julongshan properties and R&D Building and at the request of Party B, Party A shall sell, and Party B shall purchase the entire equity interest in YT Printed Circuit which owns (i) Target Land B and the buildings erected thereon and (ii) Julongshan properties and R&D Building only. The parties shall negotiate and agree on the additional consideration for acquiring YT Printed Circuit owning Julongshan properties and R&D Building with reference to their market value.

LETTER FROM THE BOARD

Target Land A is currently owned by Grace YT which is wholly owned by YT Industrial. Target Land A is with a total site area of approximately 4,995.6 sq.m. located at the Junction of Yanziling Third Road and Lijing South Road, Nanbu Community, Pingshan New District, Shenzhen* (深圳市坪山新區南布社區燕子嶺三路與荔景南路交匯處), the PRC. Target Land A has no current use by the Group.

Target Land A and the buildings erected thereon had an unaudited net book value of HK\$3.6 million as at 31 December 2019 and was valued by Vincorn, an independent valuer, at RMB18.9 million (equivalent to approximately HK\$20.6 million) as at 30 April 2020.

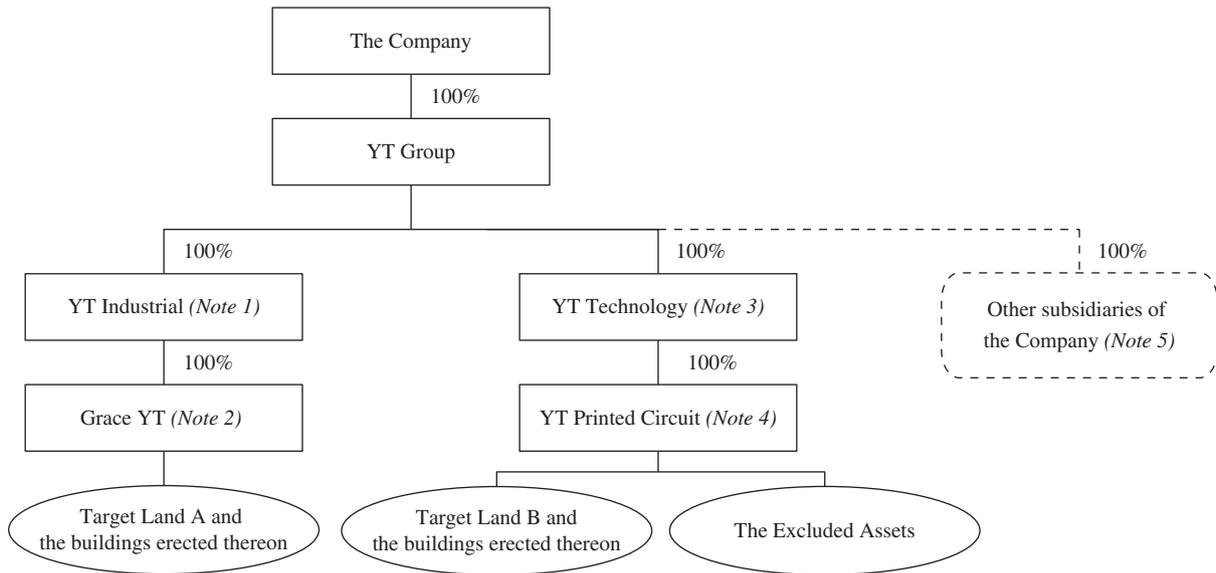
Target Land B is currently owned by YT Printed Circuit which is wholly owned by YT Technology. Target Land B is with a total site area of approximately 68,349.49 sq.m. located at the Junction of Yanziling Third Road and Lijing South Road, Nanbu Community, Pingshan New District, Shenzhen* (深圳市坪山新區南布社區燕子嶺三路與荔景南路交匯處), the PRC. Target Land B is currently utilised as the Yan Tat PCB Factory, related staff accommodation and industrial complementary buildings of the Group in Shenzhen. Target Land B and the buildings erected thereon had an unaudited net book value of HK\$189.6 million as at 31 December 2019 and was valued by Vincorn, an independent valuer, at RMB287.6 million (equivalent to approximately HK\$313.5 million) as at 30 April 2020. The entire production of PCB of the Group is carried out at Yan Tat PCB Factory.

Upon the Restructuring of the Excluded Assets and the Disposal of Restructured YT Printed Circuit, the Group will still retain the rights, title or interests in the substantive assets and business previously held by YT Printed Circuit save as the interest in Target Land B and in case of implementation by way of the Cooperation Arrangement C, Julongshan properties and R&D Building.

The Company will only be required to relocate its Yan Tat PCB Factory from Target Land B within 36 months after the Urban Renewal Approval (立項完成), provided that the Group has received in total RMB400 million (equivalent to approximately HK\$436 million) from Party B as compensation for relocation and the consideration for YT Industrial. Accordingly, the Directors are of the view that the Cooperation Arrangement will not have any adverse impact to the Group's operation and principal business activities as there will be sufficient time for the Group to either acquire a new parcel of land to build a new production base on its own or to rent a ready-for-use factory before the actual cessation of its existing production. For further details of the Possible PCB Factory Relocation, please refer to the paragraph headed "IV. The Possible PCB Factory Relocation" in the letter from the Board in this circular.

LETTER FROM THE BOARD

For the ease of illustration, a simplified shareholding chart of the Company and the relevant assets as at the Latest Practicable Date is set out as below:



Note 1. YT Industrial currently has no other substantive business and asset other than holding the entire equity interest in Grace YT.

Note 2. Grace YT has no other substantive business and asset other than holding the interest in Target Land A and the buildings erected thereon.

Note 3. YT Technology is principally engaged in the trading of PCB.

Note 4. YT Printed Circuit is principally engaged in the selling and manufacturing of PCB. Upon the completion of the Restructuring of the Excluded Assets, Restructured YT Printed Circuit will not hold any other substantive assets and businesses other than holding Target Land B and the buildings erected thereon.

Note 5. Other subsidiaries of the Company include a subsidiary which is principally engaged in the trading of PCB.

III. THE COOPERATION AGREEMENT

Date

8 May 2020

Parties

Party A

- (i) YT Group;
- (ii) YT Industrial;
- (iii) Grace YT;
- (iv) YT Technology; and
- (v) YT Printed Circuit.

Party B

- (vi) Huayu Tiancheng; and
- (vii) Fengyuan Weixin.

Fengyuan Weixin will guarantee the performance of the obligations of Huayu Tiancheng under the Cooperation Agreement.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of Party B and their ultimate beneficial owners is an Independent Third Party.

A. The Arrangement in relation to the Target Land A

Target Land A Arrangement under the Cooperation Agreement

Within three months after the Urban Renewal Approval (立項完成) or within one month after the 25th month following the Effective Date (whichever is earlier), YT Group shall sell and Party B shall designate a nominee to purchase the Sale Shares of YT Industrial free from all encumbrances in consideration of the equivalent Hong Kong dollars of RMB100 million (equivalent to approximately HK\$109 million) in cash (the “**Disposal of YT Industrial**”) in accordance with the terms thereof. The Sale Shares of YT Industrial represent the entire issued share capital of YT Industrial. Following the completion of transfer of Sale Shares of YT Industrial, YT Industrial will cease to be a subsidiary of the Company.

LETTER FROM THE BOARD

(i) Consideration

The consideration of the Disposal of YT Industrial is the equivalent Hong Kong dollars of RMB100 million (equivalent to approximately HK\$109 million) (the “**YT Industrial Consideration**”) and it has been determined after arm’s length negotiations among the relevant parties with reference to the unaudited and consolidated net book value of YT Industrial of approximately HK\$3.4 million as at 31 December 2019 and the market value of Target Land A at approximately RMB18.9 million (equivalent to approximately HK\$20.6 million) as at 30 April 2020 based on the preliminary valuation prepared by Vincorn.

(ii) Payment Schedule

Within three months after the Urban Renewal Approval (立項完成) or within one month after the 25th month following the Effective Date (whichever is earlier), the YT Industrial Consideration shall be paid to Party A and YT Group shall transfer the Sale Shares of YT Industrial to the designated nominees of Party B at the same time.

Target Land A Arrangement under the Grace YT Relocation Agreement

While the parties agree to sell YT Industrial instead of transferring the land use right of the Target Land A directly, the relevant parties also signed the Grace YT Relocation Agreement on 8 May 2020 (after trading hours).

Upon completion of the transfer of Sale Shares of YT Industrial, the Grace YT Relocation Agreement shall be terminated. YT Group and a party nominated by Party B shall sign the sale and purchase agreement to transfer the entire equity interest of YT Industrial later pursuant to the Cooperation Agreement.

Pursuant to the Grace YT Relocation Agreement, Grace YT shall vacate from Target Land A and Party B shall demolish the buildings erected thereon, and obtain the land use right and development right in Target Land A and compensate Grace YT by paying a relocation compensation of RMB100 million (equivalent to approximately HK\$109 million) in cash.

(i) Grace YT Relocation

In accordance with the Grace YT Relocation Agreement, Grace YT shall complete the vacation of and hand over the Target Land A and the buildings erected thereon to and enter into a hand over confirmation (移交確認文件) with Huayu Tiancheng at the time of the Disposal of YT Industrial as stipulated in the Cooperation Agreement.

LETTER FROM THE BOARD

(ii) Consideration

The relocation compensation of Target Land A is RMB100 million (equivalent to approximately HK\$109 million) and it has been determined after arm's length negotiations among the parties with reference to the unaudited net book value of Target Land A and all buildings, structures and attachments erected thereon of HK\$3.6 million as at 31 December 2019 and its market value of approximately RMB18.9 million (equivalent to approximately HK\$20.6 million), as at 30 April 2020 based on the preliminary valuation prepared by Vincorn.

(iii) Payment Schedule

Within three months after the Urban Renewal Approval (立項完成) or within one month after the 25th month following the Grace YT Relocation Agreement becoming effective (whichever is earlier), Huayu Tiancheng shall pay Party A or a party designated by Party A a relocation consideration of RMB100 million (equivalent to approximately HK\$109 million) in cash.

B. The Arrangement in relation to Target Land B

Restructuring of Excluded Assets

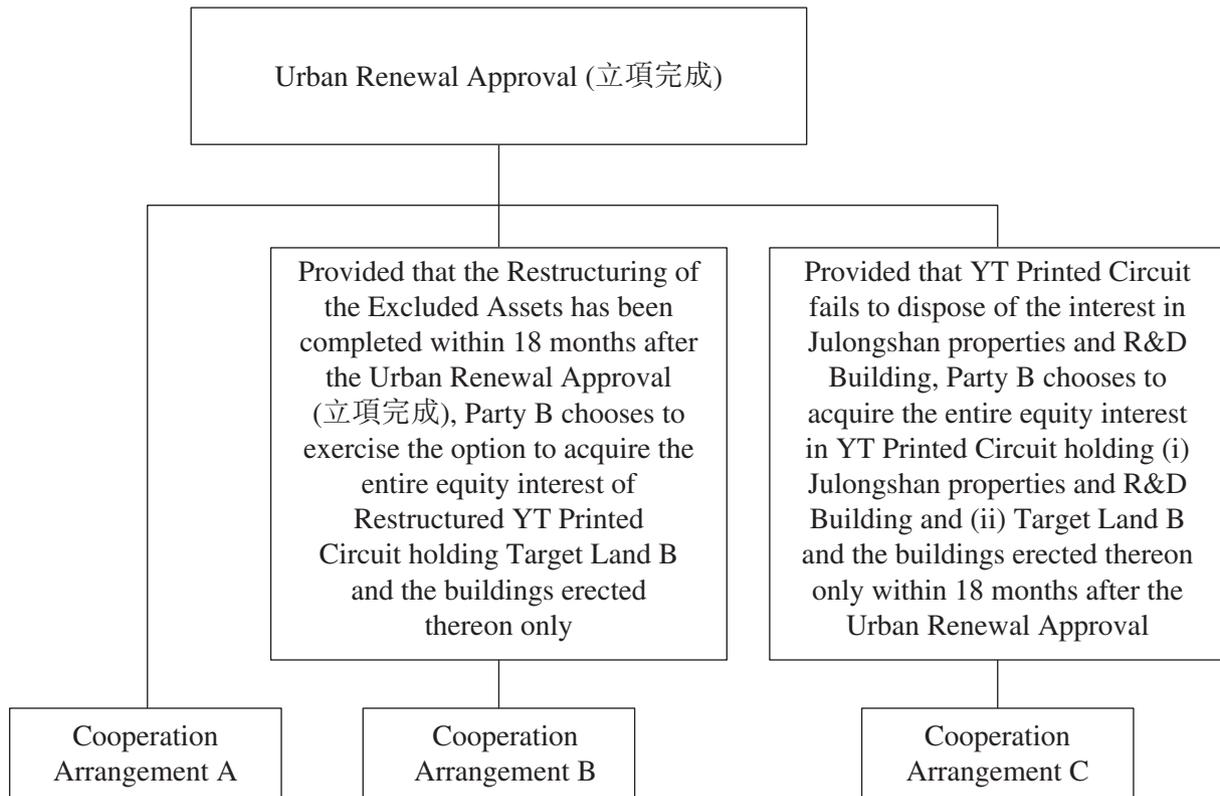
After the Effective Date, YT Printed Circuit will commence to implement the restructuring of the Excluded Assets (the “**Restructuring of the Excluded Assets**”). Upon the completion of the Restructuring of the Excluded Assets, Restructured YT Printed Circuit is expected to own the interest in Target Land B and the buildings, structures and attachments erected thereon only (the “**Restructured YT Printed Circuit**”) and the Group is expected to retain the Excluded Assets.

Different Implementation Options

Party A shall vacate from Target Land B and Party B shall demolish the buildings erected thereon, and obtain the land use right and development right in Target Land B and compensate Party A by paying the YT Printed Circuit Relocation Compensation. For details, please refer to the paragraph headed “Cooperation Arrangement A — Relocation Compensation” below.

LETTER FROM THE BOARD

Under certain circumstances and at the request of Party B, the following implementation options may be used:



Cooperation Arrangement A — Relocation Compensation

Party A shall vacate from Target Land B and Party B shall demolish the buildings erected thereon, and obtain the land use right and development right in Target Land B and compensate Party A by paying the YT Printed Circuit Relocation Compensation.

(i) Consideration

The YT Printed Circuit Relocation Compensation comprises of:

- (a) a monetary relocation compensation of RMB600 million (equivalent to approximately HK\$654 million) (of which RMB100 million shall be settled by way of the Deposit) payable by Party B; and
- (b) the title of the Resettlement Properties with a gross floor area of 20,000 sq.m. (of which a gross floor area of 19,000 sq.m. shall be for commercial use, whilst the remainder shall be for residential use), to be transferred from Party B to Party A. The gross development value of the Resettlement Properties is approximately RMB700 million (equivalent to approximately HK\$763 million, as at 30 April 2020 based on the preliminary valuation prepared by Vincorn, an independent valuer.

LETTER FROM THE BOARD

(ii) *Payment Schedule*

The YT Printed Circuit Relocation Compensation is payable by Party B to YT Printed Circuit in the following manner:

- (a) the Deposit of RMB100 million (equivalent to approximately HK\$109 million) shall be paid within 3 working days after Party A notifying Party B on the clearance of the shareholders' circular in respect of the Transactions by the Stock Exchange and shall be subsequently regarded as part of the YT Printed Circuit Relocation Compensation in accordance with the terms of the Cooperation Agreement;
- (b) Within three months after the Urban Renewal Approval (立項完成) or within 24 months after the Effective Date (whichever is earlier), RMB100 million (equivalent to approximately HK\$109 million) shall be payable in cash;
- (c) Within three months after the completion of the approval in respect of the urban renewal scheme and specialised planning (城市更新單元專項規劃) or within 48 months after the Effective Date (whichever is earlier), RMB100 million (equivalent to approximately HK\$109 million) shall be payable in cash;
- (d) Within 36 months after the Urban Renewal Approval (立項完成) and after Party A has received in total RMB400 million of the relocation compensation referred in the above Payment Schedule items (a)–(c) and the YT Industrial Consideration, Party A shall complete the YT Printed Circuit Relocation (the “**Relocation Time Limit**”). Within three months from the date of the completion of the YT Printed Circuit Relocation, RMB300 million (equivalent to approximately HK\$327 million) shall be payable in cash (the “**YT Printed Circuit Relocation Retention Amount**”). Within five working days after receiving the YT Printed Circuit Relocation Retention Amount, YT Printed Circuit shall deliver all the originals of the real estate certificates of Target Land B as stipulated in the Cooperation Agreement and issue a notarised power of attorney to Party B that authorises Party B to deregister the said real estate certificates; and

LETTER FROM THE BOARD

- (e) Within one month after the completion of the filings of the completion inspection (竣工驗收備案) of first phase of the Urban Renewal Project that meets the required delivery standard or within 96 months after the Effective Date (whichever is earlier), Party B shall deliver the Resettlement Properties to Party A. If Party B could not deliver the Resettlement Properties within the agreed time, Party B shall compensate YT Printed Circuit in cash in the following manner:
- (i) before the confirmation of the identity of the Execution Principal (實施主體) or within three months after the completion of the YT Printed Circuit Relocation (whichever is earlier), the compensation shall be RMB700 million (equivalent to approximately HK\$763 million) in cash; or
 - (ii) after the confirmation of the identity of the Execution Principal (實施主體) or expiry of three months after the completion of the YT Printed Circuit Relocation (whichever is earlier), the compensation shall be calculated based on the Government-guided Price (政府指導價) in the past 12 months multiplied by the gross floor area of the corresponding properties (對應類型物業) to the Resettlement Properties (which shall comprise a gross floor area of 19,000 sq.m. for commercial use and a gross floor area of 1,000 sq.m. for residential use).

(iii) Relocation Arrangement of Target Land B

In accordance with the YT Printed Circuit Relocation Agreement, YT Printed Circuit shall (i) complete the vacation of the Target Land B and the buildings erected thereon; and (ii) hand over the vacant Target Land B and the buildings erected thereon to Huayu Tiancheng; and (iii) enter into a handover confirmation (移交確認文件) with Huayu Tiancheng before the Relocation Time Limit as set out in the Cooperation Agreement (collectively, the “**YT Printed Circuit Relocation**”).

The YT Printed Circuit Relocation Agreement will be terminated upon the completion of transfer of the entire equity interest in Restructured YT Printed Circuit. For details, please see the paragraph headed “Cooperation Arrangement B — Disposal of Restructured YT Printed Circuit” below.

Cooperation Arrangement B — Disposal of Restructured YT Printed Circuit

Provided that the Restructuring of the Excluded Assets has been completed within 18 months after the Urban Renewal Approval (立項完成), Party B may exercise the option to acquire the entire equity interest of Restructured YT Printed Circuit (the “**Disposal of Restructured YT Printed Circuit**”).

LETTER FROM THE BOARD

Party A should notify Party B of the completion of the Restructuring of the Excluded Assets within two months therefrom. The period commencing from the receipt of such notification and ending on the first month after the completion of YT Printed Circuit Relocation shall be referred to as the Exercise Period (the “**Exercise Period**”).

Following the Disposal of Restructured YT Printed Circuit and the completion of transfer of entire equity interest of Restructured YT Printed Circuit, Restructured YT Printed Circuit will cease to be a subsidiary of the Company.

(i) Consideration

The consideration of the Disposal of Restructured YT Printed Circuit (the “**YT Printed Circuit Consideration**”) shall be either of:

1. If Party B exercises the option to acquire the entire equity interest of Restructured YT Printed Circuit **within the Exercise Period**, the YT Printed Circuit Consideration shall be RMB1.3 billion (equivalent to approximately HK\$1.4 billion) in cash (inclusive of the amount of YT Printed Circuit Relocation Compensation already paid to the Group).
2. If Party B exercises the option to acquire the entire equity interest of Restructured YT Printed Circuit **after the Exercise Period**, the YT Printed Circuit Consideration shall comprise of:
 - (a) RMB600 million (equivalent to approximately HK\$654 million) in cash (inclusive of the amount of YT Printed Circuit Relocation Compensation already paid to the Group); and
 - (b) an amount equivalent to the market value of the Resettlement Properties which is determined in either of the following manner:
 - (i) in the case of exercise of the option before the confirmation of the identity of the Execution Principal (實施主體) or within three months following the completion of the YT Printed Circuit Relocation (whichever is earlier) (the “**Option A**”), the market value shall be RMB700 million (equivalent to approximately HK\$763 million) in cash; or
 - (ii) in the case of exercise of the option after the confirmation of the identity of the Execution Principal (實施主體) or three months following the completion of the YT Printed Circuit Relocation (whichever is earlier) (the “**Option B**”), the market value shall be calculated based on the Government-guided Price (政府指導價) in the past 12 months multiplied by the gross floor area of the corresponding properties (對應類型物業) to the Resettlement

LETTER FROM THE BOARD

Properties (which shall comprise a gross floor area of 19,000 sq.m. for commercial use and a gross floor area of 1,000 sq.m. for residential use).

Under Option One, the gross development value of the Resettlement Properties of RMB700 million (equivalent to approximately HK\$763 million) as at 30 April 2020 is adopted as the Board considers this as the closest ascertainable value to reflect the market value of the Resettlement Properties within the relevant timeframe under Option One. Given the exercise of Option Two will be more distant in time, the Board considers that, due to the fluctuating price in the real estate market, the Government-guided Price (政府指導價) will better reflect the market value of the Resettlement Properties under the relevant timeframe of Option Two. Accordingly, the Board considers the valuation bases under Option One and Option Two are each fair and reasonable.

The unaudited net book value of Restructured YT Printed Circuit was approximately HK\$189.6 million as at 31 December 2019.

Based on the preliminary valuation prepared by Vincorn, the market value of Target Land B and the buildings erected thereon was RMB287.6 million (equivalent to approximately HK\$313.5 million) as at 30 April 2020. Each of the YT Printed Circuit Relocation Compensation and the YT Printed Circuit Consideration has been determined after arm's length negotiations among the parties with reference to the market value and the unaudited net book value of Target Land B and the buildings erected thereon.

(ii) Payment Schedule

The payment schedule shall be as follows:

- (a) if the YT Printed Circuit Relocation has not been completed at that time of the payment of the YT Printed Circuit Consideration, RMB300 million (equivalent to approximately HK\$327 million) shall be withheld and is payable within 90 days upon the completion of the YT Printed Circuit Relocation; and
- (b) In accordance with the relevant PRC laws and regulations, Party A and Party B shall set up an escrow account (the “**Escrow Account**”) before the completion of the Disposal of Restructured YT Printed Circuit. Within 30 days after the set up of the Escrow Account, (i) Party A shall remit the amount of YT Printed Circuit Relocation Compensation already paid to the Group; and (ii) Party B shall remit the remaining balance of YT Printed Circuit Consideration, which shall be RMB1.3 billion (equivalent to approximately HK\$1.4 billion) assuming the market price of the Resettlement Properties is approximately RMB700 million (equivalent to approximately HK\$763 million) (after deducting the amount of YT Printed Circuit Relocation Compensation already paid to the Group and the RMB300 million as referred to in sub-paragraph (a) above) into the

LETTER FROM THE BOARD

Escrow Account. Upon the remittance of YT Printed Circuit Consideration into the Escrow Account, the parties shall, amongst others, (i) complete the Disposal of Restructured YT Printed Circuit; and (ii) thereafter transfer the YT Printed Circuit Consideration from the Escrow Account to an account in Hong Kong designated by YT Technology in accordance with the applicable laws and regulations.

As at the Latest Practicable Date, there was no escrow agent appointed for the Escrow Account. The Company expects to appoint a banking financial institution operating in the PRC which is independent from Party A and Party B as the escrow agent for the Escrow Account.

Cooperation Arrangement C

If YT Printed Circuit fails to transfer its interest in Julongshan properties and R&D Building to other members of the Group due to government restrictions and Party B may choose to acquire the entire equity interest in YT Printed Circuit within 18 months after the Urban Renewal Approval (立項完成), the parties shall negotiate and agree on the additional consideration for acquiring YT Printed Circuit owning Julongshan properties and R&D Building with reference to their market value. Should parties fail to reach an agreement on the additional price in respect of Julongshan properties and R&D Building within six months thereafter, the parties shall proceed to complete the Cooperation Agreement under the Cooperation Arrangement A.

If the Cooperation Arrangement C is implemented, the Company will comply with the requirements under the Listing Rules as and when appropriate.

Effectiveness of the Cooperation Agreement and Relocation Agreements

The Cooperation Agreement shall become effective conditional upon the approval by the Shareholders at the EGM to be convened and the receipt of the Deposit by Party A. The Relocation Agreements become effective upon the Cooperation Agreement comes into effect.

Financing Mortgage

Upon the Urban Renewal Approval (立項完成), with the written consent from Party A, Party B may mortgage the Target Lands and the buildings erected thereon (the “**Financing Mortgage**”). The written consent from Party A should be granted with the satisfaction of the following conditions:

- (a) Party B shall nominate a competent company or natural person to be the guarantor to the Financing Mortgage;
- (b) the proceeds received from the Financing Mortgage shall only be used for the payment of the consideration and/or compensation under the Cooperation Agreement; and

LETTER FROM THE BOARD

- (c) the financing amount under the Financing Mortgage shall not exceed the Cash Received by the Group under the Cooperation Agreement.

Penalties

In the following events, Party A shall return the Deposit and compensate an additional amount of RMB100 million (equivalent to the amount of the Deposit) to Party B:

- (a) in the event that Party A is in breach of the provisions of the Cooperation Agreement leading to the termination of the Cooperation Agreement by Party B; or
- (b) in the event that the results of due diligence show that there is any discrepancy or omission in relation to disclosures or undertakings made by Party A in the Cooperation Agreement (including its appendices) resulting in significant risk to the Urban Renewal Project, Party B shall notify Party A to resolve the above discrepancy or omission in writing. If it is not resolved within 30 days after receiving the notice, Party B also has the right to terminate the Cooperation Agreement.

In the following events, Party A shall be entitled to forfeit the Deposit:

- (a) in the event that Party B is in breach of the provisions of the Cooperation Agreement leading to the termination of the Cooperation Agreement by Party A;
- (b) in the event that Party B opts to terminate the Cooperation Agreement as a result of the failure to obtain the Urban Renewal Approval (立項完成) within 24 months after the Effective Date;
- (c) in the event that Party A opts to unilaterally terminate the Cooperation Agreement as a result of the Party B's failure in informing Party A of his decision to terminate the Cooperation Agreement within 25 months after the Effective Date following the failure to obtain Urban Renewal Approval (立項完成) within 24 months after the Effective Date; or
- (d) in the event that Party A terminate the Cooperation Agreement as a result of the event of default on the part of Party B.

Defaulting Liabilities

Pursuant to the Cooperation Agreement, in the following events which each constitutes an event of default on the part of Party B, Party A is entitled to terminate the Cooperation Agreement. Upon such termination, amongst others, while Party A is not obliged to return the Deposit and the Cash Received, Party B shall compensate Party A any loss incurred including the Party A's expected gain deducting the Cash Received.

LETTER FROM THE BOARD

- (a) In the event that Party B delays the payment of any of the monetary compensation, it shall pay liquidated damages for each day of delay, the liquidated damages will be calculated on daily basis at three ten-thousandth of the unpaid monetary compensation (i.e., *(unpaid monetary compensation) x (days of delay) x 3/10,000*). If the delay lasts for over 180 days, it shall constitute an event of default on the part of Party B;
- (b) In the event that Party B, without the consent of Party A, transfer all or some of the rights and obligations under the Cooperation Agreement or create any encumbrances; and
- (c) In the event that the Target Lands and the buildings erected thereon are subject to enforcement in whole or in part due to the Financing Mortgage.

Pursuant to the Cooperation Agreement, in the following events which each constitutes an event of default on the part of Party A, Party B is entitled to terminate the Cooperation Agreement. Upon such termination, amongst others, (i) Party A shall return the Deposit and compensate an additional amount of RMB100 million (equivalent to the amount of the Deposit) to Party B; and (ii) compensate Party B any loss incurred including the Party B's expected gain.

- (d) in the event that Party A delays the performance of the cooperation obligation in connection with the application of the Urban Renewal Project (i) that is prescribed in the Cooperation Agreement for more than 30 days or (ii) that is not prescribed in the Cooperation Agreement (the “**Non-prescribed Cooperation Obligations**”) for more than 45 days, it will constitute an event of default on the part of Party A. However, it is not an event of default on the part of Party A if Party A fails to perform Non-prescribed Cooperation Obligations due to objective reasons;
- (e) in the event that Party A delays the transfer of the Sale Shares of YT Industrial as stipulated under the Cooperation Agreement, it shall compensate the loss incurred by Party B and pay liquidated damages for each day of delay, the liquidated damages will be calculated on daily basis at three ten-thousandth of the Cash Received (i.e., *(Cash Received) x (days of delay) x 3/10,000*). If the delay lasts for over 60 days, it shall constitute an event of default on the part of Party A;
- (f) in the event that Party A delays the transfer of the entire equity interest of the Restructured YT Printed Circuit as stipulated under the Cooperation Agreement, it shall compensate the loss incurred by Party B and pay liquidated damages for each day of delay, the liquidated damages will be calculated on daily basis at three ten-thousandth of the Cash Received (i.e., *(Cash Received) x (days of delay) x 3/10,000*). If the delay lasts for over 120 days, it shall constitute an event of default on the part of Party A;

LETTER FROM THE BOARD

- (g) in the event that Party A delays the completion of the relocation and the handover of the Target Lands and the delivery of the real estate certificate as stipulated under the Cooperation Agreement, it shall compensate the loss incurred by Party B and pay liquidated damages for each day of delay, the liquidated damages will be calculated on a daily basis at three ten-thousandth of the Cash Received (i.e., *Cash Received* x *days of delay* x 3/10,000). If the delay lasts for over 30 days, it shall constitute an event of default on the part of Party A; and
- (h) in the event that Party A, without the written consent of Party B, transfers the interest of the Target Lands to a third party directly or indirectly.

Termination

Pursuant to the Cooperation Agreement, the Cooperation Agreement may be terminated if

- (i) there is any default that entitles the non-defaulting party to terminate the Cooperation Agreement; or
- (ii) the Urban Renewal Approval (立項完成) cannot be obtained within 24 months from the Party B does not opt to continue performance of the Cooperation Agreement within 25 months after the Effective Date.

In the event that the Cooperation Agreement is terminated, the Relocation Agreements shall also be terminated simultaneously.

IV. THE POSSIBLE PCB FACTORY RELOCATION

Pursuant to the terms and conditions under the Cooperation Agreement, the Company will be required to relocate its Yan Tat PCB Factory from Target Land B within 36 months after the Urban Renewal Approval (立項完成) (which the Company expects to take place within 24 months after the Effective Date), provided that the Group has received in total RMB400 million (equivalent to approximately HK\$436 million) from Party B as compensation for relocation and the consideration for YT Industrial.

Shall the Possible PCB Factory Relocation materialise, the Group will either acquire a new parcel of land to build a new production base on its own or to rent a ready-for-use factory before the actual cessation of its existing production.

LETTER FROM THE BOARD

Save for the cost of acquisition of a new parcel of land and the rental expenses of a ready-for-use factory (as the case may be) which are not currently ascertainable as the Group has not identified a new parcel of land or a ready-for-use factory, and assuming that (i) the production capacity will be similar to that at the existing Yan Tat PCB Factory; and (ii) the Group will purchase brand new machineries for the new production facilities, the estimated cost and expenses for the Possible PCB Factory Relocation will be as follows:

	<i>HK\$'000</i>
Construction of new production base (<i>Note 1</i>)	208,900
Plant and machinery	193,300
Furniture, fixtures and equipment	7,000
Renovation and leasehold improvements (<i>Note 2</i>)	<u>8,500</u>
	<u>417,700</u>

Notes:

- (1) The cost and expenses for construction of new production base may not be necessary in case of the Group opts to rent a ready-for-use factory for the Possible PCB Factory Relocation.
- (2) The cost and expenses for renovation and leasehold improvements may not be necessary in case of the Group opts to rent a ready-for-use factory for the Possible PCB Factory Relocation.

The Board expects that the Possible PCB Factory Relocation will take about two to three years to complete (whereas it will take about 12 to 18 months for the construction of the new production base of the Group in case of an acquisition of a new parcel of land, while it will take about 12 to 18 months for the renovation and fitting-out works and the installation of machineries, furniture and equipment), and that the Group will maintain the requisite level of production scale during the process of the Possible PCB Factory Relocation to satisfy the orders from the customers.

Albeit it is expected that customer orders will gradually and seamlessly be taken up by the new PCB production base of the Group several months upon the completion of the Possible PCB Factory Relocation when the customers have tested the new production line after the relocation, the management of the Group will minimise the impact, if any, of Possible PCB Factory Relocation on the employees, production activities and customer orders of the Group. Taking into account (i) the Possible PCB Factory Relocation gave rise to an opportunity for the Group to upgrade the machineries and production line, and (ii) the possible lower labour costs in case the new production base of the Group will be situated outside Shenzhen, the Board considers the Possible PCB Factory Relocation will bring long-term benefit to the Group and Shareholders as a whole.

The Company will make further announcement(s) in respect of the relocation plan and its status as and when appropriate to update the Shareholders and potential investors of the Company in accordance with the Listing Rules.

LETTER FROM THE BOARD

V. INFORMATION ON PARTY B

Information on Huayu Tiancheng

Huayu Tiancheng is a company established in the PRC with limited liability. It specialises in real estate development in the PRC, and is principally engaged in the real estate development, real estate project consultation, real estate project investment and equity investment business.

The Company has been informed that, as at the Latest Practicable Date, Huayu Tiancheng is directly held as to 80% and 20% by Mr. Zou Weizhi (鄒偉之) and Ms. Liao Liuling (廖柳玲).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Huayu Tiancheng and its shareholders are Independent Third Party as at the Latest Practicable Date, and did not have any relationship (business, shareholding or otherwise) with the Company and its connected persons.

The Company has been informed that Huayu Tiancheng has been focusing on land developments in the Pearl River Delta area in the past years, and has accumulated rich experience in urban renewal projects in the PRC.

Information on Fengyuan Weixin

Fengyuan Weixin is a company established in the PRC with limited liability. It is principally engaged in the business of leasing of properties, property management, business information consultation and architectural design.

The Company has been informed that, as at the Latest Practicable Date, Fengyuan Weixin is directly held as to 67% and 33% by Xie Jia (謝嘉) and Wang Junhuang (王俊煌). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Fengyuan Weixin and its shareholders are Independent Third Party as at the Latest Practicable Date, and did not have any relationship (business, shareholding or otherwise) with the Company and its connected persons.

VI. INFORMATION ON THE GROUP

The Group is principally engaged in the manufacturing and sales of PCB. It operates the Yan Tat PCB Factory in Pingshan as its production base in early 1990's.

YT Technology is a company principally engaged in the trading of PCB and YT Group is an investment holding company.

Information of YT Industrial

As at the date of the Cooperation Agreement, YT Industrial is held as to 100% by YT Group, a wholly owned subsidiary of the Company. Following the completion of the Disposal of YT Industrial, YT Industrial will no longer be accounted for as a subsidiary in the consolidated financial statements of the Company. YT Industrial currently has no

LETTER FROM THE BOARD

other substantive business and asset other than the entire equity interest in Grace YT. Grace YT has no other substantive business and asset other than holding the interest in Target Land A and the buildings erected thereon.

Set out below is a summary of certain consolidated financial information of YT Industrial for the year ended 31 December 2019 (unaudited) and the year ended 31 December 2018 (unaudited):

	For the year ended 31 December 2019	For the year ended 31 December 2018
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(unaudited)	(unaudited)
Net loss (before taxation)	(1,795)	(4,130)
Net loss (after taxation)	(2,400)	(3,488)

Information of YT Printed Circuit

As at the date of the Cooperation Agreement YT Printed Circuit is held as to 100% by YT Technology, a wholly owned subsidiary of YT Group. YT Printed Circuit is a company incorporated in the PRC with limited liability on 18 December 2001. It is principally engaged in the manufacturing and sale of PCB. Following the completion of the Disposal of Restructured YT Printed Circuit (if elected by Party B), Restructured YT Printed Circuit will no longer be accounted for as a subsidiary in the consolidated financial statements of the Company. Upon the completion of the Restructuring of the Excluded Assets, Restructured YT Printed Circuit will not hold any other substantive assets and businesses other than holding Target Land B.

Set out below is a summary of certain financial information of YT Printed Circuit for the year ended 31 December 2019 (unaudited) and the year ended December 2018 (unaudited):

	For the year Ended 31 December 2019	For the year Ended 31 December 2018
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(unaudited)	(unaudited)
Net profit (before taxation)	59,781	83,504
Net profit (after taxation)	51,165	74,308

However, please note that the above unaudited net profit were mainly attributable to the Excluded Assets. Upon the Restructuring of the Excluded Assets, such Excluded Assets shall remain owned by other members of the Group subject to the Cooperation Arrangement C.

LETTER FROM THE BOARD

Set out below is a summary of certain financial information of Restructured YT Printed Circuit holding Target Land B and the buildings erected thereon only for the year ended 31 December 2019 (unaudited) and the year ended 31 December 2018 (unaudited):

	For the year ended 31 December 2019	For the year ended 31 December 2018
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(unaudited)	(unaudited)
Net loss (before taxation) <i>(Note)</i>	(8,170)	(8,673)
Net loss (after taxation) <i>(Note)</i>	(8,170)	(8,673)

Note: The unaudited net loss is mainly attributable to the depreciation cost of the Target Land B and the buildings erected thereon.

VII. FINANCIAL EFFECT OF THE TRANSACTIONS AND INTENDED USE OF PROCEEDS

The unaudited net book value of the Target Land A and Target Land B as at 31 December 2019 was approximately HK\$3.6 million and HK\$189.6 million, respectively. Based on the preliminary valuation report prepared by Vincorn, an independent valuer, the market values of the Target Land A and Target Land B and their existing properties erected thereon as at 30 April 2020 were estimated to be RMB18.9 million (equivalent to approximately HK\$20.6 million) and RMB287.6 million (equivalent to approximately HK\$313.5 million), respectively.

Based on the preliminary valuation report prepared by Vincorn, an independent valuer, as at 30 April 2020, the gross development value of the Resettlement Properties was approximately RMB700 million (equivalent to approximately HK\$763 million). Having considered the market evidences, parameters and assumptions adopted in the assessment of the gross development value of the Resettlement Properties by Vincorn, and being the closest ascertainable value of the Resettlement Properties, the Board considers the valuation of the Resettlement Properties is fair and reasonable. As the Resettlement Properties will be received after around eight years, the Group will depend on the market conditions when receiving Resettlement Properties to formulate a concrete strategy, and the preliminary plan is to hold the residential Resettlement Properties and commercial Resettlement Properties for rental income.

Upon completion of the Cooperation Agreement, the financial effect is estimated as followings depending on the choice of the cooperation arrangements.

Under Cooperation Arrangement A — Relocation Compensation, it is estimated that the Group will record a gain before tax approximately HK\$1.3 billion. Such gain is estimated based on the value of the Resettlement Properties, being the amount of approximately RMB700 million (equivalent to approximately HK\$763 million) and monetary consideration to be received including the YT Industrial Consideration, in the aggregate amount of approximately RMB700 million (equivalent to approximately HK\$763 million), less the unaudited net book value of Target Land A and Target Land B and their existing properties erected thereon of approximately HK\$3.6 million and HK\$189.6 million, respectively. The actual gain to be

LETTER FROM THE BOARD

recorded by the Group will depend on (i) the net book value of the Target Land A and Target Land B and their existing properties erected thereon as at the date of demolition; (ii) the actual relocation and demolition costs to be incurred by the Group in connection with the arrangement; (iii) the actual value of the Resettlement properties; and (iv) the associated PRC taxes in connection with the above, therefore, the actual amount is subject to changes and may be different from the amount as presented above.

Under Cooperation Arrangement B — Disposal of Restructured YT Printed Circuit, it is estimated that the Group will record a gain before tax approximately HK\$1.3 billion. Such gain is estimated based on the monetary consideration to be received including the YT Industrial Consideration, in the aggregate amount of approximately RMB1.4 billion (equivalent to approximately HK\$1.5 billion), less the unaudited net book value of Target Land A and Target Land B and their existing properties erected thereon of approximately HK\$3.6 million and HK\$189.6 million, respectively. The actual gain to be recorded by the Group will depend on (i) the net book value of the Target Land A and Target Land B and their existing properties as at the date of demolition; (ii) the actual relocation and demolition costs to be incurred by the Group in connection with the arrangement; and (iii) the associated PRC taxes in connection with the above, therefore, the actual amount is subject to changes and may be different from the amount as presented above.

VIII. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Directors noted that, pursuant to the “International Consultation for Integrated Urban Design of Yinzhu Area (燕子湖片區綜合性城市設計國際諮詢)” jointly launched by the Shenzhen Municipal Government of Pingshan District and the Shenzhen Land Bureau, the Pingshan government has formulated the strategic plan to support the development of Pingshan. Taking into account the increasing labour costs in Shenzhen, in order to maintain its competitiveness and complement with the change of the planned usage of current location of the Yan Tat PCB Factory, the Group, after the joint study of the Board and professional consultants, plans to gradually relocate its mass production base (except for the headquarters and research and development department of the Group) to the Greater Bay Area to cope with the Group’s long term development. In respect of specific matters of the relocation, the Company has also set up a task force, which includes equipment technical professionals and consultants, to coordinate the plan and its progress.

On the other hand, the Directors believe that the Transactions echoes with the governmental strategic plan, it would unlock the economic value of the Target Lands and the opportunity to increase the Shareholders’ returns.

The Urban Renewal Project will also signify the Group’s contribution to urban renewal in the locality and is expected to enhance the image of the Group. The total consideration receivable by the Company being RMB 1.4 billion (equivalent to approximately HK\$1.5 billion) (assuming that the Resettlement Properties would be valued at RMB700 million (equivalent to approximately HK\$763 million) represents a significant premium to the preliminary valuation of the Target Lands and existing properties on the Target Lands referred to below. Apart from contributing to fund the cost of the Group’s relocation of its production base(s), the Cooperation Agreement provides the Group with the opportunity to continue to

LETTER FROM THE BOARD

maintain its presence in Shenzhen through the retention of the Resettlement Properties on the Target Lands upon completion of the Urban Renewal Project and by the time the Urban Renewal Project is completed, upon the title of the Resettlement Properties being transferred to the Group, the Company intends to rent the properties out as long term investment, depending on the then market conditions and policies in the PRC.

The Target Land B is currently used as a production base of the Group for the manufacturing of PCB. As at the Latest Practicable Date, the Company is reviewing options to either acquiring a new parcel of land to build a new building on its own or to rent a ready-for-use factory. Although the Group may be required to cease to carry on its existing production on the Target Lands as stipulated in the Cooperation Agreement, the Directors are of the view that the Cooperation Arrangement will not have an adverse impact to the Group's operation and principal business activities as there will be sufficient time for the Group to either acquire a new parcel of land to build a new building on its own or to purchase or rent a ready-for-use factory before the actual cessation of its existing production. The Group also believes the relocation of our production base from Shenzhen will further reduce its labor costs and maintain its competitiveness. The Group has no current intention to downsize, cease or dispose of any of its existing businesses.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Transactions are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

IX. USE OF PROCEEDS

The estimated net proceeds before tax approximately RMB1.4 billion (equivalent to approximately HK\$1.5 billion) from the Transactions are intended to be applied in the following manner:

	<i>HK\$'000</i>
Funding the relocation and demolition expenses	50,000
Acquiring machineries	190,000
Establishment of production base(s)	200,000
<i>Sub-total</i>	440,000
General working capital purpose	50% of the remaining balance of the net proceeds <i>(Note)</i>
Making suitable future investment(s)	50% of the remaining balance of the net proceeds <u><i>(Note)</i></u>
Total	1,500,000

Note: Substantial part of the net proceeds will not be realised if the Resettlement Properties instead of equivalent cash compensation consideration is to be delivered to the Group under the Transactions. As such, the Group intends to apply half of the remaining balance of the net proceeds (after applying to the funding the relocation and demolition expenses, acquiring machineries and establishment of production base(s)) for general working capital purpose, and the other half for making suitable future investment(s).

Substantial part of the net proceeds will not be realised if the Resettlement Properties instead of equivalent cash compensation consideration is to be delivered to the Group. The Company has not identified any investment opportunities, the Company is therefore unable to ascertain the specific proportion of the net proceeds to be allocated to each of such purposes as stated above as at the Latest Practicable Date.

X. LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated in accordance with the Listing Rules is above 75%, the Disposal of YT Industrial and (i) the possible transfer of the land use right of Target Land B and the buildings erected thereon under Cooperation Arrangement A or (ii) the possible Disposal of Restructured YT Printed Circuit under Cooperation Arrangement B constitute a very substantial disposal of the Company under the Listing Rules.

LETTER FROM THE BOARD

As one of the applicable percentage ratios calculated in accordance with the Listing Rules is above 100%, the possible acquisition of title of the Resettlement Properties under Cooperation Arrangement A constitutes a very substantial acquisition of the Company under the Listing Rules.

XI. EGM

A notice convening the EGM to be held at 7/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Tuesday, 14 July 2020 at 10:00 a.m. is set out on pages 115 to 116 to this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.yantat.com). Whether or not you are able to attend the EGM, you are requested to complete, sign and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event before 10:00 a.m. (Hong Kong Time) on Sunday, 12 July 2020. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Cooperation Agreement, the Relocation Agreements and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder or any of its close associates had any material interest in the Cooperation Agreement, the Relocation Agreements and the Transactions contemplated thereunder. Accordingly, no Shareholder is required to abstain from voting on the resolution to approve the Cooperation Agreement, the Relocation Agreements and the transactions contemplated thereunder at the EGM.

The register of members of the Company will be closed from 9 July 2020 to 14 July 2020, both days inclusive, during which period no transfer of shares will be registered. In order to determine the identity of the shareholders who are entitled to attend and vote at the annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 8 July 2020.

XII. RECOMMENDATIONS

The Board (including the independent non-executive Directors) considers that the terms of the Cooperation Agreement, the Relocation Agreements and the Transactions are fair and reasonable and on normal commercial terms, and in the interests of the Group and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions to be proposed at the EGM in relation to the entering into of the Cooperation Agreement, the Relocation Agreements and the Transactions.

LETTER FROM THE BOARD

XIII. GENERAL

Your attention is drawn to the additional information set out in the appendices to this circular.

XIV. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully,
By order of the Board
Yan Tat Group Holdings Limited
Chan Wing Yin
Chairman

1. FINANCIAL SUMMARY

The audited financial information of the Group for each of the years ended 31 December 2017, 2018 and 2019 is disclosed in the following documents which have been published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.yantat.com):

- (i) annual report of the Company for the year ended 31 December 2017 published on 20 April 2018 (pages 58 to 140), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0420/ltn20180420019.pdf>

- (ii) annual report of the Company for the year ended 31 December 2018 published on 24 April 2019 (pages 59 to 152), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0424/ltn20190424019.pdf>

- (iii) annual report of the Company for the year ended 31 December 2019 published on 17 April 2020 (pages 59 to 148), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0417/2020041700073.pdf>

The auditors of the Company have not issued any qualified opinion on the Group's financial statements for each of the financial years ended 31 December 2017, 2018 and 2019.

2. STATEMENT OF INDEBTEDNESS

As at 30 April 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$58.8 million, comprising secured bank borrowings of approximately HK\$57.2 million and lease liabilities of approximately HK\$1.6 million.

The bank borrowings mentioned above are secured by an investment property and certain bank deposits of the Group with an aggregate net book value of approximately HK\$37.9 million as at 31 December 2019.

Save as disclosed in this circular and apart from intra-group liabilities and trade payables in the normal course of business, the Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptances creditors, or any guarantees, or other contingent liabilities outstanding as at 30 April 2020.

The Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 30 April 2020, up to and including the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources including the available credit facilities, the internally generated funds, the net proceeds from the Transactions, the Group has sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this circular in the absence of unforeseen circumstances.

4. FINANCIAL AND TRADING PROSPECT OF THE REMAINING GROUP

The Company is an investment holding company and the Group is principally engaged in investments in the manufacture and sale of printed circuit boards.

Owing to opportunities arising from the eastward movement of the global electronics industry, the Group has been engaged in the manufacturing and sales of PCBs for 30 years, and witnessed industrial transformations at various stages. Over the course of the market growth, our business experienced fluctuations at an accelerating or decelerating pace from time to time. Despite that, the Group's business operation has in general grown to a certain scale today.

Upon completion of the Transactions, the Remaining Group will continue to carry out its principal business of manufacture and sale of PCBs. Accordingly, the Remaining Group intends to relocate its mass production base to the Greater Bay Area to cope with the Group's long-term development and, in particular, the Remaining Group intends to use the net proceeds from the Transactions for (i) funding the relocation and demolition expenses; (ii) acquiring machineries; (iii) general working capital purpose; (iv) making suitable future investment(s) or (v) establishment of production base(s).

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Upon completion of the Transactions, subject to the choice of the Cooperation Arrangement A or Cooperation Arrangement B, the Company will cease to hold (i) any interest in YT Industrial and Target Land B; or (ii) any interest in YT Industrial and Restructured YT Printed Circuit, respectively. Under Cooperation Arrangement A, the results of YT Industrial will no longer be accounted for as subsidiary in the consolidated financial statements of the Company. Under Cooperation Arrangement B, the results of YT Industrial and Restructured YT Printed Circuit will no longer be accounted for as subsidiaries in the consolidated financial statements of the Company. Following the Disposal of YT Industrial and/or the Disposal of Restructured YT Printed Circuit (as the case may be), the Remaining Group will continue to carry out its existing businesses. The management discussion and analysis of the Remaining Group for each of the years ended 31 December 2017 ("FY2017"), 31 December 2018 ("FY2018") and 31 December 2019 ("FY2019"), respectively are set out below.

As the financial information of the Remaining Group A and the Remaining Group B are substantially the same, the financial information sets out in the following management discussion and analysis represents the financial information of the Remaining Group A or the Remaining Group B, as the context may require.

Business Review

The global political and economic turmoil caused by US President Donald Trump during his first year in office and the geopolitical tensions brought negative impact to the world throughout 2017. Given the wide range of application and mature development, the PCB industry was less affected by the big market, combined with the diversified marketing strategies of the Group and the focus on the market of long product life cycle, the product offer of the Group was relatively defensive.

Over the years, costs of raw materials for PCBs have been rising, despite a slower pace in 2018, coupled with fierce competition among peers, as well as irrational pricing competition, the product price became even lower, further weakening the profitability of the enterprises.

Despite a stabilised price of PCB raw materials in 2019, the supply chain and logistics were not smooth in early 2020 due to the COVID-19 epidemic, as a result of which, the price of precious metals rose. Simultaneously coupled with fierce competition among peers, as well as irrational pricing competition, the product price became even lower, further weakening the profitability of the enterprises.

The Company is an investment holdings company and the Remaining Group is principally engaged in investments in the manufacture and sale of printed circuit boards. The Remaining Group operates one business segment for three years ended 31 December 2019. All of the revenue of the Remaining Group was derived from the manufacture and sale of printed circuit boards. Accordingly, the Remaining Group does not have separate reportable segment.

FY2017

Financial review

The Remaining Group's turnover for FY2017 amounted to approximately HK\$522.6 million, representing an increase of approximately 6.6% compared to the year ended 31 December 2016 ("**FY2016**"), primarily due to the increase in sales orders resulting from the improvement and optimization of production facilities, which had a positive impact on the Remaining Group's sales.

The Remaining Group's gross profit for the FY2017 amounted to approximately HK\$93.9 million, representing an increase of approximately 0.6% compared to FY2016. Gross profit margin decreased by approximately 1.0% to 18.0%, primarily due to the increase in raw materials cost.

The profit attributable to ordinary equity holders of the Remaining Group amounted to approximately HK\$32.4 million for FY2017, representing a decrease of approximately 4.4% compared to FY2016.

FY2018*Financial review*

The Remaining Group's turnover for FY2018 amounted to approximately HK\$671.4 million, representing an increase of approximately 28.5% compared to FY2017, primarily due to increase in sales orders from the existing customers.

The Remaining Group's gross profit for FY2018 amounted to approximately HK\$157.0 million, representing an increase of approximately 67.2% compared to FY2017. Gross profit margin increased by approximately 5.4% to 23.4%, primarily due to economies of scale resulting from increase in sales and production volume.

The profit attributable to ordinary equity holders of the Remaining Group amounted to approximately HK\$70.6 million for FY2018, representing an increase of approximately 117.9% compared to FY2017.

FY2019*Financial review*

The Remaining Group's turnover for FY2019 amounted to approximately HK\$649.7 million, representing a decrease of approximately 3.2% compared to FY2018, primarily due to the instability of global economy, resulting in a decrease in sales orders and a reduction in the sales price.

The Remaining Group's gross profit for FY2019 amounted to approximately HK\$147.8 million, representing a decrease of approximately 5.9% compared to FY2018. Gross profit margin decreased by approximately 0.7% to 22.7%, primarily due to decrease in sales and production in volume.

The profit attributable to ordinary equity holders of the Remaining Group amounted to approximately HK\$66.5 million for FY2019, representing a decrease of approximately 5.8% compared to FY2018.

Liquidity and Financial Resources*FY2017*

As at 31 December 2017, the Remaining Group had current assets of approximately HK\$284.0 million and current liabilities of approximately HK\$322.0 million. Accordingly, the Remaining Group's current ratio, being the ratio of current assets to current liabilities, was around 0.9 as at 31 December 2017.

As at 31 December 2017, the Remaining Group had cash and cash equivalents, pledged deposits and restricted cash of approximately HK\$71.2 million, of which about HK\$14.6 million was denominated in RMB.

As at 31 December 2017, the Remaining Group's bank and other borrowings amounted to approximately HK\$159.2 million, of which about HK\$56.1 million and HK\$92.0 million were denominated in RMB and US\$, respectively, the remaining amount were denominated in HK\$. The Remaining Group had a fixed-rate borrowing of approximately HK\$3.8 million, the remaining amount were floating-rate borrowings. The interest rates of the bank and other borrowings per annum ranged from 2.46% to 6.54%. The maturity (*Note*) of the Remaining Group's bank and other borrowings was as follows: (i) repayable within 1 year of HK\$106.1 million; (ii) repayable in the 2nd year of HK\$27.7 million; (iii) repayable in the 3rd to 5th years of HK\$25.4 million. 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.

The gearing ratio of the Remaining Group, calculated as total borrowings over total equity, was approximately 0.9 as at 31 December 2017.

FY2018

As at 31 December 2018, the Remaining Group had current assets of approximately HK\$463.0 million and current liabilities of approximately HK\$368.1 million. Accordingly, the Remaining Group's current ratio, being the ratio of current assets to current liabilities, was around 1.3 as at 31 December 2018.

As at 31 December 2018, the Remaining Group had cash and cash equivalents, pledged deposits and restricted cash of approximately HK\$145.2 million, of which about HK\$38.9 million was denominated in RMB.

As at 31 December 2018, the Remaining Group's bank and other borrowings amounted to approximately HK\$157.5 million, of which about HK\$63.2 million and HK\$86.5 million were denominated in RMB and US\$, respectively, the remaining amount were denominated in HK\$. All bank and other borrowings of the Remaining Group were floating-rate borrowings. The interest rates of the bank and other borrowings per annum ranged from 3.00% to 6.09%. The maturity (*Note*) of the Remaining Group's bank and other borrowings was as follows: (i) repayable within 1 year of HK\$132.1 million; (ii) repayable in the 2nd year of HK\$19.9 million; (iii) repayable in the 3rd to 5th years of HK\$5.5 million. 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.

The gearing ratio of the Remaining Group, calculated as total borrowings over total equity, was approximately 0.5 as at 31 December 2018.

FY2019

As at 31 December 2019, the Remaining Group had current assets of approximately HK\$432.0 million and current liabilities of approximately HK\$276.5 million. Accordingly, the Remaining Group's current ratio, being the ratio of current assets to current liabilities, was around 1.6 as at 31 December 2019.

As at 31 December 2019, the Remaining Group had cash and cash equivalents, pledged deposits and restricted cash of approximately HK\$160.9 million, of which about HK\$55.2 million was denominated in RMB.

As at 31 December 2019, the Remaining Group's bank borrowings amounted to approximately HK\$84.2 million, of which about HK\$23.2 million and HK\$56.2 million were denominated in RMB and US\$, respectively, the remaining amount were denominated in HK\$. All bank borrowings of the Remaining Group were floating-rate borrowings. The interest rates of the bank borrowings per annum ranged from 3.30% to 5.22%. The maturity (*Note*) of the Remaining Group's bank borrowings was as follows: (i) repayable within 1 year of HK\$78.7 million; and (ii) repayable in the 2nd year of HK\$5.5 million. 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.

The gearing ratio of the Remaining Group, calculated as total borrowings over total equity, was approximately 0.2 as at 31 December 2019.

Note: Certain of the Remaining Group's bank loan agreements contain repayment on demand clauses and the corresponding bank loans have been classified as current liabilities in the unaudited consolidated statement of financial position. Ignoring the effect of any repayment on demand clauses and based on the maturity terms of these loans

Capital Structure

As at each of 31 December 2017, 2018 and 2019, the Company had a total of 240,000,000 issued shares with par value of HK\$0.01 each (the “**Shares**”, each a “**Share**”). There was no change in the share capital of the Company during each of FY2017, FY2018 and FY2019.

Treasury Policies

The Remaining Group has adopted a prudent financial management approach towards its treasury policies. The Remaining Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Remaining Group's liquidity position to ensure that the liquidity structure of the Remaining Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Significant Investment Held

FY2017

As at 31 December 2017, except for an unlisted equity investment with a fair value of approximately HK\$4.2 million, the Remaining Group did not hold any significant investment in equity interest in any other company.

FY2018

As at 31 December 2018, except for an unlisted equity investment with a fair value of approximately HK\$4.1 million, the Remaining Group did not hold any significant investment in equity interest in any other company.

FY2019

As at 31 December 2019, the Remaining Group did not hold any significant investment.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

For each of FY2017, FY2018 and FY2019, the Remaining Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Capital Expenditure*FY2017*

For FY2017, the Remaining Group's total capital expenditure amounted to approximately HK\$10.9 million which was mainly used for acquisition of machineries and equipment.

FY2018

For FY2018, the Remaining Group's total capital expenditure amounted to approximately HK\$26.4 million which was mainly used for acquisition of machineries and equipment.

FY2019

For FY2019, the Remaining Group's total capital expenditure amounted to approximately HK\$7.7 million which was mainly used for acquisition of machineries and equipment.

Contingent Liabilities

As at each of 31 December 2017, 2018 and 2019, the Remaining Group had no material contingent liabilities.

Foreign Exchange Rate Exposure

As at each of 31 December 2017, 2018 and 2019, the Remaining Group had cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, other payables and interest-bearing bank borrowings which are denominated in currencies other than Hong Kong dollar, and consequently the Remaining Group have foreign exchange exposure from translation of amounts denominated in foreign currencies as at

the reporting date. During the years ended 31 December 2017, 2018 and 2019, the Remaining Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its foreign currency exposure.

Charges on Assets

FY2017

As at 31 December 2017, certain assets of the Remaining Group were charged to secure banking facilities granted to the Remaining Group: (i) the Remaining Group's construction in progress and investment property with an aggregate net carrying amount of approximately HK\$41.5 million and (ii) pledged deposits with banks amounting to approximately HK\$33.9 million.

FY2018

As at 31 December 2018, certain assets of the Remaining Group were charged to secure banking facilities granted to the Remaining Group: (i) the Remaining Group's construction in progress and investment property with an aggregate net carrying amount of approximately HK\$39.9 million and (ii) pledged deposits with banks amounting to approximately HK\$31.1 million.

FY2019

As at 31 December 2019, certain assets of the Remaining Group were charged to secure banking facilities granted to the Remaining Group: (i) the Remaining Group's investment property amounting to approximately HK\$6.5 million and (ii) pledged deposits with banks amounting to approximately HK\$31.4 million.

Future Plans for Material Investments and Capital Assets

The Remaining Group has been exploring the opportunity and discussing with independent third parties in relation to: (i) funding the relocation and demolition expenses; (ii) acquiring machineries; (iii) general working capital purpose; (iv) making suitable future investment(s) or (v) establishment of production base(s).

Information on employees

Remuneration of the Remaining Group's employees is determined with reference to market norms and individual employee's performance, qualification and experience. On top of basic salaries, bonuses may be paid by reference to the Remaining Group's performance as well as the individual's performance. Other staff benefits include contributions to Mandatory Provident Fund scheme in Hong Kong, and various welfare plans including the provision of pension funds, medical insurance and other relevant insurance for employees of the Remaining Group.

FY2017

As at 31 December 2017, the Remaining Group had 1,032 employees, including the executive Directors. Total employee benefit expense (including Directors' remuneration) amounted to approximately HK\$90.2 million.

FY2018

As at 31 December 2018, the Remaining Group had 981 employees, including the executive Directors. Total employee benefit expense (including Directors' remuneration) was approximately HK\$104.2 million.

FY2019

As at 31 December 2019, the Remaining Group had 977 employees, including the executive Directors. Total employee benefit expense (including Directors' remuneration) was approximately HK\$100.9 million.

UNAUDITED FINANCIAL INFORMATION OF YT INDUSTRIAL GROUP

Set out below are the unaudited consolidated statements of financial position of Yan Tat (HK) Industrial Limited (“YT Industrial”) and its subsidiary (“YT Industrial Group”) as of 31 December 2017, 2018 and 2019 and the related unaudited consolidated statements of profit or loss, the unaudited consolidated statements of comprehensive income, the unaudited consolidated statements of changes in equity and the unaudited consolidated statements of cash flows for each of the years ended 31 December 2017, 2018 and 2019 (the “Relevant Periods”), and explanatory notes (collectively referred to as the “Unaudited Consolidated Financial Information of YT Industrial Group”). The Unaudited Consolidated Financial Information of YT Industrial Group has been prepared on the basis set out in note 2 below and prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Company’s auditor, Ernst & Young, has reviewed the Unaudited Consolidated Financial Information of YT Industrial Group in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion.

Based on their review, nothing has come to their attention that causes them to believe that the Unaudited Consolidated Financial Information of YT Industrial Group for the Relevant Periods is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 below.

UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS*Years ended 31 December 2017, 2018 and 2019*

	Year ended 31 December		
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	279,497	208,134	5,332
Cost of sales	<u>(251,231)</u>	<u>(186,198)</u>	<u>(4,766)</u>
Gross profit	28,266	21,936	566
Other income and gains	76	4,273	939
Selling and distribution expenses	(11,542)	(12,787)	(314)
General and administrative expenses	(16,264)	(16,497)	(2,705)
Finance costs	<u>(727)</u>	<u>(1,055)</u>	<u>(281)</u>
LOSS BEFORE TAX	(191)	(4,130)	(1,795)
Income tax credit/(expense)	<u>4</u>	<u>642</u>	<u>(605)</u>
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNER OF YT INDUSTRIAL	<u><u>(187)</u></u>	<u><u>(3,488)</u></u>	<u><u>(2,400)</u></u>

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended 31 December 2017, 2018 and 2019

	Year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
LOSS FOR THE YEAR	<u>(187)</u>	<u>(3,488)</u>	<u>(2,400)</u>
OTHER COMPREHENSIVE INCOME/ (LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of a foreign operation	<u>102</u>	<u>(59)</u>	<u>(24)</u>
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR	<u>102</u>	<u>(59)</u>	<u>(24)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNER OF YT INDUSTRIAL	<u>(85)</u>	<u>(3,547)</u>	<u>(2,424)</u>

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017, 2018 and 2019

	As at 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	5,032	3,955	3,594
Deposit	—	116	—
Deferred tax assets	—	605	—
	<u>5,032</u>	<u>4,676</u>	<u>3,594</u>
Total non-current assets	<u>5,032</u>	<u>4,676</u>	<u>3,594</u>
CURRENT ASSETS			
Inventories	14,780	173	—
Trade receivables	87,944	7,198	724
Prepayments, deposits and other receivables	590	388	2
Due from an intermediate holding company	5,561	9,966	—
Due from fellow subsidiaries	136,936	144,039	671
Tax recoverable	—	28	—
Pledged deposit	4,500	4,500	—
Cash and cash equivalents	31,527	17,768	1,134
	<u>281,838</u>	<u>184,060</u>	<u>2,531</u>
Total current assets	<u>281,838</u>	<u>184,060</u>	<u>2,531</u>
CURRENT LIABILITIES			
Trade payables	27,207	804	—
Other payables and accruals	7,337	6,096	117
Interest-bearing bank borrowings	31,868	21,036	—
Finance lease payables	761	436	—
Due to the immediate holding company	56,182	56,163	190
Due to a fellow subsidiary	144,942	89,786	2,412
Tax payable	2	9	—
	<u>268,299</u>	<u>174,330</u>	<u>2,719</u>
Total current liabilities	<u>268,299</u>	<u>174,330</u>	<u>2,719</u>
NET CURRENT ASSETS/(LIABILITIES)	<u>13,539</u>	<u>9,730</u>	<u>(188)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>18,571</u>	<u>14,406</u>	<u>3,406</u>

	As at 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	9	—	—
Finance lease payables	<u>1,172</u>	<u>563</u>	<u>—</u>
Total non-current liabilities	<u>1,181</u>	<u>563</u>	<u>—</u>
Net assets	<u><u>17,390</u></u>	<u><u>13,843</u></u>	<u><u>3,406</u></u>
EQUITY			
Equity attributable to owner of YT Industrial			
Share capital	5,000	5,000	5,000
Reserves	<u>12,390</u>	<u>8,843</u>	<u>(1,594)</u>
Total equity	<u><u>17,390</u></u>	<u><u>13,843</u></u>	<u><u>3,406</u></u>

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended 31 December 2017, 2018 and 2019

	Share capital <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2017	5,000	256	12,219	17,475
Loss for the year	—	—	(187)	(187)
Other comprehensive income for the year:				
Exchange difference on translation of a foreign operation	—	102	—	102
Total comprehensive income/(loss) for the year	—	102	(187)	(85)
At 31 December 2017 and 1 January 2018	5,000	358	12,032	17,390
Loss for the year	—	—	(3,488)	(3,488)
Other comprehensive loss for the year:				
Exchange difference on translation of a foreign operation	—	(59)	—	(59)
Total comprehensive loss for the year	—	(59)	(3,488)	(3,547)
At 31 December 2018	5,000	299	8,544	13,843
Effect of adoption of HKFRS 16	—	—	(13)	(13)
At 1 January 2019 (restated)	5,000	299	8,531	13,830
Loss for the year	—	—	(2,400)	(2,400)
Other comprehensive loss for the year:				
Exchange difference on translation of a foreign operation	—	(24)	—	(24)
Total comprehensive loss for the year	—	(24)	(2,400)	(2,424)
Interim 2019 dividend	—	—	(8,000)	(8,000)
At 31 December 2019	<u>5,000</u>	<u>275</u>	<u>(1,869)</u>	<u>3,406</u>

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended 31 December 2017, 2018 and 2019

	Year ended 31 December		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	(191)	(4,130)	(1,795)
Adjustments for:			
Finance costs	727	1,055	281
Bank interest income	(16)	(67)	(70)
Depreciation of property, plant and equipment	929	897	158
Depreciation of right-of-use assets	—	—	670
Impairment/(reversal of impairment) of trade receivables	—	65	(65)
Write-off of items of property, plant and equipment	—	—	4
	1,449	(2,180)	(817)
Decrease/(increase) in inventories	(8,520)	14,607	173
Decrease/(increase) in trade receivables	(22,250)	80,681	6,539
Decrease/(increase) in prepayments, deposits and other receivables	(161)	86	502
Decrease/(increase) in an amount due from an intermediate holding company	(4,098)	(4,405)	9,966
Decrease/(increase) in amounts due from fellow subsidiaries	(47,980)	(7,103)	143,368
Increase/(decrease) in trade payables	9,511	(26,403)	(804)
Decrease in other payables and accruals	(36)	(1,241)	(5,979)
Decrease in an amount due to the immediate holding company	(6)	(10)	(55,969)
Increase/(decrease) in an amount due to a fellow subsidiary	81,770	(55,036)	(87,319)
Cash generated from/(used in) operations	9,679	(1,004)	9,660
Interest paid	(655)	(1,012)	(281)
Interest element of finance lease rental payments	(72)	(43)	—
Hong Kong profits tax refunded	241	8	19
Net cash flows from/(used in) operating activities	9,193	(2,051)	9,398

	Year ended 31 December		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	16	67	70
Purchases of items of property, plant and equipment	(6)	(5)	—
Decrease in a pledged deposit	—	—	4,500
Net cash flows from investing activities	<u>10</u>	<u>62</u>	<u>4,570</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings	82,561	102,925	439
Repayment of bank borrowings	(84,758)	(113,757)	(21,475)
Principal portion of lease payments/finance lease rental payments	(738)	(935)	(1,551)
Dividend paid	—	—	(8,000)
Net cash flows used in financing activities	<u>(2,935)</u>	<u>(11,767)</u>	<u>(30,587)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
	6,268	(13,756)	(16,619)
Cash and cash equivalents at beginning of year	25,253	31,527	17,768
Effect of foreign exchange rate changes, net	<u>6</u>	<u>(3)</u>	<u>(15)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
	<u><u>31,527</u></u>	<u><u>17,768</u></u>	<u><u>1,134</u></u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	<u><u>31,527</u></u>	<u><u>17,768</u></u>	<u><u>1,134</u></u>

NOTES TO THE FINANCIAL INFORMATION OF YT INDUSTRIAL GROUP

Years ended 31 December 2017, 2018 and 2019

1. General information

Yan Tat Group Holdings Limited (the “Company”) is an investment holding company and its subsidiaries (together “the Group”) are principally engaged in the manufacture and sale of printed circuit boards.

Yan Tat (HK) Industrial Limited (“YT Industrial”) is a private limited company incorporated in Hong Kong and it is an indirect wholly-owned subsidiary of the Company which is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The principal activity of YT Industrial and its subsidiary (“YT Industrial Group”) for the years ended 31 December 2017 and 2018 was the trading of printed circuit boards and property holding. The principal activity of YT Industrial Group for the year ended 31 December 2019 was property holding.

The financial information contained in this circular does not constitute YT Industrial’s statutory financial statements for any of the years ended 31 December 2017, 2018 and 2019. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

YT Industrial has delivered the financial statements for years ended 31 December 2017 and 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2019 in due course.

YT Industrial’s auditor has reported on the financial statements of YT Industrial for the Relevant Periods. The auditor’s reports were unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The Unaudited Consolidated Financial Information of YT Industrial Group is presented in Hong Kong Dollar (“HK\$”). All values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

2. Basis of preparation the unaudited consolidated financial information

The Unaudited Consolidated Financial Information of YT Industrial Group has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules, and solely for the purpose of inclusion in the circular to be issued by the Company in connection with (a) the disposal of the Group’s entire equity interest in YT Industrial; and (b) the disposal of entire equity interest of Yan Tat Printed Circuit (Shenzhen) Co., Ltd (“YT Printed Circuit”) after its restructuring (“Restructured YT Printed Circuit”, whereas YT Printed Circuit be restructured that all substantial assets and liabilities be transferred out, and Restructured YT Printed Circuit will not own any other substantive assets other than holding of the land and

premises situated at Plot C (a land parcel (Lot no. G11213-0226) with a total site area of approximately 60,868.19 square metres) and Plot D (a land parcel (Lot no. G12302-0009) with a total site area of approximately 7,481.30 square metres) (“Target Land B”)/the vacation and handover of Target Land B to the buyers (the “Circular”).

The Unaudited Consolidated Financial Information of YT Industrial Group has been prepared in accordance with the same accounting policies as those adopted by the Group in the preparation of the consolidated financial statements of the Group for the Relevant Periods. The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Certified Public Accountants.

The Unaudited Consolidated Financial Information of YT Industrial Group does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements” and should be read in conjunction with the Group’s annual financial statements for the years ended 31 December 2017, 2018 and 2019.

As at 31 December 2019, YT Industrial Group’s current liabilities exceeded current assets by HK\$188,000. The Directors of the Remaining Group are in the views that the intercompany balances of YT Industrial Group due to affiliates of the Remaining Group will not be demanded for repayment at least twelve months from the end of reporting period. Accordingly, the Directors have prepared the Unaudited Consolidated Financial Information of YT Industrial Group on a going concern basis.

3. Event after the reporting period

On 8 May 2020, the Company entered into a cooperation agreement with independently third parties (the “Buyers”) pursuant to which the Company shall sell, and the Buyers shall purchase the entire equity interest in YT Industrial at a consideration of RMB100 million (equivalent to approximately HK\$109 million). The transaction is expected to be completed within three months after the approval of urban renewal project is completed or within one month after the 25th month following the effective date of the cooperation agreement (whichever is earlier). YT Industrial will then cease to be a subsidiary of the Company.

4. Unaudited statements of financial position of YT Industrial

Information about the unaudited statements of financial position of YT Industrial as at 31 December 2017, 2018 and 2019 are as follows:

	As at 31 December		
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	867	130	—
Deposit	—	116	—
Deferred tax assets	—	605	—
Investment in a subsidiary	<u>2,762</u>	<u>2,762</u>	<u>2,762</u>
Total non-current assets	<u>3,629</u>	<u>3,613</u>	<u>2,762</u>
CURRENT ASSETS			
Inventories	14,780	173	—
Trade receivables	87,944	7,198	724
Prepayments, deposits and other receivables	590	388	2
Due from an intermediate holding company	5,561	9,966	—
Due from fellow subsidiaries	136,936	144,039	671
Tax recoverable	—	28	—
Pledged deposit	4,500	4,500	—
Cash and cash equivalents	<u>31,408</u>	<u>17,709</u>	<u>1,133</u>
Total current assets	<u>281,719</u>	<u>184,001</u>	<u>2,530</u>
CURRENT LIABILITIES			
Trade payables	27,207	804	—
Other payables and accruals	7,337	6,096	117
Interest-bearing bank borrowings	31,868	21,036	—
Finance lease payables	761	436	—
Due to the immediate holding company	55,979	55,969	—
Due to a fellow subsidiary	142,321	87,285	—
Tax payable	<u>2</u>	<u>9</u>	<u>—</u>
Total current liabilities	<u>265,475</u>	<u>171,635</u>	<u>117</u>
NET CURRENT ASSETS	<u>16,244</u>	<u>12,366</u>	<u>2,413</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>19,873</u>	<u>15,979</u>	<u>5,175</u>

	As at 31 December		
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	9	—	—
Finance lease payables	<u>1,172</u>	<u>563</u>	<u>—</u>
Total non-current liabilities	<u>1,181</u>	<u>563</u>	<u>—</u>
Net assets	<u>18,692</u>	<u>15,416</u>	<u>5,175</u>
EQUITY			
Share capital	5,000	5,000	5,000
Reserves	<u>13,692</u>	<u>10,416</u>	<u>175</u>
Total equity	<u>18,692</u>	<u>15,416</u>	<u>5,175</u>

UNAUDITED FINANCIAL INFORMATION OF YT PRINTED CIRCUIT

Set out below are the unaudited statements of financial position of Yan Tat Printed Circuit (Shenzhen) Co., Ltd. (“YT Printed Circuit”) as of 31 December 2017, 2018 and 2019 and the related unaudited statements of profit or loss, the unaudited statements of comprehensive income, the unaudited statements of changes in equity and unaudited statements of cash flows for each of the years ended 31 December 2017, 2018 and 2019 (the “Relevant Periods”), and explanatory notes (collectively referred to as the “Unaudited Financial Information of YT Printed Circuit”). The Unaudited Financial Information of YT Printed Circuit has been prepared on the basis set out in note 2 below and prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Company’s auditor, Ernst & Young, has reviewed the Unaudited Financial Information of YT Printed Circuit in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion.

Based on their review, nothing has come to their attention that causes them to believe that the Unaudited Financial Information of YT Printed Circuit for the Relevant Periods is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 below.

UNAUDITED STATEMENTS OF PROFIT OR LOSS

Years ended 31 December 2017, 2018 and 2019

	Year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
REVENUE	492,932	575,228	504,043
Cost of sales	<u>(405,428)</u>	<u>(447,887)</u>	<u>(400,695)</u>
Gross profit	87,504	127,341	103,348
Other income and gains	7,975	17,573	14,870
Selling and distribution expenses	(7,838)	(4,404)	(2,908)
General and administrative expenses	(50,115)	(53,778)	(52,880)
Other expenses	(319)	(61)	(114)
Finance costs	<u>(2,648)</u>	<u>(3,167)</u>	<u>(2,535)</u>
PROFIT BEFORE TAX	34,559	83,504	59,781
Income tax expense	<u>(4,975)</u>	<u>(9,196)</u>	<u>(8,616)</u>
PROFIT FOR THE YEAR	<u><u>29,584</u></u>	<u><u>74,308</u></u>	<u><u>51,165</u></u>

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

Years ended 31 December 2017, 2018 and 2019

	Year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
PROFIT FOR THE YEAR	<u>29,584</u>	<u>74,308</u>	<u>51,165</u>
OTHER COMPREHENSIVE INCOME/ (LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of foreign operations	30,458	(24,719)	(11,162)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Change in fair value of a financial asset at fair value through other comprehensive income	<u>111</u>	<u>163</u>	<u>133</u>
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR	<u>30,569</u>	<u>(24,556)</u>	<u>(11,029)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>60,153</u>	<u>49,752</u>	<u>40,136</u>

UNAUDITED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017, 2018 and 2019

	As at 31 December		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	400,103	386,112	355,155
Investment properties	25,074	25,850	26,641
Right-of-use assets	—	—	4,498
Prepaid land lease payments	5,073	4,599	—
Deposits for purchases of items of property, plant and equipment	6,108	616	—
Investment in a subsidiary	51,561	49,190	5,581
Deferred tax assets	10,436	11,050	9,157
Available-for-sale investment	4,153	—	—
Financial asset at fair value through other comprehensive income	—	4,119	4,159
Total non-current assets	<u>502,508</u>	<u>481,536</u>	<u>405,191</u>
CURRENT ASSETS			
Inventories	53,086	50,360	43,738
Trade and bills receivables	130,856	146,908	127,952
Prepayments, deposits and other receivables	5,897	7,777	1,759
Due from the immediate holding company	—	9,495	11,463
Due from fellow subsidiaries	144,942	109,606	19,123
Pledged deposits and restricted cash	14,697	11,849	9,162
Cash and cash equivalents	<u>16,487</u>	<u>36,685</u>	<u>61,136</u>
Total current assets	<u>365,965</u>	<u>372,680</u>	<u>274,333</u>
CURRENT LIABILITIES			
Trade and bills payables	78,377	81,652	68,849
Other payables and accruals	47,021	60,685	54,077
Interest-bearing bank borrowings	50,432	63,207	23,165
Finance lease payables	5,660	—	—
Due to the immediate holding company	85,897	—	—
Due to an intermediate holding company	8,412	8,412	8,412
Due to a fellow subsidiary	34,812	33,212	—
Due to a subsidiary	47,337	45,161	1,012
Tax payable	<u>14,312</u>	<u>16,856</u>	<u>14,468</u>
Total current liabilities	<u>372,260</u>	<u>309,185</u>	<u>169,983</u>

	As at 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
NET CURRENT ASSETS/(LIABILITIES)	<u>(6,295)</u>	<u>63,495</u>	<u>104,350</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>496,213</u>	<u>545,031</u>	<u>509,541</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	6,020	6,672	7,239
Deferred income	<u>11,440</u>	<u>9,854</u>	<u>12,086</u>
Total non-current liabilities	<u>17,460</u>	<u>16,526</u>	<u>19,325</u>
Net assets	<u>478,753</u>	<u>528,505</u>	<u>490,216</u>
EQUITY			
Issued capital	165,000	165,000	165,000
Reserves	<u>313,753</u>	<u>363,505</u>	<u>325,216</u>
Total equity	<u>478,753</u>	<u>528,505</u>	<u>490,216</u>

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

Years ended 31 December 2017, 2018 and 2019

	Share capital HK\$'000	Capital reserve HK\$'000	Available- for-sale revaluation reserve HK\$'000	Fair value reserve of a financial asset through other comprehensive income HK\$'000	Land and building revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 January 2017	165,000	1,203	833	—	485	(6,206)	32,883	224,402	418,600
Profit for the year	—	—	—	—	—	—	—	29,584	29,584
Other comprehensive income for the year:									
Change in fair value of a financial asset at fair value through other comprehensive income	—	—	111	—	—	—	—	—	111
Exchange difference on translation of a foreign operation	—	—	—	—	—	30,458	—	—	30,458
Total comprehensive income for the year	—	—	111	—	—	30,458	—	29,584	60,153
Transfer from retained profits	—	—	—	—	—	—	2,958	(2,958)	—
At 31 December 2017	165,000	1,203	944	—	485	24,252	35,841	251,028	478,753
Effect of adoption of HKFRS 9 <i>Financial Instruments</i>	—	—	(944)	944	—	—	—	—	—
At 1 January 2018	165,000	1,203	—	944	485	24,252	35,841	251,028	478,753
Profit for the year	—	—	—	—	—	—	—	74,308	74,308
Other comprehensive income/(loss) for the year:									
Change in fair value of a financial asset at fair value through other comprehensive income	—	—	—	163	—	—	—	—	163
Exchange difference on translation of a foreign operation	—	—	—	—	—	(24,719)	—	—	(24,719)
Total comprehensive income/(loss) for the year	—	—	—	163	—	(24,719)	—	74,308	49,752
Transfer from retained profits	—	—	—	—	—	—	7,468	(7,468)	—
At 31 December 2018 and 1 January 2019	165,000	1,203	—	1,107	485	(467)	43,309	317,868	528,505
Profit for the year	—	—	—	—	—	—	—	51,165	51,165
Other comprehensive income/(loss) for the year:									
Change in fair value of a financial asset at fair value through other comprehensive income	—	—	—	133	—	—	—	—	133
Exchange difference on translation of a foreign operation	—	—	—	—	—	(11,162)	—	—	(11,162)
Total comprehensive income/(loss) for the year	—	—	—	133	—	(11,162)	—	51,165	40,136
Transfer from retained profits	—	—	—	—	—	—	5,081	(5,081)	—
2019 interim dividend	—	—	—	—	—	—	—	(78,425)	(78,425)
At 31 December 2019	165,000	1,203	—	1,240	485	(11,629)	48,390	285,527	490,216

UNAUDITED STATEMENTS OF CASH FLOWS

Years ended 31 December 2017, 2018 and 2019

	Year ended 31 December		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	34,559	83,504	59,781
Adjustments for:			
Finance costs	2,648	3,167	2,535
Bank interest income	(246)	(413)	(266)
Depreciation of property, plant and equipment	25,772	26,750	27,470
Depreciation of right-of-use assets	—	—	239
Amortisation of land lease payments	243	249	—
Reversal of write-down of inventories to net realisable value	(242)	(1,240)	(408)
Impairment/(reversal of impairment) of trade and bills receivables	—	419	(222)
Fair value gain on investment properties	(4,211)	(2,001)	(1,387)
Amortisation of deferred income	(933)	(1,100)	(1,500)
Write-off of items of property, plant and equipment	—	—	58
Gain on disposal of items of property, plant and equipment	(270)	(310)	(306)
Impairment of other receivables	112	—	27
	57,432	109,025	86,021
Decrease/(increase) in inventories	(1,828)	1,537	6,022
Decrease/(increase) in trade and bills receivables	(9,615)	(23,320)	16,233
Decrease/(increase) in prepayments, deposits and other receivables	1,753	(2,232)	5,717
Change in balance with the immediate holding company	25,095	(94,888)	(2,219)
Decrease/(increase) in amounts due from fellow subsidiaries	(74,753)	29,753	89,728
Increase/(decrease) in trade and bills payables	7,318	7,138	(11,209)
Increase/(decrease) in other payables and accruals	8,477	5,087	(2,816)
Increase in an amount due to an intermediate holding company	—	401	189
Decrease in an amount due to a fellow subsidiary	—	—	(33,093)
Decrease in an amount due to a subsidiary	—	—	(640)
Exchange realignment	(458)	(3)	(27)
Cash generated from operations	13,421	32,498	153,906

	Year ended 31 December		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Cash generated from operations	13,421	32,498	153,906
Interest received	246	413	266
Interest paid	(2,345)	(3,046)	(2,535)
Interest element of finance lease rental payments	(332)	(121)	—
Overseas taxes paid	(2,244)	(6,045)	(8,261)
Net cash flows from operating activities	<u>8,746</u>	<u>23,699</u>	<u>143,376</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	(15,960)	(12,726)	(8,463)
Proceeds from disposal of items of property, plant and equipment	695	392	5,259
Receipts of government grants	5,364	—	4,589
Decrease in certain time and bank deposits pledged as security for certain bank facilities and bills payable	1,535	2,255	1,974
Decrease/(increase) in restricted cash	(2)	(1)	498
Deposits paid for purchases of items of property, plant and equipment	(5,704)	(1,934)	(3,692)
Net cash flows from/(used in) investing activities	<u>(14,072)</u>	<u>(12,014)</u>	<u>165</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings	65,707	108,200	63,343
Repayment of bank borrowings	(59,181)	(92,536)	(102,721)
Capital element of finance lease rental payments	(5,250)	(5,603)	—
Dividend paid	—	—	(78,425)
Net cash flows from/(used in) financing activities	<u>1,276</u>	<u>10,061</u>	<u>(117,803)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(4,050)</u>	<u>21,746</u>	<u>25,738</u>
Cash and cash equivalents at beginning of year	19,331	16,487	36,685
Effect of foreign exchange rate changes, net	1,206	(1,548)	(1,287)
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>16,487</u></u>	<u><u>36,685</u></u>	<u><u>61,136</u></u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	<u><u>16,487</u></u>	<u><u>36,685</u></u>	<u><u>61,136</u></u>

NOTES TO THE FINANCIAL INFORMATION OF YT PRINTED CIRCUIT

Years ended 31 December 2017, 2018 and 2019

1. General information

Yan Tat Group Holdings Limited (the “Company”) is an investment holding company and its subsidiaries (together “the Group”) are principally engaged in the manufacture and sale of printed circuit boards.

Yan Tat Printed Circuit (Shenzhen) Co., Ltd. (“YT Printed Circuit”) is a private limited company incorporated in the People’s Republic of China and it is an indirect wholly-owned subsidiary of the Company which is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

YT Printed Circuit was engaged in the manufacture and sale of printed circuit boards in the Relevant Periods.

The Unaudited Financial Information of YT Printed Circuit is presented in Hong Kong Dollar (“HK\$”). All values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

2. Basis of preparation the unaudited financial information

The Unaudited Financial Information of YT Printed Circuit has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules, and solely for the purpose of inclusion in the circular to be issued by the Company in connection with (a) the disposal of the Group’s entire equity interest in Yan Tat (HK) Industrial Limited; and (b) the disposal of entire equity interest of YT Printed Circuit after its restructuring (“Restructured YT Printed Circuit”, whereas YT Printed Circuit be restructured that all substantial assets and liabilities be transferred out, and Restructured YT Printed Circuit will not own any other substantive assets other than holding of the land and premises situated at Plot C (a land parcel (Lot no. G11213–0226) with a total site area of approximately 60,868.19 square metres) and Plot D (a land parcel (Lot no. G12302–0009) with a total site area of approximately 7,481.30 square metres) (“Target Land B”)/the vacation and handover of Target Land B to the buyers (the “Circular”).

The Unaudited Financial Information of YT Printed Circuit has been prepared in accordance with the same accounting policies as those adopted by the Group in the preparation of the consolidated financial statements of the Group for the Relevant Periods. The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Certified Public Accountants.

The Unaudited Financial Information of YT Printed Circuit does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements” and should be read in conjunction with the Group’s annual financial statements for the years ended 31 December 2017, 2018 and 2019.

3. Events after the reporting period

On 8 May 2020, the Company entered into a cooperation agreement and relocation agreements with independently third parties (the “Buyers”). As part of those cooperation agreement and relocation agreements, the Company will either:

- (i) vacate from the land and premises owned by YT Printed Circuit and situated at Plot C (a land parcel (Lot no. G11213-0226) with a total site area of approximately 60,868.19 square metres) and Plot D (a land parcel (Lot no. G12302-0009) with a total site area of approximately 7,481.30 square metres) located at the intersection between Yanziling 3rd Road and Lijing South Road, Nanbu Community, Pingshan District, Shenzhen, the PRC (“Target Land B”) and the Buyers shall demolish the buildings erected thereon, and obtain the land use right and development right in Target Land B and the Buyers will pay a relocation compensation to the Company of RMB600 million (equivalent to HK\$654,000,000) and the title of the re-developed property with a gross floor area of 20,000 square metres to be built on Target Land B (“Resettlement Properties”) of which the gross development value is approximately RMB700 million (equivalent to HK\$763,000,000) as at 30 April 2020; or
- (ii) dispose Target Land B through the disposal of entire equity interest in YT Printed Circuit after the completion of restructuring that the Restructured YT Printed Circuit (which will transfer all other substantive assets (i.e., substantially the rights, title or interests in (i) the business of YT Printed Circuit, namely, the manufacturing and sale of printed circuit boards, and (ii) the properties of YT Printed Circuit other than Target Land B and the buildings erected thereon (collectively referred to as the “Excluded Assets”)) to another subsidiary of the Group and will only own the interest in Target Land B and the buildings erected thereon) at an aggregate consideration of RMB600 million plus an amount equivalent to the market value of the Resettlement Properties i.e., RMB700 million or under certain circumstances, calculated based on the government guided price in the past 12 months multiplied by the gross floor area of the corresponding properties to the Resettlement Practices.

For the year ended 31 December 2019, the amounts of profit or loss related to the Excluded Assets included revenue of HK\$504,043,000; cost of sales of HK\$400,695,000; gross profit of HK\$103,348,000; other income and gains of HK\$14,870,000; selling and distribution expenses of HK\$2,908,000; general and administrative expenses of HK\$44,710,000; other expenses of HK\$114,000; finance costs of HK\$2,535,000; profit before tax of HK\$67,951,000; income tax expense of HK\$8,616,000; and profit after tax of HK\$59,335,000.

For the year ended 31 December 2019, the amounts of other comprehensive income related to the Excluded Assets included exchange loss on translation of foreign operations of HK\$15,476,000 and fair value gain on a financial asset at fair value through other comprehensive income of HK\$133,000.

As at 31 December 2019, the amounts of statement of financial position related to the Excluded Assets included property, plant and equipment of HK\$170,080,000; investment properties of HK\$26,641,000; investment in a subsidiary of HK\$5,581,000; deferred tax assets

of HK\$9,157,000; financial asset at fair value through other comprehensive income of HK\$4,159,000; total non-current assets of HK\$215,618,000; inventories of HK\$43,738,000; trade and bills receivables of HK\$127,952,000; prepayments, deposits and other receivables of HK\$1,759,000; amounts due from the immediate holding company and fellow subsidiaries of HK\$30,586,000; pledged deposits and restricted cash of HK\$9,162,000; cash and cash equivalents of HK\$61,136,000; total current assets of HK\$274,333,000; trade and bills payables of HK\$68,849,000; other payables and accruals of HK\$54,077,000; interest-bearing bank borrowings of HK\$23,165,000; tax payables of HK\$14,468,000; amounts due to an intermediate holding company and a subsidiary of HK\$9,424,000; total current liabilities of HK\$169,983,000; deferred tax liabilities of HK\$7,239,000; deferred income of HK\$12,086,000; total non-current liabilities of HK\$19,325,000; and reserves of HK\$300,643,000.

The related cash inflows/(outflows) of the Excluded Assets from operating activities for the year ended 31 December 2019 amounted to HK\$143,376,000, which included profit before tax of HK\$67,951,000; adjustment for finance costs of HK\$2,535,000; adjustment for bank interest income of HK\$(266,000); adjustment for depreciation of property, plant and equipment of HK\$19,539,000; adjustment for reversal of write-down of inventories to net realisable value of HK\$(408,000); adjustment for reversal of impairment of trade and bills receivables of HK\$(222,000); adjustment for fair value gain on investment properties of HK\$(1,387,000); adjustment for amortisation of deferred income of HK\$(1,500,000); adjustment for write-off of items of property, plant and equipment of HK\$58,000; adjustment for gain on disposal of items of property, plant and equipment of HK\$(306,000); adjustment for impairment of other receivables of HK\$27,000; decrease in inventories of HK\$6,022,000; decrease in trade and bills receivables of HK\$16,233,000; decrease in prepayments, deposits and other receivables HK\$5,717,000; increase in an amount due from an intermediate holding company of HK\$(2,219,000); decrease in amounts due from fellow subsidiaries of HK\$89,728,000; decrease in trade and bills payables of HK\$(11,209,000); decrease in other payables and accruals of HK\$(2,816,000); increase in amount due to an intermediate holding company of HK\$189,000; decrease in an amount due to a fellow subsidiary of HK\$(33,093,000); decrease in amount due to a subsidiary of HK\$(640,000); exchange realignment of HK\$(27,000); interest received of HK\$266,000; interest paid of HK\$(2,535,000); and overseas taxes paid of HK\$(8,261,000).

The related cash inflows/(outflows) of the Excluded Assets from investing activities for the year ended 31 December 2019 amounted to HK\$165,000, which included purchases of items of property, plant and equipment of HK\$(8,463,000); proceeds from disposal of items of property, plant and equipment of HK\$5,259,000; deposits paid for purchases of items of property, plant and equipment of HK\$(3,692,000); receipts of government grants of HK\$4,589,000; increase in certain time and bank deposits pledged as security for certain banking facilities and bills payable of HK\$1,974,000; and decrease in restricted cash of HK\$498,000.

The related cash inflows/(outflows) of the Excluded Assets from financing activities for the year ended 31 December 2019 amounted to HK\$(117,803,000), which included new bank borrowings of HK\$63,343,000; repayment of bank borrowings of HK\$(102,721,000); and dividend paid of HK\$(78,425,000).

The related net increase in cash and cash equivalents of the Excluded Assets for the year ended 31 December 2019 amounted to HK\$25,738,000. The related cash and cash equivalents of the Excluded Assets at beginning of year 2019 amounted to HK\$36,685,000. The related net effect of foreign exchange rate changes of cash and cash equivalents of the Excluded Assets for the year ended 2019 amounted to HK\$(1,287,000). The related cash and cash equivalents of the Excluded Assets at end of year 2019 amounted to HK\$61,136,000.

The aggregate carrying amount of the Target Land B and the buildings erected thereon of Yan Tat Printed Circuit as at 31 December 2017, 2018 and 2019 amounted to HK\$217,782,000, HK\$200,416,000, and HK\$189,573,000 (including property, plant and equipment of HK\$185,075,000 and right-of-use assets of HK\$4,498,000), respectively, and the related depreciation for the years ended 31 December 2017, 2018 and 2019 amounted to HK\$7,936,000, HK\$8,673,000, and HK\$8,170,000 (including depreciation of property, plant and equipment of HK\$7,931,000 and depreciation of right-of-use assets of HK\$239,000), respectively.

The above balances relating to the Excluded Assets for the year ended 31 December 2019 and as at 31 December 2019 were not derived from separately maintained accounting records and presented for illustration purpose only, which may not represent the actual outcome as if the accounting records of the Excluded Assets were separately maintained.

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING
GROUP A****Basis of preparation of the unaudited pro forma financial information of the Remaining
Group A**

The following is the unaudited pro forma consolidated statement of financial position as at 31 December 2019, the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019 (the “**Unaudited Pro Forma Financial Information**”) of Yan Tat Group Holdings Limited (the “**Company**”) and its remaining subsidiaries (the “**Remaining Group A**”) after the Disposal of YT Industrial and the completion of the YT Printed Circuit Relocation (collectively, the “**Proposed Transactions A**”), which have been prepared in accordance with paragraph 4.29 of the Listing Rules, for the purpose of illustrating the effect of the Proposed Transactions A as if the Proposed Transactions A had taken place on 31 December 2019 for the unaudited pro forma consolidated statement of financial position, and 1 January 2019 for the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information of the Remaining Group A has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group A as at 31 December 2019 or at any future date had the Proposed Transactions A taken place on 31 December 2019, or the financial performance and cash flows of the Remaining Group A for the year ended 31 December 2019 or for any future period had the Proposed Transactions A taken place on 1 January 2019.

The Unaudited Pro Forma Financial Information of the Remaining Group A has been prepared based on the information as set out in:

- (a) the audited consolidated statement of financial position of the Company and its subsidiaries (the “**Group**”) as at 31 December 2019, the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2019, which have been extracted from the published annual report of the Company for the year ended 31 December 2019; and

- (b) after taking into account the unaudited pro forma adjustments, which are (i) directly attributable to the Proposed Transactions A (including (i) the disposal the entire equity interest of YT Industrial; and (ii) the completion of YT Printed Circuit Relocation (whereas Target Land B and the buildings erected thereon be vacated and handed over to Huayu Tiancheng, and YT Printed Circuit to enter into a handover confirmation with Huayu Tiancheng before the Relocation Time Limit as set out in the Cooperation Agreement)), and not relating to future events or decisions; and (ii) factually supportable, as described in the notes thereto to demonstrate how the Proposed Transactions A might have affected the historical financial information in respect of the Group as if the Proposed Transactions A had taken place on 31 December 2019 for the unaudited pro forma consolidated statement of financial position, and 1 January 2019 for the unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information of the Remaining Group A should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2019 as set out in the annual report of the Company for the year ended 31 December 2019, and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF
THE REMAINING GROUP A

	The Group for the year ended 31 December 2019					Unaudited pro forma consolidated statement of profit or loss of the Remaining Group A for the year ended 31 December 2019
	Pro forma adjustments					
	HK\$'000 Note 1	HK\$'000 Note 3 (a)	HK\$'000 Note 3 (c)	HK\$'000 Note 3 (d)	HK\$'000 Note 3 (e)	
REVENUE	650,408	(5,332)	4,532	—	—	649,608
Cost of sales	(502,018)	4,766	(4,593)	—	—	(501,845)
Gross profit	148,390	(566)	(61)	—	—	147,763
Other income and gains	22,850	(939)	788	—	1,221,715	1,244,414
Selling and distribution expenses	(19,028)	314	—	—	—	(18,714)
General and administrative expenses	(77,968)	2,705	(727)	8,170	—	(67,820)
Other expenses	(113)	—	—	—	—	(113)
Finance costs	(6,075)	281	—	—	—	(5,794)
PROFIT BEFORE TAX	68,056	1,795	—	8,170	1,221,715	1,299,736
Income tax expense	(12,155)	605	—	—	(370,975)	(382,525)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>55,901</u>	<u>2,400</u>	<u>—</u>	<u>8,170</u>	<u>850,740</u>	<u>917,211</u>

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME OF THE REMAINING GROUP A

	The Group for the year ended 31 December 2019				Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group A for the year ended 31 December 2019
	HK\$'000	Pro forma adjustments			HK\$'000
	Note 1	HK\$'000 Note 3 (a)	HK\$'000 Note 3 (d)	HK\$'000 Note 3 (e)	HK\$'000
PROFIT FOR THE YEAR	<u>55,901</u>	<u>2,400</u>	<u>8,170</u>	<u>850,740</u>	<u>917,211</u>
OTHER COMPREHENSIVE LOSS					
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	(18,417)	24	—	—	(18,393)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Change in fair value of a financial asset at fair value through other comprehensive income	<u>133</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>133</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR	<u>(18,284)</u>	<u>24</u>	<u>—</u>	<u>—</u>	<u>(18,260)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>37,617</u>	<u>2,424</u>	<u>8,170</u>	<u>850,740</u>	<u>898,951</u>

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL
POSITION OF THE REMAINING GROUP A

	The Group as at 31 December 2019					Unaudited pro forma consolidated statement of financial position of the Remaining Group A as at 31 December 2019
	HK\$'000	HK\$'000	Pro forma adjustments		HK\$'000	
	Note 1	Note 2 (a)	HK\$'000 Note 2 (a)	HK\$'000 Note 2 (b)	HK\$'000 Note 2 (c)	
NON-CURRENT ASSETS						
Property, plant and equipment	362,956	—	—	(185,075)	—	177,881
Investment properties	26,641	—	—	—	—	26,641
Right-of-use assets	6,657	—	—	(4,498)	—	2,159
Other asset	—	—	—	763,000	—	763,000
Deposit	116	—	—	—	—	116
Deferred tax assets	9,166	—	—	—	—	9,166
Financial asset at fair value through other comprehensive income	4,159	—	—	—	—	4,159
Total non-current assets	409,695	—	—	573,427	—	983,122
CURRENT ASSETS						
Inventories	51,928	—	—	—	—	51,928
Trade and bills receivables	216,446	—	—	—	—	216,446
Prepayments, deposits and other receivables	2,760	—	—	—	—	2,760
Pledged deposits and restricted cash	31,433	—	—	—	—	31,433
Cash and cash equivalents	129,434	—	—	—	311,457	440,891
	432,001	—	—	—	311,457	743,458
Assets classified as held for sale	5,454	(6,125)	671	—	—	—
Total current assets	437,455	(6,125)	671	—	311,457	743,458
CURRENT LIABILITIES						
Trade and bills payables	109,492	—	—	—	—	109,492
Other payables and accruals	65,220	—	—	—	—	65,220
Interest-bearing bank borrowings	84,236	—	—	—	—	84,236
Lease liabilities	1,623	—	—	—	—	1,623
Tax payable	15,959	—	—	—	—	15,959
	276,530	—	—	—	—	276,530
Liabilities directly associated with assets classified as held for sale	117	(2,719)	2,602	—	—	—
Total current liabilities	276,647	(2,719)	2,602	—	—	276,530
NET CURRENT ASSETS	160,808	(3,406)	(1,931)	—	311,457	466,928
TOTAL ASSETS LESS CURRENT LIABILITIES	570,503	(3,406)	(1,931)	573,427	311,457	1,450,050

	The Group					Unaudited pro
	as at					forma
	31 December					consolidated
	2019					statement of
	<i>HK\$'000</i>	<i>HK\$'000</i>	Pro forma adjustments		<i>HK\$'000</i>	financial position
	<i>Note 1</i>	<i>Note 2 (a)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	of the Remaining
			<i>Note 2 (a)</i>	<i>Note 2 (b)</i>	<i>Note 2 (c)</i>	Group A as at
						31 December
						2019
						<i>HK\$'000</i>
NON-CURRENT LIABILITIES						
Lease liabilities	567	—	—	—	—	567
Deferred tax liabilities	22,998	—	—	—	—	22,998
Deferred income	12,086	—	—	—	—	12,086
Total non-current liabilities	35,651	—	—	—	—	35,651
Net assets	534,852	(3,406)	(1,931)	573,427	311,457	1,414,399
EQUITY						
Equity attributable to owners of the Company						
Issued capital	2,400	(5,000)	—	5,000	—	2,400
Reserves	532,452	1,594	(1,931)	568,427	311,457	1,411,999
Total equity	534,852	(3,406)	(1,931)	573,427	311,457	1,414,399

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF
THE REMAINING GROUP A

	The Group for the year ended 31 December 2019					Unaudited pro forma consolidated statement of cash flows of the Remaining Group A for the year ended 31 December 2019
	HK\$'000	HK\$'000	Pro forma adjustments		HK\$'000	HK\$'000
	Note 1	Note 3 (a)	Note 3 (b)	Note 3 (d)	Note 3 (e)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax	68,056	1,795	—	8,170	1,221,715	1,299,736
Adjustments for:						
Finance costs	6,075	(281)	—	—	—	5,794
Bank interest income	(598)	70	—	—	—	(528)
Depreciation of property, plant and equipment	27,993	(158)	—	(7,931)	—	19,904
Depreciation of right-of-use assets	2,048	(670)	—	(239)	—	1,139
Reversal of write-down of inventories to net realisable value	(408)	—	—	—	—	(408)
Reversal of impairment of trade and bills receivables	(211)	65	—	—	—	(146)
Fair value gain on investment properties	(1,387)	—	—	—	—	(1,387)
Amortisation of deferred income	(1,500)	—	—	—	—	(1,500)
Write-off of items of property, plant and equipment	58	(4)	—	—	—	54
Gain on disposal of items of property, plant and equipment	(306)	—	—	—	—	(306)
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	(5,333)	—	—	—	—	(5,333)
Impairment of other receivables	27	—	—	—	—	27
Gain on Proposed Transactions	—	—	—	—	(1,221,715)	(1,221,715)
	94,514	817	—	—	—	95,331
Decrease in inventories	9,072	(173)	—	—	—	8,899
Decrease in trade and bills receivables	35,800	(6,539)	—	—	—	29,261
Decrease in prepayments, deposits and other receivables	5,590	(502)	—	—	—	5,088
Decrease/(increase) in an amount due from an intermediate holding company	—	(9,966)	9,966	—	—	—
Decrease/(increase) in amounts due from fellow subsidiaries	—	(143,368)	143,368	—	—	—
Decrease in trade and bills payables	(13,887)	804	—	—	—	(13,083)
Decrease in other payables and accruals	(6,062)	5,979	—	—	—	(83)
Decrease in an amount due to the immediate holding company	—	55,969	(55,969)	—	—	—
Increase/(decrease) in an amount due to a fellow subsidiary	—	87,319	(87,319)	—	—	—
Exchange realignment	(2,222)	—	—	—	—	(2,222)
Cash generated from operations	122,805	(9,660)	10,046	—	—	123,191
Interest received	598	(70)	—	—	—	528
Interest paid	(6,075)	281	—	—	—	(5,794)
Hong Kong profits tax refunded	19	(19)	—	—	—	—
Overseas taxes paid	(8,261)	—	—	—	(370,975)	(379,236)
Net cash flows from/(used in) operating activities	109,086	(9,468)	10,046	—	(370,975)	(261,311)

	The Group for the year ended 31 December 2019					Unaudited pro forma consolidated statement of cash flows of the Remaining Group A for the year ended 31 December 2019 HK\$'000
	HK\$'000	HK\$'000	Pro forma adjustments			
	Note 1	Note 3 (a)	HK\$'000 Note 3 (b)	HK\$'000 Note 3 (d)	HK\$'000 Note 3 (e)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment	(8,535)	—	—	—	—	(8,535)
Proceeds from disposal of items of property, plant and equipment	5,263	—	—	—	—	5,263
Deposits paid for purchases of items of property, plant and equipment	(3,692)	—	—	—	—	(3,692)
Receipts of government grants	4,589	—	—	—	—	4,589
Increase in certain time and bank deposits pledged as security for certain banking facilities and bills payable	(526)	(4,500)	—	—	—	(5,026)
Decrease in restricted cash	498	—	—	—	—	498
Proceeds from Proposed Transactions	—	—	—	—	672,675	672,675
Net cash flows from/(used in) investing activities	(2,403)	(4,500)	—	—	672,675	665,772
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank borrowings	223,845	(439)	—	—	—	223,406
Repayment of bank borrowings	(317,484)	21,475	—	—	—	(296,009)
Principal portion of lease payments/finance lease rental payments	(2,663)	1,551	—	—	—	(1,112)
Dividend paid	(14,400)	8,000	(8,000)	—	—	(14,400)
Net cash flows used in financing activities	(110,702)	30,587	(8,000)	—	—	(88,115)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS						
Cash and cash equivalents at beginning of year	135,876	(17,768)	—	—	—	118,108
Cash and cash equivalents included in assets classified as held for sale	(1,134)	1,134	—	—	—	—
Effect of foreign exchange rate changes, net	(1,289)	15	—	—	—	(1,274)
CASH AND CASH EQUIVALENTS AT END OF YEAR	129,434	—	2,046	—	301,700	433,180
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	129,434	—	2,046	—	301,700	433,180

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
REMAINING GROUP A

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2019, and the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2019 as set out in the published annual report of the Company for the year ended 31 December 2019.
- 2a. The adjustment represents the exclusion of carrying amounts of assets and liabilities of YT Industrial Group as at 31 December 2019, assuming the Disposal of YT Industrial had taken place on 31 December 2019, which are extracted from the unaudited consolidated financial information of YT Industrial Group as set forth in Appendix IIA to this Circular. The total assets of HK\$6,125,000 and total liabilities of HK\$2,719,000 of YT Industrial Group were classified as “assets classified as held for sale” and “liabilities directly associated with assets classified as held for sale”, respectively.

Included in the “assets classified as held for sale” and the “liabilities directly associated with assets classified as held for sale” are balances due from and to the Remaining Group by YT Industrial Group of HK\$671,000 and HK\$2,602,000, respectively. For the purpose of the unaudited pro forma financial information, the balances due from and to the Remaining Group by YT Industrial Group, after setting-off, will be waived upon the Disposal of YT Industrial.

- 2b. The adjustment represents (i) the exclusion of the carrying amounts of the land use right of Target Land B and the buildings erected thereon as at 31 December 2019, assuming the YT Printed Circuit Relocation had taken place on 31 December 2019, which the amounts are extracted from note 3 to the unaudited financial information of YT Printed Circuit as set forth in Appendix IIB to this Circular; and (ii) the inclusion of Resettlement Properties, which represents the gross development value of approximately RMB700,000,000 (approximately HK\$763,000,000) as at 30 April 2020 based on the preliminary valuation prepared by Vincorn, an independent valuer.
- 2c. The net cash proceed assuming the Proposed Transactions A had taken place on 31 December 2019 is calculated as follows:

	<i>Note</i>	Disposal of YT Industrial <i>HK\$'000</i>	YT Printed Circuit Relocation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cash consideration	(i)	109,000	654,000	763,000
Less: Estimated PRC stamp duty, PRC value-added tax and related surcharges, and withholding tax on PRC corporate income tax in relation to the Proposed Transactions A, assumed to be settled by cash		(11,105)	(433,998)	(445,103)
Estimated expenses directly attributable to the Proposed Transactions A, assumed to be settled by cash				<u>(6,440)</u>
Net cash proceed				<u><u>311,457</u></u>

Note:

- (i) The cash consideration for the Disposal of YT Industrial and the YT Printed Circuit Relocation amounted to RMB100,000,000 (approximately HK\$109,000,000) and RMB600,000,000 (approximately HK\$654,000,000), respectively.

- 3a. The adjustment represents the exclusion of operating results, reserves and cash flows of YT Industrial Group for the year ended 31 December 2019, assuming the Disposal of YT Industrial had taken place on 1 January 2019, which are extracted from the unaudited consolidated financial information of YT Industrial Group as set out in Appendix IIA to this Circular.
- 3b. The adjustment represents the reinstatement of intra-group cash flows between the Remaining Group A and YT Industrial Group, which have been eliminated at group level.
- 3c. The adjustment represents the reinstatement of intra-group transactions (including intra-group sales of HK\$4,593,000 to YT Industrial Group and management fee income of HK\$788,000 charged by YT Industrial Group), which have been eliminated at group level.
- 3d. The adjustment represents the reversal of depreciation of property, plant and equipment amounting to HK\$7,931,000 and depreciation of right-of-use assets amounting to HK\$239,000 (i.e., in an aggregate amount of HK\$8,170,000) in relation to Target Land B and the buildings erected thereon for the year ended 31 December 2019.
- 3e. The estimated gain assuming the Proposed Transactions A had taken place on 1 January 2019 is calculated as follows:

	<i>Notes</i>	Disposal of YT Industrial HK\$'000	YT Printed Circuit Relocation HK\$'000	Total HK\$'000
Cash consideration	<i>(i)</i>	109,000	654,000	763,000
Add: Resettlement Properties	<i>(ii)</i>	—	763,000	763,000
Less: Carrying amounts of net assets of YT Industrial Group as at 1 January 2019	<i>(iii)</i>	(13,843)	—	(13,843)
Carrying amounts of the land use right of Target Land B and the buildings erected thereon as at 1 January 2019	<i>(iv)</i>	—	(200,416)	(200,416)
Release of exchange fluctuation reserve attributable to YT Industrial Group as at 1 January 2019		299	—	299
Estimated PRC stamp duty, PRC value-added tax and related surcharges in relation to the Proposed Transactions A, assumed to be settled by cash		(57)	(83,828)	(83,885)
Estimated expenses directly attributable to the Proposed Transactions A, assumed to be settled by cash				<u>(6,440)</u>
Estimated gain, before tax				1,221,715
Estimated withholding tax on PRC corporate income tax in relation to the Proposed Transactions A, assumed to be settled by cash		(11,299)	(359,676)	<u>(370,975)</u>
Estimated gain, after tax				<u><u>850,740</u></u>

The net cash proceed assuming the Proposed Transactions A had taken place on 1 January 2019 is calculated as follows:

	<i>Note</i>	Disposal of YT Industrial <i>HK\$'000</i>	YT Printed Circuit Relocation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cash consideration	<i>(i)</i>	109,000	654,000	763,000
Less: Estimated PRC stamp duty, PRC value-added tax and related surcharges, and withholding tax on PRC corporate income tax in relation to the Proposed Transactions A, assumed to be settled by cash		(11,356)	(443,504)	(454,860)
Estimated expenses directly attributable to the Proposed Transactions A, assumed to be settled by cash				<u>(6,440)</u>
Net cash proceed				<u><u>301,700</u></u>

Notes:

- (i) The cash consideration for the Disposal of YT Industrial and the YT Printed Circuit Relocation amounted to RMB100,000,000 (approximately HK\$109,000,000) and RMB600,000,000 (approximately HK\$654,000,000), respectively.
- (ii) The amount represents the gross development value of the Resettlement Properties, which is approximately RMB700,000,000 (approximately HK\$763,000,000) as at 30 April 2020 based on the preliminary valuation prepared by Vincorn, an independent valuer.
- (iii) The amount is extracted from the unaudited consolidated financial information of YT Industrial Group set out in Appendix IIA to this Circular.
- (iv) The amount is extracted from note 3 to the unaudited financial information of YT Printed Circuit set out in Appendix IIB to this Circular.

The following is the text of a report received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Remaining Group A, for the purpose in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Yan Tat Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yan Tat Group Holdings Limited (the “**Company**”) and its remaining subsidiaries (hereinafter collectively referred to as the “**Remaining Group A**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2019, and the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019, and related notes as set out in Appendix IIIA of the circular dated 24 June 2020 (the “**Circular**”) issued by the Company (the “**Unaudited Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix IIIA of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed transactions of (i) the disposal of the Group’s entire equity interest in Yan Tat (HK) Industrial Limited; and (ii) the vacation and handover of the land and premises situated at Plot C (a land parcel (Lot no. G11213-0226) with a total site area of approximately 60,868.19 square metres) and Plot D (a land parcel (Lot no. G12302-0009) with a total site area of approximately 7,481.30 square metres) to the buyers (collectively referred to as the “**Proposed Transactions A**”) on the Remaining Group A’s consolidated financial position as at 31 December 2019 and the Remaining Group A’s consolidated financial performance and cash flows for the year ended 31 December 2019 as if the Proposed Transactions A had been completed at 31 December 2019 and 1 January 2019, respectively. As part of this process, information about the Group’s financial position, financial performance and cash flows has been extracted by the Directors from the Group’s consolidated financial statements for the year ended 31 December 2019, on which an auditor’s report has been published.

Directors’ responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with

reference to Accounting Guideline (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants’ responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Transactions A on unadjusted financial information of the Remaining Group A as if the Proposed Transactions A had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Transactions A would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Proposed Transactions A, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Remaining Group A, the Proposed Transactions A in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Remaining Group A; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

24 June 2020

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP B**Basis of preparation of the unaudited pro forma financial information of the Remaining Group B**

The following is the unaudited pro forma consolidated statement of financial position as at 31 December 2019, the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019 (the “**Unaudited Pro Forma Financial Information**”) of Yan Tat Group Holdings Limited (the “**Company**”) and its remaining subsidiaries (the “**Remaining Group B**”) after the Disposal of YT Industrial and the Disposal of Restructured YT Printed Circuit (collectively, the “**Proposed Transactions B**”), which have been prepared in accordance with paragraph 4.29 of the Listing Rules, for the purpose of illustrating the effect of the Proposed Transactions B as if the Proposed Transactions B had taken place on 31 December 2019 for the unaudited pro forma consolidated statement of financial position, and 1 January 2019 for the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information of the Remaining Group B has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group B as at 31 December 2019 or at any future date had the Proposed Transactions B taken place on 31 December 2019, or the financial performance and cash flows of the Remaining Group B for the year ended 31 December 2019 or for any future period had the Proposed Transactions B taken place on 1 January 2019.

The Unaudited Pro Forma Financial Information of the Remaining Group B has been prepared based on the information as set out in:

- (a) the audited consolidated statement of financial position of the Company and its subsidiaries (the “**Group**”) as at 31 December 2019, the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2019, which have been extracted from the published annual report of the Company for the year ended 31 December 2019; and

- (b) after taking into account the unaudited pro forma adjustments, which are (i) directly attributable to the Proposed Transactions B (including the disposals the entire equity interest of YT Industrial and Restructured YT Printed Circuit (whereas YT Printed Circuit be restructured that all Excluded Assets be transferred out from YT Printed Circuit and Restructured YT Printed Circuit will not own any other substantive assets other than holding Target Land B and the buildings erected thereon)) and not relating to future events or decisions; and (ii) factually supportable, as described in the notes thereto to demonstrate how the Proposed Transactions B might have affected the historical financial information in respect of the Group as if the Proposed Transactions B had taken place on 31 December 2019 for the unaudited pro forma consolidated statement of financial position, and 1 January 2019 for the unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information of the Remaining Group B should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2019 as set out in the annual report of the Company for the year ended 31 December 2019, and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF
THE REMAINING GROUP B

	The Group for the year ended 31 December 2019						Unaudited pro forma consolidated statement of profit or loss of the Remaining Group B for the year ended 31 December 2019	
	The Group for the year ended 31 December 2019			Pro forma adjustments				
	HK\$'000 Note 1	HK\$'000 Note 3 (a)	HK\$'000 Note 3 (c)	HK\$'000 Note 3 (d)	HK\$'000 Note 3 (e)	HK\$'000 subtotal	HK\$'000 Note 3 (f)	HK\$'000
REVENUE	650,408	(5,332)	4,532	(504,043)	504,043	—	—	649,608
Cost of sales	(502,018)	4,766	(4,593)	400,695	(400,695)	—	—	(501,845)
Gross profit	148,390	(566)	(61)	(103,348)	103,348	—	—	147,763
Other income and gains	22,850	(939)	788	(14,870)	14,870	—	1,321,395	1,344,094
Selling and distribution expenses	(19,028)	314	—	2,908	(2,908)	—	—	(18,714)
General and administrative expenses	(77,968)	2,705	(727)	52,880	(44,710)	8,170	—	(67,820)
Other expenses	(113)	—	—	114	(114)	—	—	(113)
Finance costs	(6,075)	281	—	2,535	(2,535)	—	—	(5,794)
PROFIT BEFORE TAX	68,056	1,795	—	(59,781)	67,951	8,170	1,321,395	1,399,416
Income tax expense	(12,155)	605	—	8,616	(8,616)	—	(141,210)	(152,760)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	55,901	2,400	—	(51,165)	59,335	8,170	1,180,185	1,246,656

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME OF THE REMAINING GROUP B

	The Group for the year ended 31 December 2019		Pro forma adjustments			Unaudited pro forma consolidated statement of profit or loss of the Remaining Group B for the year ended 31 December 2019	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 3 (a)</i>	<i>Note 3 (d)</i>	<i>Note 3 (e)</i>	<i>subtotal</i>	<i>Note 3 (f)</i>	
PROFIT FOR THE YEAR	<u>55,901</u>	<u>2,400</u>	<u>(51,165)</u>	<u>59,335</u>	<u>8,170</u>	<u>1,180,185</u>	<u>1,246,656</u>
OTHER COMPREHENSIVE LOSS							
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:							
Exchange differences on translation of foreign operations	(18,417)	24	11,162	(15,476)	(4,314)	—	(22,707)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:							
Change in fair value of a financial asset at fair value through other comprehensive income	133	—	(133)	133	—	—	133
OTHER COMPREHENSIVE LOSS FOR THE YEAR	<u>(18,284)</u>	<u>24</u>	<u>11,029</u>	<u>(15,343)</u>	<u>(4,314)</u>	<u>—</u>	<u>(22,574)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>37,617</u>	<u>2,424</u>	<u>(40,136)</u>	<u>43,992</u>	<u>3,856</u>	<u>1,180,185</u>	<u>1,224,082</u>

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL
POSITION OF THE REMAINING GROUP B

	The Group						Unaudited pro forma consolidated statement of financial position of the Remaining Group B as at	
	as at						31 December	
	2019						2019	
	HK\$'000	HK\$'000	HK\$'000	Pro forma adjustments			HK\$'000	HK\$'000
	Note 1	Note 2 (a)	Note 2 (a)	HK\$'000	HK\$'000	HK\$'000	Note 2 (d)	
				Note 2 (b)	Note 2 (c)	subtotal		
NON-CURRENT ASSETS								
Property, plant and equipment	362,956	—	—	(355,155)	170,080	(185,075)	—	177,881
Investment properties	26,641	—	—	(26,641)	26,641	—	—	26,641
Right-of-use assets	6,657	—	—	(4,498)	—	(4,498)	—	2,159
Deposit	116	—	—	—	—	—	—	116
Investment in a subsidiary	—	—	—	(5,581)	5,581	—	—	—
Deferred tax assets	9,166	—	—	(9,157)	9,157	—	—	9,166
Financial asset at fair value through other comprehensive income	4,159	—	—	(4,159)	4,159	—	—	4,159
Total non-current assets	409,695	—	—	(405,191)	215,618	(189,573)	—	220,122
CURRENT ASSETS								
Inventories	51,928	—	—	(43,738)	43,738	—	—	51,928
Trade and bills receivables	216,446	—	—	(127,952)	127,952	—	—	216,446
Prepayments, deposits and other receivables	2,760	—	—	(1,759)	1,759	—	—	2,760
Amounts due from the Remaining Group	—	—	—	(30,586)	30,586	—	—	—
Pledged deposits and restricted cash	31,433	—	—	(9,162)	9,162	—	—	31,433
Cash and cash equivalents	129,434	—	—	(61,136)	61,136	—	1,380,687	1,510,121
	432,001	—	—	(274,333)	274,333	—	1,380,687	1,812,688
Assets classified as held for sale	5,454	(6,125)	671	—	—	—	—	—
Total current assets	437,455	(6,125)	671	(274,333)	274,333	—	1,380,687	1,812,688
CURRENT LIABILITIES								
Trade and bills payables	109,492	—	—	(68,849)	68,849	—	—	109,492
Other payables and accruals	65,220	—	—	(54,077)	54,077	—	—	65,220
Interest-bearing bank borrowings	84,236	—	—	(23,165)	23,165	—	—	84,236
Lease liabilities	1,623	—	—	—	—	—	—	1,623
Tax payable	15,959	—	—	(14,468)	14,468	—	—	15,959
Amounts due to the Remaining Group	—	—	—	(9,424)	9,424	—	—	—
	276,530	—	—	(169,983)	169,983	—	—	276,530
Liabilities directly associated with assets classified as held for sale	117	(2,719)	2,602	—	—	—	—	—
Total current liabilities	276,647	(2,719)	2,602	(169,983)	169,983	—	—	276,530
NET CURRENT ASSETS	160,808	(3,406)	(1,931)	(104,350)	104,350	—	1,380,687	1,536,158
TOTAL ASSETS LESS CURRENT LIABILITIES	570,503	(3,406)	(1,931)	(509,541)	319,968	(189,573)	1,380,687	1,756,280

	The Group						Unaudited pro	
	as at						forma	
	31 December						consolidated	
2019						statement of		
	HK\$'000	HK\$'000	HK\$'000	Pro forma adjustments			financial	
	Note 1	Note 2 (a)	Note 2 (a)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	position of the
				Note 2 (b)	Note 2 (c)	subtotal	Note 2 (d)	Remaining
								Group B as at
								31 December
								2019
								2019
								2019
NON-CURRENT LIABILITIES								
Lease liabilities	567	—	—	—	—	—	—	567
Deferred tax liabilities	22,998	—	—	(7,239)	7,239	—	—	22,998
Deferred income	12,086	—	—	(12,086)	12,086	—	—	12,086
Total non-current liabilities	35,651	—	—	(19,325)	19,325	—	—	35,651
Net assets	534,852	(3,406)	(1,931)	(490,216)	300,643	(189,573)	1,380,687	1,720,629
EQUITY								
Equity attributable to owners of the Company								
Issued capital	2,400	(5,000)	—	(165,000)	—	(165,000)	170,000	2,400
Reserves	532,452	1,594	(1,931)	(325,216)	300,643	(24,573)	1,210,687	1,718,229
Total equity	534,852	(3,406)	(1,931)	(490,216)	300,643	(189,573)	1,380,687	1,720,629

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF
THE REMAINING GROUP B

	The Group for the year ended 31 December 2019			Pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Remaining Group B for the year ended 31 December 2019	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note 1	Note 3 (a)	Note 3 (b)	Note 3 (d)	Note 3 (e)	subtotal	Note 3 (f)	
CASH FLOWS FROM OPERATING ACTIVITIES								
Profit before tax:	68,056	1,795	—	(59,781)	67,951	8,170	1,321,395	1,399,416
Adjustments for:								
Finance costs	6,075	(281)	—	(2,535)	2,535	—	—	5,794
Bank interest income	(598)	70	—	266	(266)	—	—	(528)
Depreciation of property, plant and equipment	27,993	(158)	—	(27,470)	19,539	(7,931)	—	19,904
Depreciation of right-of-use assets	2,048	(670)	—	(239)	—	(239)	—	1,139
Reversal of write-down of inventories to net realisable value	(408)	—	—	408	(408)	—	—	(408)
Impairment/(reversal of impairment) of trade and bills receivables	(211)	65	—	222	(222)	—	—	(146)
Fair value gain on investment properties	(1,387)	—	—	1,387	(1,387)	—	—	(1,387)
Amortisation of deferred income	(1,500)	—	—	1,500	(1,500)	—	—	(1,500)
Write-off of items of property, plant and equipment	58	(4)	—	(58)	58	—	—	54
Gain on disposal of items of property, plant and equipment	(306)	—	—	306	(306)	—	—	(306)
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	(5,333)	—	—	—	—	—	—	(5,333)
Impairment of other receivables	27	—	—	(27)	27	—	—	27
Gain on disposal of subsidiaries	—	—	—	—	—	—	(1,321,395)	(1,321,395)
	94,514	817	—	(86,021)	86,021	—	—	95,331

APPENDIX IIIB

UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP B

	The Group for the year ended 31 December 2019						Unaudited pro forma consolidated statement of cash flows of the Remaining Group B for the year ended 31 December 2019	
				Pro forma adjustments				
	<i>HK\$'000</i> <i>Note 1</i>	<i>HK\$'000</i> <i>Note 3 (a)</i>	<i>HK\$'000</i> <i>Note 3 (b)</i>	<i>HK\$'000</i> <i>Note 3 (d)</i>	<i>HK\$'000</i> <i>Note 3 (e)</i>	<i>HK\$'000</i> <i>subtotal</i>	<i>HK\$'000</i> <i>Note 3 (f)</i>	<i>HK\$'000</i>
Decrease in inventories	9,072	(173)	—	(6,022)	6,022	—	—	8,899
Decrease in trade and bills receivables	35,800	(6,539)	—	(16,233)	16,233	—	—	29,261
Decrease in prepayments, deposits and other receivables	5,590	(502)	—	(5,717)	5,717	—	—	5,088
Decrease/(increase) in an amount due from an intermediate holding company	—	(9,966)	9,966	2,219	(2,219)	—	—	—
Decrease/(increase) in amounts due from fellow subsidiaries	—	(143,368)	143,368	(89,728)	89,728	—	—	—
Decrease in trade and bills payables	(13,887)	804	—	11,209	(11,209)	—	—	(13,083)
Decrease in other payables and accruals	(6,062)	5,979	—	2,816	(2,816)	—	—	(83)
Increase/(decrease) in an amount due to an immediate holding company	—	55,969	(55,969)	—	—	—	—	—
Increase/(decrease) in amount due to an intermediate holding company	—	—	—	(189)	189	—	—	—
Increase/(decrease) in an amount due to a fellow subsidiary	—	87,319	(87,319)	33,093	(33,093)	—	—	—
Increase/(decrease) in amount due to a subsidiary	—	—	—	640	(640)	—	—	—
Exchange realignment	(2,222)	—	—	27	(27)	—	—	(2,222)
Cash generated from operations	122,805	(9,660)	10,046	(153,906)	153,906	—	—	123,191
Interest received	598	(70)	—	(266)	266	—	—	528
Interest paid	(6,075)	281	—	2,535	(2,535)	—	—	(5,794)
Hong Kong profits tax refunded	19	(19)	—	—	—	—	—	—
Overseas taxes paid	(8,261)	—	—	8,261	(8,261)	—	(141,210)	(149,471)
Net cash flows from/(used in) operating activities	109,086	(9,468)	10,046	(143,376)	143,376	—	(141,210)	(31,546)

	The Group for the year ended 31 December 2019						Unaudited pro forma consolidated statement of cash flows of the Remaining Group B for the year ended 31 December 2019	
				Pro forma adjustments				
	HK\$'000 Note 1	HK\$'000 Note 3 (a)	HK\$'000 Note 3 (b)	HK\$'000 Note 3 (d)	HK\$'000 Note 3 (e)	HK\$'000 subtotal	HK\$'000 Note 3 (f)	HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchases of items of property, plant and equipment	(8,535)	—	—	8,463	(8,463)	—	—	(8,535)
Proceeds from disposal of items of property, plant and equipment	5,263	—	—	(5,259)	5,259	—	—	5,263
Deposits paid for purchases of items of property, plant and equipment	(3,692)	—	—	3,692	(3,692)	—	—	(3,692)
Receipts of government grants	4,589	—	—	(4,589)	4,589	—	—	4,589
Increase in certain time and bank deposits pledged as security for certain banking facilities and bills payable	(526)	(4,500)	—	(1,974)	1,974	—	—	(5,026)
Decrease in restricted cash	498	—	—	(498)	498	—	—	498
Proceeds from disposal of subsidiaries	—	—	—	—	—	—	1,518,761	1,518,761
Net cash flows from/(used in) investing activities	(2,403)	(4,500)	—	(165)	165	—	1,518,761	1,511,858
CASH FLOWS FROM FINANCING ACTIVITIES								
New bank borrowings	223,845	(439)	—	(63,343)	63,343	—	—	223,406
Repayment of bank borrowings	(317,484)	21,475	—	102,721	(102,721)	—	—	(296,009)
Principal portion of lease payments/finance lease rental payments	(2,663)	1,551	—	—	—	—	—	(1,112)
Dividend paid	(14,400)	8,000	(8,000)	78,425	(78,425)	—	—	(14,400)
Net cash flows used in financing activities	(110,702)	30,587	(8,000)	117,803	(117,803)	—	—	(88,115)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS								
Cash and cash equivalents at beginning of year	135,876	(17,768)	—	(36,685)	36,685	—	—	118,108
Cash and cash equivalents included in assets classified as held for sale	(1,134)	—	—	—	—	—	—	(1,134)
Effect of foreign exchange rate changes, net	(1,289)	15	—	1,287	(1,287)	—	—	(1,274)
CASH AND CASH EQUIVALENTS AT END OF YEAR	129,434	(1,134)	2,046	(61,136)	61,136	—	1,377,551	1,507,897
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS								
Cash and bank balances	129,434	(1,134)	2,046	(61,136)	61,136	—	1,377,551	1,507,897

Notes:

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2019, and the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2019 as set out in the published annual report of the Company for the year ended 31 December 2019.
- 2a. The adjustment represents the exclusion of carrying amounts of assets and liabilities of YT Industrial Group as at 31 December 2019, assuming the Disposal of YT Industrial had taken place on 31 December 2019, which are extracted from the unaudited consolidated financial information of YT Industrial Group as set forth in Appendix IIA to this Circular. The total assets of HK\$6,125,000 and total liabilities of HK\$2,719,000 of YT Industrial Group were classified as “assets classified as held for sale” and “liabilities directly associated with assets classified as held for sale”, respectively.

Included in the “assets classified as held for sale” and the “liabilities directly associated with assets classified as held for sale” are balances due from and to the Remaining Group by YT Industrial Group of HK\$671,000 and HK\$2,602,000, respectively. For the purpose of the unaudited pro forma financial information, the balances due from and to the Remaining Group by YT Industrial Group, after setting-off, will be waived upon the Disposal of YT Industrial.

- 2b. The adjustment represents the exclusion of the carrying amounts of assets and liabilities of YT Printed Circuit as at 31 December 2019, assuming the Disposal of Restructured YT Printed Circuit had taken place on 31 December 2019, which are extracted from the unaudited financial information of YT Printed Circuit as set forth in Appendix IIB to this Circular.
- 2c. The adjustment represents the add-back of the carrying amounts of assets and liabilities of the Excluded Assets as at 31 December 2019, assuming the Disposal of Restructured YT Printed Circuit had taken place on 31 December 2019, which are extracted from the unaudited financial information of YT Printed Circuit as set forth in Appendix IIB to this Circular.
- 2d. The net cash proceed assuming the Proposed Transactions B had taken place on 31 December 2019 is calculated as follows:

	<i>Note</i>	Disposal of YT Industrial HK\$'000	Disposal of Restructured YT Printed Circuit HK\$'000	Total HK\$'000
Cash consideration	(i)	109,000	1,417,000	1,526,000
Less: Estimated PRC stamp duty, and withholding tax on PRC corporate income tax in relation to the Proposed Transactions B, assumed to be settled by cash		(11,105)	(127,768)	(138,873)
Estimated expenses directly attributable to the Proposed Transactions B, assumed to be settled by cash				<u>(6,440)</u>
Net cash proceed				<u><u>1,380,687</u></u>

Note:

- (i) The cash consideration for the Disposal of YT Industrial and the Disposal of Restructured YT Printed Circuit amounted to RMB100,000,000 (approximately HK\$109,000,000) and RMB1,300,000,000 (approximately HK\$1,417,000,000), respectively.

- 3a. The adjustment represents the exclusion of operating results, reserves and cash flows of YT Industrial Group for the year ended 31 December 2019, assuming the Disposal of YT Industrial had taken place on 1 January 2019, which are extracted from the unaudited consolidated financial information of YT Industrial Group as set out in Appendix IIA to this Circular.
- 3b. The adjustment represents the reinstatement of intra-group cash flows between the Remaining Group B and YT Industrial Group, which have been eliminated at group level.
- 3c. The adjustment represents the reinstatement of intra-group transactions (including intra-group sales of HK\$4,593,000 to YT Industrial Group and management fee income of HK\$788,000 charged by YT Industrial Group), which have been eliminated at group level.
- 3d. The adjustment represents the exclusion of the operating results, reserves and cash flows of YT Printed Circuit for the year ended 31 December 2019, assuming the Disposal of Restructured YT Printed Circuit had taken place on 1 January 2019, which are extracted from the unaudited financial information of the YT Printed Circuit as set forth in Appendix IIB to this Circular.
- 3e. The adjustment represents the add-back of the operating results, reserves and cash flows of the Excluded Assets as at 1 January 2019, assuming the Disposal of Restructured YT Printed Circuit had taken place on 1 January 2019, which are extracted from the unaudited financial information of YT Printed Circuit as set forth in Appendix IIB to this Circular.
- 3f. The estimated gain assuming the Proposed Transactions B had taken place on 1 January 2019 is calculated as follows:

	<i>Note</i>	Disposal of YT Industrial HK\$'000	Disposal of Restructured YT Printed Circuit HK\$'000	Total HK\$'000
Cash consideration	(i)	109,000	1,417,000	1,526,000
Less: Carrying amounts of net assets of YT Industrial Group as at 1 January 2019	(ii)	(13,843)	—	(13,843)
Carrying amounts of net assets of Restructured YT Printed Circuit as at 1 January 2019	(iii)	—	(202,298)	(202,298)
Release of exchange fluctuation reserve attributable to YT Industrial Group as at 1 January 2019		299	18,476	18,775
Estimated PRC stamp duty in relation to the Proposed Transactions B, assumed to be settled by cash		(57)	(742)	(799)
Estimated expenses directly attributable to the Proposed Transactions B, assumed to be settled by cash				<u>(6,440)</u>
Estimated gain, before tax				1,321,395
Estimated withholding tax on PRC corporate income tax in relation to the Proposed Transactions B, assumed to be settled by cash		(11,299)	(129,911)	<u>(141,210)</u>
Estimated gain, after tax				<u><u>1,180,185</u></u>

The net cash proceed assuming the Proposed Transactions B had taken place on 1 January 2019 is calculated as follows:

	<i>Note</i>	Disposal of YT Industrial HK\$'000	Disposal of Restructured YT Printed Circuit HK\$'000	Total HK\$'000
Cash consideration	<i>(i)</i>	109,000	1,417,000	1,526,000
Less: Estimated PRC stamp duty, and withholding tax on PRC corporate income tax in relation to the Proposed Transactions B, assumed to be settled by cash		(11,356)	(130,653)	(142,009)
Estimated expenses directly attributable to the Proposed Transactions B, assumed to be settled by cash				<u>(6,440)</u>
Net cash proceed				<u><u>1,377,551</u></u>

Notes:

- (i) The cash consideration for the Disposal of YT Industrial and the Disposal of Restructured YT Printed Circuit amounted to RMB100,000,000 (approximately HK\$109,000,000) and RMB1,300,000,000 (approximately HK\$1,417,000,000), respectively.
- (ii) The amount is extracted from the unaudited consolidated financial information of YT Industrial Group set out in Appendix IIA to this Circular.
- (iii) The amount is extracted from note 3 to the unaudited financial information of YT Printed Circuit set out in Appendix IIB to this Circular.

The following is the text of a report received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Remaining Group B for the purpose in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Yan Tat Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yan Tat Group Holdings Limited (the “**Company**”) and its remaining subsidiaries (hereinafter collectively referred to as the “**Remaining Group B**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2019, and the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019, and related notes as set out in Appendix IIIB of the circular dated 24 June 2020 (the “**Circular**”) issued by the Company (the “**Unaudited Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix IIIB of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed transactions of (i) the disposal of the Group’s entire equity interest in Yan Tat (HK) Industrial Limited; and (ii) the potential disposal of the Group’s entire equity interest in Yan Tat Printed Circuit (Shenzhen) Co., Ltd. (“**YT Printed Circuit**”) after its restructuring (“**Restructured YT Printed Circuit**”, whereas YT Printed Circuit be restructured that all substantial assets and liabilities be transferred out, and Restructured YT Printed Circuit will not own any other substantive assets other than holding of the land and premises situated at Plot C (a land parcel (Lot no. G11213-0226) with a total site area of approximately 60,868.19 square metres) and Plot D (a land parcel (Lot no. G12302-0009) with a total site area of approximately 7,481.30 square metres) (collectively referred to as the “**Proposed Transactions B**”) on the Remaining Group B’s consolidated financial position as at 31 December 2019 and the Remaining Group B’s consolidated financial performance and cash flows for the year ended 31 December 2019 as if the Proposed Transactions B had been completed at 31 December 2019 and 1 January 2019, respectively. As part of this process, information about the Group’s financial position, financial performance and cash flows has been extracted by the Directors from the Group’s proposed consolidated financial statements for the year ended 31 December 2019, on which an auditor’s report has been published.

Directors’ responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Transactions B on unadjusted financial information of the Remaining Group B as if the Proposed Transactions B had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Transactions B would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors

in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Proposed Transactions B, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Remaining Group B, the Proposed Transactions B in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Remaining Group B; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

24 June 2020

The following is the text of a letter, a valuation summary, a valuation certificate prepared for the purpose of incorporation in this circular received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with its valuation of the property interests to be disposed of by the Group. Terms defined in this appendix applies to this appendix only.

Vincorn Consulting and Appraisal Limited
21/F
No. 268 Des Voeux Road Central
Hong Kong



The Board of Directors

Yan Tat Group Holdings Limited
Room 809–810
Kwong Sang Hong Centre
No. 151–153 Hoi Bun Road
Kwun Tong, Kowloon, Hong Kong

24 June 2020

Dear Sirs,

INSTRUCTION AND VALUATION DATE

We refer to your instructions for us to assess the Market Values of the property interests located in The People’s Republic of China (“**The PRC**”) to be disposed of by Yan Tat Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) for the purposes of public disclosure. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Values of the property interests as at 30 April 2020 (the “**Valuation Date**”).

VALUATION STANDARDS

The valuation has been prepared in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors effective from 30 December 2017 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2020; and the requirements set out in the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited.

VALUATION BASIS

Our valuation has been undertaken on the basis of Market Value. Market Value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowances have been made for any charges, mortgages or amounts owing on the property interests, nor for any expenses or taxations which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the values of the property interests.

As the property interests are held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the property interests for the whole of the unexpired term of the land use rights.

VALUATION METHODOLOGY

When valuing the property interests to be disposed of by the Group, we have adopted Cost Approach and Market Approach.

Cost Approach is subject to an assumption of adequate potential profitability of the business (or to service potential of the entity from the use of assets as a whole) paying due regard to the total assets employed. This technique is based on an estimate of the value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation. In arriving at the value of the land, reference has been made to the land sale transactions as available in the locality.

Market Approach is universally considered as the most accepted valuation approach for valuing most forms of property. This involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. Each comparable is analysed on the basis of its unit rate; each attribute of the comparables is then compared with the subject and where there are any differences, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as time, location, building age, building quality and so on.

LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the property interests. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

We have relied on the advices given by The PRC legal adviser of the Group, King & Wood Mallesons, regarding the titles of the property interests in The PRC. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the legal adviser.

All legal documents disclosed in this letter, the valuation summary and the valuation certificates are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter, the valuation summary and the valuation certificates.

INFORMATION SOURCES

We have relied to a considerable extent on the information provided by the Group and the legal adviser, in respect of the titles of the property interests in The PRC. We have also accepted advice given to us on matters such as identification of the properties, particulars of occupancy, areas and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

INSPECTION AND INVESTIGATIONS

The properties were inspected externally and internally. Although not all areas were accessible for viewing at the time of inspection, we have endeavoured to inspect all areas of the properties. Investigations were carried out as necessary. Our investigations have been conducted independently and without influence from any third party in any manner.

We have not tested any services of the properties and are therefore unable to report on their present conditions. We have not undertaken any structural surveys of the properties and are therefore unable to comment on the structural conditions. We have not carried out any investigations on site to determine the suitability of the ground conditions for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be required.

We have not carried out any on-site measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the documents or deduced from the plans are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (“RMB”).

The valuation summary and the valuation certificates are attached hereto.

Yours faithfully,
For and on behalf of
Vincorn Consulting and Appraisal Limited
Vincent Cheung
BSc (Hons) MBA FRICS MHKIS RPS(GP) MCIREA
MHKSI MISCM MHIREA
Registered Real Estate Appraiser & Agent PRC
Managing Director

Note:

Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong Special Administrative Region (“**Hong Kong**”), a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators and a Registered Real Estate Appraiser and Agent People’s Republic of China. He is suitably qualified to carry out the valuation and has over 22 years of experience in the valuation of properties of this magnitude and nature in the subject region.

VALUATION SUMMARY

Property Interests to be Disposed of by the Group in The PRC

No.	Property	Market Value as at 30 April 2020	Interest attributable to the Group before Disposal	Market Value as at 30 April 2020 attributable to the Group before Disposal
1	Two Industrial Land Parcels (known as Lot Nos. G12302-2(1) and G12302- 2(2)) and buildings erected thereon located at the Junction of Yanziling Third Road and Lijing South Road, Nanbu Community, Pingshan New District, Shenzhen, Guangdong Province, The PRC	RMB18,900,000	100%	RMB18,900,000
2	Two Industrial Land Parcels (known as Lot Nos. G11213-0226 and G12302- 0009) and buildings erected thereon located at the Junction of Yanziling Third Road and Lijing South Road, Nanbu Community, Pingshan New District, Shenzhen, Guangdong Province, The PRC	RMB287,600,000	100%	RMB287,600,000
Total:		<u>RMB306,500,000</u>		<u>RMB306,500,000</u>

VALUATION CERTIFICATE

Property interests to be Disposed of by the Group in The PRC

No.	Property	Description and Tenure	Occupancy Particulars	Market Value as at 30 April 2020								
1	Two Industrial Land Parcels (known as Lot Nos. G12302-2(1) and G12302-2(2)) and buildings erected thereon located at the Junction of Yanziling Third Road and Lijing South Road, Nanbu Community, Pingshan New District, Shenzhen, Guangdong Province, The PRC	<p>The property comprises two parcels of land with a total site area of approximately 4,995.60 square metres (“sq.m.”), which are erected with two buildings and various ancillary structures completed in 1993.</p> <p>As per information provided by the Group, the total gross floor area (“GFA”) of the property is approximately 5,405.37 sq.m..</p> <p>The area breakdown of the property is listed below:</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Workshop A</td> <td>3,562.12</td> </tr> <tr> <td>Dormitory</td> <td><u>1,843.25</u></td> </tr> <tr> <td>Total</td> <td><u>5,405.37</u></td> </tr> </tbody> </table>	Portion	GFA (sq.m.)	Workshop A	3,562.12	Dormitory	<u>1,843.25</u>	Total	<u>5,405.37</u>	As per our on-site inspection and the information provided by the Group, the property is currently occupied by the Group for production purposes.	<p>RMB18,900,000 (Renminbi Eighteen Million and Nine Hundred Thousand)</p> <p>100% Interest to be attributable to the Group before Disposal:</p> <p>RMB18,900,000 (Renminbi Eighteen Million and Nine Hundred Thousand)</p>
Portion	GFA (sq.m.)											
Workshop A	3,562.12											
Dormitory	<u>1,843.25</u>											
Total	<u>5,405.37</u>											

The land use rights of the property were granted for a term expiring on 3 October 2041 for industrial uses.

Notes:

- The property was inspected by Iverson Chan *MRICS MHKIS* on 29 January 2020.
- The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISC MHIRESA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.
- Pursuant to a Real Estate Title Certificate, Shen Fang Di Zi Di No. 6000547983 dated 22 November 2012 and issued by Shenzhen State-owned Land Resources and Housing Administration Bureau Long Gang Division, the land use rights of Lot No. G12302-2(1) with a site area of 2,670.30 sq.m. and the building ownership rights of Workshop A with a GFA of 3,562.12 sq.m. were legally vested in Grace Yan Tat Electronics (Shenzhen) Co., Ltd. (“Grace YT”). The land use rights were granted for a term of 50 years commencing from 4 October 1991 and expiring on 3 October 2041 for industrial uses.
- Pursuant to a Real Estate Title Certificate, Shen Fang Di Zi Di No. 6000547984 dated 22 November 2012 and issued by Shenzhen State-owned Land Resources and Housing Administration Bureau Long Gang Division, the land use rights of Lot No. G12302-2(2) with a site area of 2,325.30 sq.m. and the building ownership rights of Dormitory with a GFA of 1,843.25 sq.m. were legally vested in Grace YT. The land use rights were granted for a term of 50 years commencing from 4 October 1991 and expiring on 3 October 2041 for industrial uses.

5. The general description and market information of the property are summarized below:

Location	:	The property abuts Yantat Road to the northwest, Lijing South Road to the northeast, a vacant land to the southeast and some industrial buildings in the other aspects.
Transportation	:	Shenzhen Bao'an International Airport and Shenzhen Pingshan Railway Station are located approximately 73.0 kilometres and 7.2 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately industrial area in Pingshan Town, Shenzhen.

6. We have been provided with a legal opinion regarding the property by King & Wood Mallesons, which contains, inter alia, the following:

- (a) Grace YT is the registered owner of the portion of the property which has been granted with a real estate title certificate.
- (b) Grace YT can occupy, use, let, transfer or by other means handle the portion of the property which has been granted with a real estate title certificate within the land use rights term.
- (c) The real estate title of the portion of the property which has been granted with a real estate title certificate is not subject to any mortgage and seizure.

The above legal opinion is extracted from the Memorandum regarding the Immovable Property Title/ Real Estate Title of the Industrial Complex in Pingshan, Shenzhen of Yan Tat Group Holdings Limited issued by King & Wood Mallesons. For complete contents and prerequisites, the full set of the relevant memorandum shall prevail.

No.	Property	Description and Tenure	Occupancy Particulars	Market Value as at 30 April 2020																																																
2	Two Industrial Land Parcels (known as Lot Nos. G11213-0226 and G12302-0009) and buildings erected thereon located at the Junction of Yanziling Third Road and Lijing South Road, Nanbu Community, Pingshan New District, Shenzhen, Guangdong Province, The PRC	<p>The property comprises two parcels of land with a total site area of approximately 68,349.49 sq.m., which are erected with 22 buildings and various ancillary structures completed in various stages between 1993 and 2015.</p> <p>As per information provided by the Group, the total GFA of the property is approximately 78,290.81 sq.m..</p> <p>The area breakdown of the property is listed below:</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>No. 5 Dormitory (Canteen) at Lot No. G11213-0226</td> <td>1,301.38</td> </tr> <tr> <td>No. 6 Dormitory at Lot No. G11213-0226</td> <td>588.51</td> </tr> <tr> <td>Sewage Room</td> <td>751.44</td> </tr> <tr> <td>Power Distribution Room</td> <td>673.40</td> </tr> <tr> <td>Warehouse</td> <td>494.50</td> </tr> <tr> <td>Laboratory</td> <td>41.37</td> </tr> <tr> <td>Waste Water Station</td> <td>241.38</td> </tr> <tr> <td>Workshop C (Aboveground)</td> <td>33,070.79</td> </tr> <tr> <td>New Dormitory at Lot No. G11213-0226</td> <td>11,580.49</td> </tr> <tr> <td>New Waste Water Station</td> <td>1,397.15</td> </tr> <tr> <td>Office</td> <td>400.00</td> </tr> <tr> <td>Material Room</td> <td>1,097.00</td> </tr> <tr> <td>Drilling Room</td> <td>1,060.00</td> </tr> <tr> <td>Workshop B</td> <td>155.00</td> </tr> <tr> <td>Finished Goods Warehouse</td> <td>1,260.00</td> </tr> <tr> <td>Aluminum Board Workshop</td> <td>1,750.00</td> </tr> <tr> <td>South Gate Drilling Room</td> <td>383.00</td> </tr> <tr> <td>Workshop C (Belowground)</td> <td>8,249.21</td> </tr> <tr> <td>Main Workshop</td> <td>1,767.35</td> </tr> <tr> <td>Dormitory Block No.1 North at Lot No. G12302-0009</td> <td>2,711.05</td> </tr> <tr> <td>Dormitory Block No.1 South at Lot No. G12302-0009</td> <td>2,711.05</td> </tr> <tr> <td>Dormitory Block No. 2 at Lot No. G12302-0009</td> <td>6,606.74</td> </tr> <tr> <td>Total</td> <td><u>78,290.81</u></td> </tr> </tbody> </table>	Portion	GFA (sq.m.)	No. 5 Dormitory (Canteen) at Lot No. G11213-0226	1,301.38	No. 6 Dormitory at Lot No. G11213-0226	588.51	Sewage Room	751.44	Power Distribution Room	673.40	Warehouse	494.50	Laboratory	41.37	Waste Water Station	241.38	Workshop C (Aboveground)	33,070.79	New Dormitory at Lot No. G11213-0226	11,580.49	New Waste Water Station	1,397.15	Office	400.00	Material Room	1,097.00	Drilling Room	1,060.00	Workshop B	155.00	Finished Goods Warehouse	1,260.00	Aluminum Board Workshop	1,750.00	South Gate Drilling Room	383.00	Workshop C (Belowground)	8,249.21	Main Workshop	1,767.35	Dormitory Block No.1 North at Lot No. G12302-0009	2,711.05	Dormitory Block No.1 South at Lot No. G12302-0009	2,711.05	Dormitory Block No. 2 at Lot No. G12302-0009	6,606.74	Total	<u>78,290.81</u>	<p>As per our on-site inspection and the information provided by the Group, the property is currently occupied by the Group for production purposes.</p>	<p>RMB287,600,000 (Renminbi Two Hundred and Eighty Seven Million Six Hundred Thousand)</p> <p>100% Interest to be attributable to the Group before Disposal:</p> <p>RMB287,600,000 (Renminbi Two Hundred and Eighty Seven Million Six Hundred Thousand)</p>
Portion	GFA (sq.m.)																																																			
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No.	Property	Description and Tenure	Occupancy Particulars	Market Value as at 30 April 2020
		The land use rights of Lot No. G11213-0226 of the property were granted for a term expiring on 15 June 2038 for industrial uses. The land use rights of Lot No. G12302-0009 of the property were granted for a term expiring on 22 May 2051 for industrial uses.		

Notes:

1. The property was inspected by Iverson Chan *MRICS MHKIS* on 29 January 2020.
2. The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.
3. Pursuant to a Land Use Rights Grant Contract, Shen Di He Zi (2003) Di No. 7014 dated 16 June 2003 and entered into between Shenzhen Planning and State-owned Land Resources Bureau and Yan Tat Printed Circuit (Shenzhen) Co., Ltd. ("**YT Printed Circuit**"), the land use rights of Lot No. G11213-0226 with a site area of 50,297.30 sq.m. were granted to YT Printed Circuit for a term of 50 years for industrial uses at a consideration of RMB5,350,497.
4. Pursuant to a Supplementary Agreement of Land Use Rights Grant Contract, Shen Di He Zi (2003) Di No. 7014 (Bu 1) dated 21 December 2003 and entered into between Shenzhen Planning and State-owned Land Resources Bureau and YT Printed Circuit, the site area of Lot No. G11213-0226 was increased by 15,000.04 sq.m. to 65,297.34 sq.m. and the land use rights term remained unchanged. The additional land premium was RMB2,170,546.
5. Pursuant to a Supplementary Agreement of Land Use Rights Grant Contract, Shen Di He Zi (2003) Di No. 7014 (Bu 2) dated 21 February 2008 and entered into between Shenzhen Planning and State-owned Land Resources Bureau and YT Printed Circuit, the site area of Lot No. G11213-0226 was adjusted to 60,868.19 sq.m. and another site with a site area of 4,430.23 sq.m. located in Julongshan District would be granted to YT Printed Circuit. The land use rights term of Lot No. G11213-0226 was revised to 35 years commenced from 16 June 2003 and expiring on 15 June 2038. YT Printed Circuit had to return the Real Estate Title Certificate, Fang Di Chan Quan Zheng Shen Fang Di Zi Di No. 8000002432, to Shenzhen State-owned Land Resources and Housing Administration Bureau for cancellation.
6. Pursuant to nine Real Estate Title Certificates, issued by Shenzhen Real Estate Title Registration Bureau, the land use rights of Lot No. G11213-0226 with a site area of 60,868.19 sq.m. and the building ownership rights of nine buildings with a total GFA of 48,743.26 sq.m. were legally vested in YT Printed Circuit. The land use rights were granted for a term of 35 years commencing from 16 June 2003 and expiring on 15 June 2038 for industrial uses.

Details of the Real Estate Title Certificates are listed as follows:

Certificate No.	Date of Issue	Building	Use	Land Use Rights Expiry Date	GFA (sq.m.)
Yue 2016 Shen Zhen Shi Bu Dong Chan Quan Di No. 0055049	11 March 2016	No. 5 Dormitory (Canteen)	Industrial	15 June 2038	1,301.38
Yue 2016 Shen Zhen Shi Bu Dong Chan Quan Di No. 0055017	11 March 2016	No. 6 Dormitory	Industrial	15 June 2038	588.51
Yue 2016 Shen Zhen Shi Bu Dong Chan Quan Di No. 0055068	11 March 2016	Sewage Room	Industrial	15 June 2038	751.44
Yue 2016 Shen Zhen Shi Bu Dong Chan Quan Di No. 0054993	11 March 2016	Power Distribution Room	Industrial	15 June 2038	673.40
Yue 2016 Shen Zhen Shi Bu Dong Chan Quan Di No. 0055054	11 March 2016	Warehouse	Industrial	15 June 2038	494.50
Yue 2016 Shen Zhen Shi Bu Dong Chan Quan Di No. 0055062	11 March 2016	Laboratory	Industrial	15 June 2038	41.37
Yue 2016 Shen Zhen Shi Bu Dong Chan Quan Di No. 0055046	11 March 2016	Waste Water Station	Industrial	15 June 2038	241.38
Yue 2016 Shen Zhen Shi Bu Dong Chan Quan Di No. 00549741	11 March 2016	Workshop C (Aboveground)	Industrial	15 June 2038	33,070.79
Yue 2016 Shen Zhen Shi Bu Dong Chan Quan Di No. 0055028	11 March 2016	New Dormitory at Lot No. G11213-0226	Industrial	15 June 2038	11,580.49
Total					<u>48,743.26</u>

7. Pursuant to 15 Real Estate Title Certificates issued by Shenzhen Real Estate Title Registration Bureau, the land use rights of Lot No. G12302-0009 with a site area of 7,481.30 sq.m. and the building ownership rights of the property with a total GFA of 12,028.84 sq.m. were legally vested in YT Printed Circuit. The land use rights were granted for a term of 50 years commencing from 23 May 2001 and expiring on 22 May 2051 for industrial uses.

Details of the Real Estate Title Certificates are listed as follows:

Certificate No.	Date of Issue	Building	Level	Use	GFA (sq.m.)
Shen Fang Di Zi Di No.6000406411	14 April 2010	Block No.1 North	L1	Industrial ancillary use	542.21
Shen Fang Di Zi Di No.6000406592	14 April 2010	Block No.1 North	L2	Industrial ancillary use	542.21
Shen Fang Di Zi Di No.6000406314	14 April 2010	Block No.1 North	L3	Industrial ancillary use	542.21
Shen Fang Di Zi Di No.6000406305	14 April 2010	Block No.1 North	L4	Industrial ancillary use	542.21
Shen Fang Di Zi Di No.6000406413	14 April 2010	Block No.1 North	L5	Industrial ancillary use	542.21
Shen Fang Di Zi Di No.6000406588	14 April 2010	Block No.1 South	L1	Industrial ancillary use	542.21
Shen Fang Di Zi Di No.6000406410	14 April 2010	Block No.1 South	L2	Industrial ancillary use	542.21
Shen Fang Di Zi Di No.6000406593	14 April 2010	Block No.1 South	L3	Industrial ancillary use	542.21
Shen Fang Di Zi Di No.6000406405	14 April 2010	Block No.1 South	L4	Industrial ancillary use	542.21
Shen Fang Di Zi Di No.6000406310	14 April 2010	Block No.1 South	L5	Industrial ancillary use	542.21
Shen Fang Di Zi Di No.6000406397	14 April 2010	Block No.2	L1	Industrial ancillary use	1,496.91
Shen Fang Di Zi Di No.6000406407	14 April 2010	Block No.2	L2	Industrial ancillary use	1,856.63
Shen Fang Di Zi Di No.6000406436	14 April 2010	Block No.2	L3	Industrial ancillary use	1,084.40
Shen Fang Di Zi Di No.6000406307	14 April 2010	Block No.2	L4	Industrial ancillary use	1,084.40
Shen Fang Di Zi Di No.6000406590	14 April 2010	Block No.2	L5	Industrial ancillary use	1,084.40
Total					<u>12,028.84</u>

8. Pursuant to a Construction Project Planning Permit, Shen Gui Tu Jian Xu Zi No.PS-2013-0018 dated 25 June 2013 and issued by Shenzhen Planning and State-owned Land Resources Committee Pingshan Administration Bureau, the proposed New Waste Water Station of the property with a total planned GFA of 1,397.15 sq.m. was approved.
9. As advised by the Group, the Group was applying a Construction Project Completion Certificate and a Real Estate Title Certificate for the New Waste Water Station as at the Valuation Date.
10. Pursuant to a Temporary Construction Works Commencement Notification, Shen Ping Lin Jian (2012) Di No.0006 dated 26 March 2012 and issued by Shenzhen Pingshan New District Temporary Construction Approval Leading Group Office, the construction works of a 1-level building which is a finished goods warehouse with a GFA of 1,260.00 sq.m. was approved to commence.
11. In the course of our valuation, we have attributed no commercial value to nine buildings, including Office, Material Room, Drilling Room, Finished Goods Warehouse, Aluminium Board Workshop, South Gate Drilling Room, Workshop B, Workshop C (Belowground) and New Waste Water Station, with a total GFA of 15,751.36 sq.m. as they are yet to be granted with proper title certificates. For reference purposes, we are of the opinion that the total value of these buildings, assuming they have been granted with the proper title certificates and are freely transferable as at the Valuation Date, would be circa RMB36,200,000.
12. In the course of our valuation, we have attributed no commercial value to Main Workshop with a GFA of 1,767.35 sq.m. as its Real Estate Title Certificate has been withdrawn by Land Resources and Housing Management Bureau of Shenzhen Municipality as mentioned in Note 5. For reference purposes, we are of the opinion that the value of this building, assuming it has been granted with the proper title certificate and is freely transferable as at the Valuation Date, would be circa RMB2,800,000.
13. The general description and market information of the property are summarized below:

Location	:	The property abuts Yantat Road to the northwest, Lijing South Road to the northeast, a vacant land to the southeast and some industrial buildings in the other aspects.
Transportation	:	Shenzhen Bao'an International Airport and Shenzhen Pingshan Railway Station are located approximately 73.0 kilometres and 7.2 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately industrial area in Pingshan Town, Shenzhen.
14. We have been provided with a legal opinion regarding the property by King & Wood Mallesons, which contains, inter alia, the following:
 - (a) YT Printed Circuit is the registered owner of the portion of the property which has been granted with a real estate title certificate.
 - (b) YT Printed Circuit can occupy, use, let, transfer (the transfer, in legal ways, of the immovable property upon completion in relation to Lot No. G11213-0226 which has been granted with a real estate title certificate is subject to the approval from the city government; it shall only be transferred as a whole but shall not be subdivided and transfer) or by other means handle the portion of the property which has been granted with a real estate title certificate within the land use rights term.
 - (c) The real estate title of the portion of the property which has been granted with a real estate title certificate is not subject to any mortgage and seizure.

The above legal opinion is extracted from the Memorandum regarding the Immovable Property Title/ Real Estate Title of the Industrial Complex in Pingshan, Shenzhen of Yan Tat Group Holdings Limited issued by King & Wood Mallesons. For complete contents and prerequisites, the full set of the relevant memorandum shall prevail.

15. For reference purposes, the gross development value (“**GDV**”) of the proposed mixed-use development with a total proposed GFA of approximately 20,000 sq.m. to be erected on the subject site, assuming that the change of land use has been approved, the proposed development has been completed and all relevant costs and expenses have been settled in full, as at the Valuation Date was assessed at circa RMB700,000,000, of which the GDV of the proposed residential portion with a proposed GFA of 1,000 sq.m. and the GDV of the proposed commercial portion with a proposed GFA of 19,000 sq.m. were assessed at circa RMB45,000,000 and RMB655,000,000 respectively. In the course of assessment of the GDV as of the Valuation Date, we have adopted Market Approach by considering and analyzing the residential and commercial sale comparables of the same type of development in the vicinity. The Board of Directors of the Company has reviewed the market evidences, parameters and assumptions adopted in the assessment of the GDV and is of the opinion that the valuation is fair and reasonable. Please note that the GDV has been assessed as of 30 April 2020 and we are restricted by the HKIS Valuation Standards 2017 and the International Valuation Standards to issue any valuation as of a future date.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

Directors' and chief executives' interests in shares, underlying shares and debentures

As at the Latest Practicable Date, the Directors and chief executives of the Company had the following interests in the shares, underlying shares and debentures of the Company, its Group members and/or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules:

(1) Company

Name of Director	Name of Group member	Capacity/nature of interest	Number of ordinary shares held (Note 1)	Percentage of shareholding
Mr. Chan Wing Yin	The Company	Interest in a controlled corporation (Note 2)	180,000,000 shares (L)	75%
Mrs. Chan Yung	The Company	Interest of spouse (Note 3)	180,000,000 shares (L)	75%

Notes:

- The letter “L” denotes the Directors’ long position in the shares of the Company or the relevant associated corporation
- The Company is held as to approximately 75% by Million Pearl Holdings Ltd. (“Million Pearl”). Million Pearl is held as to 70% by Mr. Chan Wing Yin and 30% by Mrs. Chan Yung. Mr. Chan Wing Yin is the spouse of Mrs. Chan Yung. Under the SFO, Mr. Chan Wing Yin is taken to be interested in the same number of shares in which Mrs. Chan Yung is interested.
- Million Pearl is held as to 70% by Mr. Chan Wing Yin and 30% by Mrs. Chan Yung. Mrs. Chan Yung is the spouse of Mr. Chan Wing Yin. Under the SFO, Mrs. Chan Yung is taken to be interested in the same number of shares to which Mr. Chan Wing Yin is interested.

(2) *Associated Corporation*

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of ordinary shares held (Note 1)	Percentage of shareholding
Mr. Chan Wing Yin	Million Pearl	Beneficial owner/ Interest of spouse	10 shares	10%
Mrs. Chan Yung	Million Pearl	Beneficial owner/ Interest of spouse	10 shares	10%

Note:

- The disclosed interest represents the interests in the associated corporation, Million Pearl, which is held as to 70% by Mr. Chan Wing Yin and 30% by Mrs. Chan Yung. Under the SFO, each of Mr. Chan Wing Yin and Mrs. Chan Yung is taken to be interested in the same number of shares in which other is interested.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code of the Listing Rules.

3. DISCLOSURE OF INTEREST OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity/ Nature of interest	Number of ordinary shares held (Note 1)	% of interest in the Company
Million Pearl (Note 2)	Beneficial owner	180,000,000 shares (L)	75%
Mr. Chan Wing Yin	Interest in a controlled corporation (Note 3)	180,000,000 shares (L)	75%

Name of Shareholder	Capacity/ Nature of interest	Number of ordinary shares held <i>(Note 1)</i>	% of interest in the Company
Mrs. Chan Yung	Interest of spouse <i>(Note 4)</i>	180,000,000 shares (L)	75%

Notes:

1. The letter “L” denotes the person’s long position in the shares of the Company or the relevant Group member.
2. Million Pearl is directly interested in approximately 75% of the Company.
3. The Company is held as to approximately 75% by Million Pearl. Million Pearl is held as to 70% by Mr. Chan Wing Yin and 30% by Mrs. Chan Yung. Mr. Chan Wing Yin is the spouse of Mrs. Chan Yung. Under the SFO, Mr. Chan Wing Yin is taken to be interested in the same number of shares in which Mrs. Chan Yung is interested.
4. Million Pearl is held as to 70% by Mr. Chan Wing Yin and 30% by Mrs. Chan Yung. Mrs. Chan Yung is the spouse of Mr. Chan Wing Yin. Under the SFO, Mrs. Chan Yung is taken to be interested in the same number of shares in which Mrs. Chan Yung is interested.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or any of their respective close associates was interested in any business apart from the business of the Group, which competed or was likely to compete either directly or indirectly with the business of the Group.

5. MATERIAL ADVERSE CHANGE

Save for the profit warning announced by the Company on 22 June 2020 regarding the expected drop in profits (the “**Profit Drop**”) of the Group for the six months ending 30 June 2020 as compared to that of the Group for the corresponding period in 2019, which the Board does not expect the Profit Drop to have a material adverse effect on the Group’s cash flows and financial positions of assets and liabilities, as at the Latest Practical Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Group were made up.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, no Director has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

7. INTERESTS IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors or chief executive officer of the Company had any interest, direct or indirect, in any asset which had been since 31 December 2019, being the date up to which the latest published audited financial statements of the Group were made, acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or chief executive officer of the Company was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Company.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or claims of material importance known to the directors to be pending or threatened against any members of the Group.

9. MATERIAL CONTRACTS

Save as the Cooperation Agreement and the Relocation Agreements, no other material contract (being contracts not entered into in the ordinary course of business) has been entered into by the Group within the two years immediately preceding the Latest Practicable Date.

10. QUALIFICATIONS AND CONSENT OF EXPERTS

The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
Vincorn Consulting and Appraisal Limited	Professional property surveyors and valuers

As at the Latest Practicable Date, Ernst & Young and Vincorn have given and have not withdrawn their written consents to the issue of this circular with the inclusion herein of their reports references to their names in the form and context in which they appear.

As at the Latest Practicable Date, Ernst & Young and Vincorn did not have any interest, either direct or indirect, in any assets which have been, since 31 December 2019, being the date to which the latest published consolidated financial statements of the Group were made

up, acquired or disposed of by the Group nor any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

- (a) the memorandum of association and articles of association of the Company;
- (b) the Cooperation Agreement and the Relocation Agreements;
- (c) the annual reports of the Company and its subsidiaries for the three financial years ended 31 December 2017, 31 December 2018 and 31 December 2019;
- (d) the report on the unaudited pro forma financial information of the Remaining Group A issued by Ernst & Young set out in Appendix IIIA to this circular;
- (e) the report on the unaudited pro forma financial information of the Remaining Group B issued by Ernst & Young set out in Appendix IIIB to this circular;
- (f) the Announcement;
- (g) the Valuation Report;
- (h) the working capital statement on the Company included in this circular;
- (i) the consent letters referred to in the section headed “10. Qualifications and Consent of Experts” of this Appendix; and
- (j) this circular.

12. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Lai Hau Yin. Mr. Lai is a fellow member of the Hong Kong Institute of Certified Public Accountants since February 2009, a certified public accountant of the Australian Society of Certified Practising Accountants since September 1996 and a certified tax adviser of the Taxation Institute of Hong Kong since January 2014.
- (b) The Hong Kong’s branch share registrar and transfer office of the Company is Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (c) The registered office of the Company is Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands.

- (d) The head office and principal place of business of the Company in Hong Kong is Room 809–810 Kwong Sang Hong Centre 151–153 Hoi Bun Road Kwun Tong, Kowloon Hong Kong.
- (e) The English text of this circular and the related proxy form shall prevail over the Chinese text in the case of any inconsistency.

NOTICE OF THE EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Yan Tat Group Holdings Limited (the “**Company**”) will be held at 7/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Tuesday, 14 July 2020 at 10:00 a.m. for the purpose of considering and if thought fit, passing the following resolution as ordinary resolution of the Company:

“THAT:

- (a) the entering into of the cooperation agreement and the relocation agreements dated 8 May 2020 (the “**Cooperation Agreement**” and the “**Relocation Agreements**”, a copy of which has been produce to the EGM marked “A”) between Yan Tat Group Limited, Yan Tat (HK) Industrial Limited, Grace Yan Tat Electronics (Shenzhen) Co., Ltd.* (宏恩達電子(深圳)有限公司), Yan Tat Technology Limited and Yan Tat Printed Circuit (Shenzhen) Co., Ltd.* (恩達電路(深圳)有限公司) and Shenzhen Huayu Tiancheng Asset Management Co., Ltd.* (深圳市華譽天成資產管理有限公司) and Shenzhen Fengyuan Weixin Industrial Co., Ltd.* (深圳市豐源偉信實業有限公司), and all the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified.
- (b) any one of the directors of the Company (the “**Director(s)**”) be and is hereby authorised to do all such acts and things, and to sign, execute and seal (where required) all such further documents, instruments or agreements and to take all steps as such Director may in his/her absolute discretion consider necessary, appropriate, desirable or expedient to implement and/or give full effect to or in connection with the Cooperation Agreement, the Relocation Agreements and the transactions contemplated thereunder.”

* *for identification purpose only*

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

Hong Kong, 24 June 2020

NOTICE OF THE EGM

As at the date of this notice, the executive Directors of the Company are Mr. Chan Wing Yin, Mrs. Chan Yung, and Mr. Chan Yan Wing; the non-executive Director is Mr. Chan Yan Kwong; the independent non-executive Directors are Mr. Chung Yuk Ming, Mr. Lau Shun Chuen and Mr. Yau Wing Yiu.

Notes:

1. A member entitled to attend and vote at the extraordinary general meeting shall be entitled to appoint another person as his proxy to attend and, on a poll, vote in his stead. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and, on a poll, vote on his behalf. A proxy need not be a member of the Company.
2. In order to be valid, a proxy form together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 10:00 a.m. (Hong Kong Time) on Sunday, 12 July 2020.
3. The register of members of the Company will be closed from 9 July 2020 to 14 July 2020, both days inclusive, during which period no transfer of shares will be registered. In order to determine the identity of the shareholders who are entitled to attend and vote at the extraordinary general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 8 July 2020.
4. According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at general meeting of the Company must be taken by poll. Therefore, all proposed resolutions put to the vote at the EGM will be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.
5. Members of the Company are advised to read the circular to shareholders dated 24 June 2020 which contains further information on the proposals in relation to the Transactions.