

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Liu Chong Hing Investment Limited

(Incorporated in Hong Kong with limited liability)

(Stock code: 00194)

RE-ELECTION OF DIRECTORS, GENERAL MANDATES FOR THE BUY-BACK AND ISSUE OF SHARES AND PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

A letter from the Chairman of Liu Chong Hing Investment Limited is set out on pages 3 to 8 of this circular. A notice convening the annual general meeting of Liu Chong Hing Investment Limited to be held at 27th Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong at 11:00 a.m. on Thursday, 21 May 2020 was enclosed within the Company's 2019 Annual Report.

Whether or not you intend to attend the said meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the annual general meeting. Completion and return of the form of proxy shall not preclude shareholders from attending and voting at the annual general meeting or any adjourned meeting should you so desire.

PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

Please see page 7 of this document for measures being taken to try to prevent and control the spread of the novel coronavirus disease at the Annual General Meeting ("AGM"), which includes:

- **compulsory temperature check and health declaration**
- **wearing of appropriate face mask is mandatory**
- **no distribution of gift vouchers and refreshments**

Any person who does not comply with the precautionary measures will not be given access to the AGM venue. The Company requires all participants to wear face masks throughout the AGM and reminds Shareholders that they may appoint the Chairman of the AGM as their proxy to vote on the relevant resolutions as an alternative to attending the AGM in person.

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DEFINITIONS

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

“AGM”	means the annual general meeting of the Company to be convened and held at 27th Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong at 11:00 a.m. on Thursday, 21 May 2020;
“AGM Notice”	means the notice of the AGM set out on pages 119 to 123 of the Company’s 2019 Annual Report, for the Shareholders to consider, and if thought fit, to approve resolutions including but not limited to the general mandates to issue and buy back Shares;
“Articles of Association”	means the articles of association adopted by the Company, and as amended from time to time by resolution of the Shareholders;
“Board”	means the board of Directors or a duly authorised committee thereof;
“Buy-back Mandate”	means the proposed mandate to the Directors to buy back Shares pursuant to Ordinary Resolution No. 6 as set out in the AGM Notice in its present or any amended form;
“close associate”	shall have the meaning ascribed to it under the Listing Rules;
“Company”	means Liu Chong Hing Investment Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange;
“Core Connected Persons”	shall have the meaning ascribed to it under the Listing Rules;
“Directors”	means the directors (including Non-executive Director and Independent Non-executive Directors) of the Company;
“Group”	means the Company and its Subsidiaries for the time being;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	means 27 March 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“Listing Rules”	means Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“Ordinary Resolution(s)”	means the proposed ordinary resolution(s) as referred to in the AGM Notice;
“Share(s)”	means ordinary share(s) in the Company;
“Share Issue Mandate”	means the proposed mandate to the Directors to issue Shares pursuant to Ordinary Resolution No. 7 as set out in the AGM Notice in its present or any amended form;
“Shareholder(s)”	means holder(s) of Share(s);
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Subsidiary”	means a subsidiary within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for the time being of the Company;
“Takeovers Code”	means The Codes on Takeovers and Mergers and Share Buy-backs;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	means per cent.



Liu Chong Hing Investment Limited

(Incorporated in Hong Kong with limited liability)

(Stock code: 00194)

Executive Directors:

Mr. Liu Lit Chi (*Chairman, Managing Director and
Chief Executive Officer*)
Mr. Liu Kam Fai, Winston (*Deputy Managing Director*)
Mr. Liu Kwun Shing, Christopher
Mr. Lee Wai Hung

Registered Office:

23/F, Chong Hing Bank Centre,
24 Des Voeux Road Central,
Hong Kong

Non-executive Director:

Mr. Kho Eng Tjoan, Christopher
BES, M. Arch, HKIA, RIBA, ARAIA, MRAIC,
Assoc. AIA, Registered Architect, A.P. (Architect), MHKIoD

Independent Non-executive Directors:

Dr. Cheng Mo Chi, Moses, GBM, GBS, OBE, LLB (HK), J.P.
Mr. Au Kam Yuen, Arthur
Dr. Ma Hung Ming, John, PhD, BBS, J.P.
Mr. Cheng Yuk Wo, MSc (Econ), BA (Hons), CPA (Canada), CA,
FCA, FCPA, CPA (Practising)
Mr. Tong Tsun Sum, Eric, CA (Aust), CPA (Practising), CFE

Hong Kong, 9 April 2020

To the Shareholders

Dear Sir or Madam,

**RE-ELECTION OF DIRECTORS,
GENERAL MANDATES FOR
THE BUY-BACK AND ISSUE OF SHARES
AND
PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING**

INTRODUCTION

At the AGM, resolutions will be proposed:

- (a) that certain Directors, who shall retire in accordance with the Articles of Association and (being eligible) offer themselves for re-election, be re-elected as Directors of the Company; and

LETTER FROM THE CHAIRMAN

- (b) that the Directors be given the Buy-back Mandate and Share Issue Mandate.

The purpose of this circular is to provide you with the information necessary to enable you as Shareholders to make an informed decision on whether to vote for and/or against the proposed resolutions relating to such matters at the AGM.

RE-ELECTION OF DIRECTORS

The Board currently consists of 10 members, namely:

the following Executive Directors:

- (a) Mr. Liu Lit Chi (*Chairman, Managing Director and Chief Executive Officer*)
- (b) Mr. Liu Kam Fai, Winston (*Deputy Managing Director*)
- (c) Mr. Liu Kwun Shing, Christopher
- (d) Mr. Lee Wai Hung

the following Non-executive Director:

- (e) Mr. Kho Eng Tjoan, Christopher

and the following Independent Non-executive Directors:

- (f) Dr. Cheng Mo Chi, Moses
- (g) Mr. Au Kam Yuen, Arthur
- (h) Dr. Ma Hung Ming, John
- (i) Mr. Cheng Yuk Wo
- (j) Mr. Tong Tsun Sum, Eric

In accordance with Articles 105 & 106 of the Articles of Association, Mr. Liu Kwun Shing, Christopher, Mr. Kho Eng Tjoan, Christopher and Mr. Cheng Yuk Wo shall retire at the conclusion of the AGM and, being eligible, will offer themselves for re-election.

Biographical and other details of the above retiring and re-electing Directors are set out in Appendix 1 to this circular. At the AGM, separate Ordinary Resolutions will be proposed to approve their re-election.

LETTER FROM THE CHAIRMAN

GENERAL MANDATE TO BUY-BACK SHARES

At the annual general meeting of the Company held on 16 May 2019, a general mandate was granted to the Directors to exercise the powers of the Company to buy-back Shares not exceeding 10% of the aggregate number of issued shares of the Company as at the date of the passing of the resolution granting such general mandate (equivalent to 37,858,344 Shares). Such general mandate will lapse at the conclusion of the AGM.

To provide continued flexibility to the Directors, an Ordinary Resolution will be proposed at the AGM for the granting of the Buy-back Mandate to the Directors, on terms as set out in Ordinary Resolution No. 6 in the AGM Notice, allowing them to exercise all powers of the Company to buy back its Shares. Under the Buy-back Mandate, the number of Shares that the Company may buy back shall not exceed 10% of the aggregate number of issued shares of the Company as at the date of passing such Ordinary Resolution.

In connection with the Buy-back Mandate, the Company's authority shall be restricted to buy back made on the Stock Exchange. The Buy-back Mandate allows the Company to make buy-backs only during the period ending on the earliest of (i) the conclusion of the Company's next annual general meeting, (ii) the date by which the Company's next annual general meeting is required by any applicable law or the Articles of Association to be held, or (iii) the date upon which such mandate is revoked or varied by an ordinary resolution of shareholders of the Company in general meeting.

An explanatory statement setting out the requisite information regarding the Buy-back Mandate, as required under the Listing Rules, is set out in Appendix 2 to this circular.

GENERAL MANDATE TO ISSUE SHARES

At the annual general meeting of the Company held on 16 May 2019, a general mandate was granted to the Directors to exercise the powers of the Company to issue, allot and deal with such number of Shares not exceeding 20% of the aggregate number of the issued shares of the Company as at the date of the passing of the resolution granting such general mandate (equivalent to 75,716,688 Shares), and such general mandate was extended by adding to it the aggregate number of Shares bought back by the Company under the general mandate to buy back Shares granted to the Directors on the same date. Such general mandate to issue, allot and deal with Shares will also lapse at the conclusion of the AGM.

To provide continued flexibility to the Directors, an Ordinary Resolution will also be proposed at the AGM for the granting of the Share Issue Mandate to the Directors, on terms as set out in Ordinary Resolution No. 7 in the AGM Notice, allowing them to exercise all powers of the Company to issue, allot and deal with its Shares. Under the Share Issue Mandate, the number of Shares that the Company may issue, allot or deal with shall not exceed 20% of the aggregate number of issued shares of the Company as at the date of passing such Ordinary Resolution.

In addition, an Ordinary Resolution will also be proposed at the AGM to extend the Share Issue Mandate, on terms as set out in Ordinary Resolution No. 8 in the AGM Notice, by adding to it the number of Shares that may be bought back under the Buy-back Mandate.

LETTER FROM THE CHAIRMAN

In connection with the Share Issue Mandate, the exercise of the Company's authority shall also be restricted to the period ending on the earliest of (i) the conclusion of the Company's next annual general meeting, (ii) the date by which the Company's next annual general meeting is required by any applicable law or the Articles of Association to be held, or (iii) the date upon which such mandate is revoked or varied by an ordinary resolution of shareholders of the Company in general meeting.

As at the Latest Practicable Date, the issued share capital of the Company comprised 378,583,440 Shares in issue. As at the same date, no options to subscribe for Shares had been granted and were outstanding under the Company's share option scheme adopted on 9 May 2012. Subject to the passing of Ordinary Resolution No. 7 set out in the AGM Notice and on the basis that no further Shares are issued or bought back between the Latest Practicable Date and up to the date of the AGM, the Company would be allowed under the Share Issue Mandate to issue, allot and deal with a maximum of 75,716,688 Shares.

ANNUAL GENERAL MEETING

The AGM Notice setting out, inter alia, the Ordinary Resolutions to grant the Buy-back Mandate, the Share Issue Mandate and the proposed extension of the Share Issue Mandate is enclosed within the Company's 2019 Annual Report. Shareholders of the Company are advised to read the AGM Notice and to complete and return the form of proxy which can be downloaded from the website of HKEXnews (www.hkexnews.hk) and the Company (www.lchi.com.hk) for use at the AGM in accordance with the instructions printed thereon and deposit the same with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the AGM or any adjourned meeting. The return of the form of proxy will not preclude a Shareholder from attending and voting in person at the AGM should he/she so wishes.

VOTING AT ANNUAL GENERAL MEETING

In accordance with the relevant requirements under the Listing Rules, the Chairman would direct that each of the resolutions set out in the AGM Notice be voted on by poll.

As at the Latest Practicable Date, and to the best knowledge, belief and information of the Directors having made all reasonable enquiries, no Shareholder is required under the Listing Rules to abstain from voting on the resolution at the AGM.

RECOMMENDATION

The Directors believe that the re-election of the relevant Directors, the granting of the Buy-back Mandate, the Share Issue Mandate and the proposed extension of Share Issue Mandate are in the interests of the Company as well as its Shareholders. Accordingly, the Directors recommend shareholders of the Company to vote in favour of all the resolutions at the AGM.

LETTER FROM THE CHAIRMAN

PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

In view of the recent development of the novel coronavirus disease (COVID-19), the Company strongly advises Shareholders, particularly Shareholders who are subject to compulsory quarantine in relation to COVID-19, to vote at the AGM by the use of the Proxy Form, i.e., to indicate your voting preference in the Proxy Form and appoint the Chairman of the AGM as your proxy to vote on your behalf at the venue.

Furthermore, the Company will implement the following measures in an effort to reduce the risk of infection for the participants at the AGM:

- Compulsory body temperature check will be conducted on all participants at the entrance of the AGM venue. Any person with a body temperature of over 37.4 degrees Celsius will not be given access to the venue;
- All participants are required to submit a health declaration form before entering the AGM venue. Any person who does not comply with this requirement will not be given access to the venue.
- All participants at the AGM are required to wear appropriate face masks at all times during their attendance of the AGM; and
- No refreshment will be served and no gift voucher will be distributed at the AGM to avoid close contact amongst participants.

If Shareholders have chosen not to attend the AGM in person and have any questions about the relevant resolutions, they are welcome to contact the Company via the following:

Email: info@lchi.com.hk

Tel: 852 2983 7777

Fax: 852 2983 7723

If Shareholders have any questions relating to the AGM, please contact our Company's Share Registrar as follows:

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

E-mail: hkinfo@computershare.com.hk

Tel: 852 2862 8555

Fax: 852 2865 0990

We sincerely apologise for any inconvenience caused due to the measures taken to protect participants against the COVID-19 epidemic.

LETTER FROM THE CHAIRMAN

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.

By order of the Board
Liu Chong Hing Investment Limited
LIU LIT CHI
Chairman

Biographical and other details about the retiring directors who are proposed to be re-elected at the AGM are as follows:

Mr. Liu Kwun Shing, Christopher, aged 44, is an Executive Director of the Company, a position which he has held since August 2008 following a re-designation from his previous role since 2000 as a Non-executive Director of the Company. Mr. Liu also serves as the Chairman of the Corporate Governance Committee and a member of the Executive Management Committee as well as a director of a number of subsidiaries of the Company. Mr. Liu is a holder of a Master of Arts degree in Jurisprudence from the University of Oxford. He is also a qualified solicitor in both Hong Kong and England & Wales. Prior to joining the Company on a full-time basis, he was a partner of Deacons in Hong Kong, with a primary focus in corporate finance, mergers and acquisitions and private equity matters. Mr. Liu is a member of the Foshan Municipal Committee of the Chinese People's Political Consultative Conference (CPPCC) as well as a director of both Beijing Chinese Overseas Friendship Association and Shanghai Chinese Overseas Friendship Association (COFA). Mr. Liu is also a director of the Federation of Hong Kong Foshan Association Limited, Hong Kong GuangFoZhao Fraternity Association Limited, the Federation of Hong Kong Chiu Chow Community Organization, Hong Kong Chiu Chow Chamber of Commerce, an executive director of Guangdong Chamber of Foreign Investors, a Vice-chairman of Foshan Investment Chamber of Private Enterprises, a member of Hong Kong- Shanghai Economic Development Association Limited and a director of Shanghai Huang Pu District Association of Enterprises with Foreign Investment. With a passion for the betterment of society and education, he is also a member of the Institutional Review Board of Hong Kong University/Hospital Authority Hong Kong West Cluster and the Joint Chinese University of Hong Kong — New Territories East Cluster Clinical Research Ethics Committee as well as a school manager of Liu Po Shan Memorial College. Save as disclosed above, Mr. Liu did not hold any directorship in any other listed public companies in the previous three years. He is the nephew of Mr. Liu Lit Chi and the cousin of Mr. Liu Kam Fai, Winston.

Mr. Liu is a director of Abaleen Enterprises Limited; Alain Limited; Blossom Success Investments Limited; Bonsun Enterprises Limited; Bright Ocean Limited; Chong Yip (Nominees) Limited; Chong Yip Finance Limited; Crown Mate Limited; Determined Resources Limited; Devon Realty Limited; Dolce Vita Concepts Holdings Limited; Donington Company Limited; Fancy Wealth Limited; Full Winner Corporation Limited; Glorious Prosperity Development Limited; Golden Harbour International Limited; Golden Infinity Limited; Great Earnest Limited; Harvest Gate Investments Limited; Harvest Mega Corporation Limited; Heng Kin Investment Limited; Honour Speed Development Limited; Hospitality Concepts Holdings Limited; Hugh Glory Limited; Hugh Wealth International Limited; Jacot Limited; Joyce King Limited; Ko Yew Company Limited; LCH Concepts Limited; Liu Chong Hing Estate Company, Limited; Liu Chong Hing Godown Company, Limited; Liu Chong Hing Property Management & Agency Limited; Long Castle Limited; Lord Duty Limited; Luxpolar Limited; Noble Shine International Limited; One Eight One Lobby Cafe Limited; One-Eight-One Hospitality Management Limited; Queen Profit International Investment Limited; Rich Sources Investments Limited; Richview Property Management Company Limited; Road To Glory Group Limited; Sino Pink Development Limited; Speed World Investment Limited; Strong Zone International Limited; Supreme King International Limited; Supreme Stone

Investments Limited; The Light F&B Concepts Limited; Top New Investment Limited; Top Team Limited; Trade Castle Limited; Trend Able Investments Limited; Wealth Bond Limited; Wealth Good Investment Limited; Well Road Investment Limited; Yue Tung Ching Kee Company Limited; 上海黃浦廖創興房地產開發有限公司、佛山南海貴隆房地產發展有限公司、佛山南海凱隆房地產開發有限公司、佛山市軒隆房地產開發有限公司、馬鞍山高科磁性材料有限公司、廣州市創鑫酒店酒店管理有限公司、廣州市貿滿房地產諮詢有限公司、廣州市盈裕物業管理有限公司、廣州市裕利物業管理有限公司 and 廣東安盛信息科技有限公司, all of which are subsidiaries of the Company.

Other than that mentioned above, Mr. Liu did not hold any directorship in any other public company in last three years, does not have other major appointments and professional qualifications and does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Liu does not have any interest (or any short position) in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Mr. Liu will enter into a 3-year Director's service contract with the Company commencing from 21 May 2020. Mr. Liu will be subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Articles of Association of the Company.

Mr. Liu has received by way of remuneration and other benefits of approximately HK\$5,395,574 in 2019. Besides, he will receive a Director's fee of HK\$200,000 per year from the Company. Such Director's fee is determined by the Board with reference to Mr. Liu's duties and responsibilities, and is in line with Director's fees payable to other Executive Directors approved by the Company in general meeting by ordinary resolution under the Articles of Association. Save as disclosed above, (i) there are no other matters that need to be brought to the attention of the Company's shareholders; and (ii) there is no other information to be disclosed pursuant to the requirements provided for in Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. Kho Eng Tjoan, Christopher, aged 57, served as Non-executive Director of the Company since May 2011 and he is now serving as a member of Remuneration Committee and Nomination Committee of the Company. Mr. Kho holds a Bachelor of Environmental Studies degree on Urban and Regional Planning and a Master of Architecture degree. He is an Authorized Person under the Buildings Ordinance, a Registered Architect under the Architects Registration Ordinance, a member of the Hong Kong Institute of Architects, a corporate member of Royal Institute of British Architects, an associate member of Royal Australian Institute of Architects, a member of Royal Architectural Institute of Canada and an associate member of American Institute of Architects. Mr. Kho was an Executive Committee of the University of Waterloo Alumni Association and a Committee Member of the University of Manitoba Alumni Association from 1989 to 1990. During the year from 1997 to 2003, he was a Director and Council Member of the Wah Yan (Hong Kong) Past Students Association Limited. Mr. Kho is also a Committee Member of the Professional Committee of the Hong Kong Federation of Fujian Associations since 2009. Furthermore, Mr. Kho is appointed as an Executive Committee Member of Hong Kong Fukien Chamber of Commerce and Director of Hong Kong Fukien Chamber of Commerce Education Fund Limited in 2017.

Save as disclosed above, Mr. Kho did not hold any directorship in any other public listed company in the last three years and does not have other major appointments and professional qualifications. Other than that mentioned above, Mr. Kho does not hold any position in the Company or any of its subsidiaries and does not have any relationship with any director, senior management or substantial or controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Kho does not have any interest (or any short position) in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Mr. Kho will enter into a 3-year Director's service contract with the Company commencing from 21 May 2020. Mr. Kho will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

As an Non-executive Director of the Company, Mr. Kho will receive a Director's fee of HK\$300,000 per year which is determined by the Board with reference to his duties and responsibilities and approved by the Company in general meeting by ordinary resolution under the Articles of Association of the Company. Save as disclosed above, (i) there are no other matters that need to be brought to the attention of the Company's shareholders; and (ii) there is no other information to be disclosed pursuant to the requirements provided for in Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. Cheng Yuk Wo, aged 59, was appointed as Independent Non-executive Director of the Company on 7 March 2014 and he is serving as the Chairman of the Audit Committee, and a member of the Remuneration Committee and Nomination Committee of the Company. Mr. Cheng obtained a Master of Science (Economics) degree in Accounting and Finance from London School of Economics, England and a Bachelor of Arts (Honours) degree in Accounting from University of Kent, England. He is a Fellow of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants, the Chartered Professional Accountants of Canada and the Institute of Chartered Accountants of Ontario, Canada. Mr. Cheng has over 20 years' of expertise in accounting, finance and corporate advisory services. Mr. Cheng is currently an Independent Non-executive Director of Chia Tai Enterprises International Limited, Chong Hing Bank Limited, CSI Properties Limited, HKC (Holdings) Limited, Goldbond Group Holdings Limited, CPMC Holdings Limited, Top Spring International Holdings Limited, DTXS Silk Road Investment Holdings Company Limited, Miricor Enterprises Holdings Limited, Somerley Capital Holdings Limited, Kidsland International Holdings Limited and C.P. Pokphand Co. Limited, all of the abovementioned companies are listed on the Stock Exchange. Mr. Cheng was also an Independent Non-Executive Director of C.P. Lotus Corporation, a company formerly listed on the Stock Exchange which was privatised on 29 October 2019, from 2004 to 29 October 2019.

Save as disclosed above, Mr. Cheng has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years and does not have other major appointments and professional qualifications. Other than that mentioned above, Mr. Cheng does not hold any position in the Company or any of its subsidiaries and does not have any relationship with any director, senior management or substantial or controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Cheng does not have any interest (or any short position) in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Mr. Cheng will enter into a 3-year Director's service contract with the Company commencing from 21 May 2020. Mr. Cheng will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

The nomination committee ("**Nomination Committee**") of the Board has recommended the re-election of Mr. Cheng to the Board, after reviewing the professional qualifications, skills, knowledge, relevant experience, working profile and other factors (including but not limited to gender, age, cultural and educational background as set out in the board diversity policy of the Company) of Mr. Cheng in accordance with the board diversity policy of the Company. The Nomination Committee also considered Mr. Cheng to be independent after assessing the independence of Mr. Cheng by reference to the independence guidelines as set out in Rule 3.13 of the Listing Rules and reviewed his annual written confirmation of independence. The Nomination Committee considered that Mr. Cheng will continue to bring to the Board independent and constructive advices with his extensive experience in accounting, finance and corporate advisory services.

Notwithstanding that Mr. Cheng is currently holding seventh or more listed company directorship, the Board noted that Mr. Cheng has attended all annual general meetings, board meetings, audit committee meetings, remuneration committee meeting and nomination committee meeting for the two years ended 31 December 2019 with no absence. As such, the Board believes that Mr. Cheng will still be able to devote sufficient time to the Board in the future. Therefore, the Board is satisfied that Mr. Cheng has the required character, integrity, perspectives, skills and experience to continuously fulfill his role as an Independent Non-executive Director effectively. The Board believes that the re-election of Mr. Cheng as an Independent Non-executive Director would be in the best interests of the Company and the Shareholders as a whole.

As an Independent Non-executive Director of the Company, Mr. Cheng will receive a Director's fee of HK\$300,000 per year which is determined by the Board with reference to his duties and responsibilities, and is in line with that payable to other Independent Non-executive Directors approved by the Company in general meeting by ordinary resolution under the Articles of Association of the Company. Save as disclosed above, (i) there are no other matters that need to be brought to the attention of the Company's shareholders; and (ii) there is no other information to be disclosed pursuant to the requirements provided for in Rule 13.51(2)(h) to (v) of the Listing Rules.

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide the requisite information to Shareholders for their consideration of the Buy-back Mandate. For this purpose, “shares” is defined in the Listing Rules to include securities carrying a right to subscribe for or purchase shares.

The Listing Rules permit companies whose primary listings are on the Stock Exchange to buy back their fully paid up shares on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

1. REASONS FOR BUY-BACK

The Directors believe that the ability to buy back Shares is in the interests of the Company and its Shareholders. Buy-backs may, depending on the circumstances, result in an increase in net assets and/or earnings per Share. The Directors are seeking the grant of a general mandate to buy back Shares to give the Company the flexibility to do so if and when appropriate. The number of Shares to be bought back on any occasion and the price and other terms upon which the same are bought back will be decided by the Directors at the relevant time having regard to the circumstances then prevailing.

2. SOURCE OF FUNDS

Buy-backs must be made out of funds which are legally available for such purpose and in accordance with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Articles of Association. It is envisaged that the funds required for any buy-back would be derived from the distributable profits of the Company which shall be funds legally available for such purpose in accordance with the Listing Rules and the laws of Hong Kong.

3. IMPACT OF BUY-BACKS ON WORKING CAPITAL

There could be an adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its latest published audited accounts for the year ended 31 December 2018) in the event that the proposed Share buy-backs were to be carried out in full at any time during the proposed buy-back period. However, the Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

4. MAXIMUM NUMBER OF SHARES TO BE BOUGHT BACK AND SUBSEQUENT ISSUE

A maximum of 10% of the total number of issued shares of a company at the date of passing the relevant resolution may be bought back on the Stock Exchange. A company may not, without the prior approval of the Stock Exchange, issue new shares or announce a proposed new issue of shares for a period of 30 days immediately following a share buy-back whether on the Stock Exchange or otherwise (other than an issue of securities pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities, which were outstanding prior to the buy-back).

As at the Latest Practicable Date, the issued share capital of the Company comprised 378,583,440 Shares in issue. As at the same date, no options to subscribe for Shares had been granted and were outstanding under the Company's share option scheme adopted on 9 May 2012. Subject to the passing of Ordinary Resolution No. 6 set out in the AGM Notice and on the basis that no further Shares are issued or bought back between the Latest Practicable Date and up to the date of the AGM, the Company would be allowed under the Buy-back Mandate to buy back a maximum of 37,858,344 Shares.

5. CONNECTED PARTIES

No Core Connected Persons of the Company have notified the Company that they have a present intention to sell Shares to the Company or have undertaken not to do so, in the event that the Buy-back Mandate is approved by the Shareholders.

6. SHARE PRICES

The highest and lowest unit prices at which the Shares were traded on the Stock Exchange during each of the previous twelve months before the Latest Practicable Date were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
March 2019	14.000	12.500
April 2019	14.000	13.460
May 2019	13.780	11.980
June 2019	12.400	11.800
July 2019	12.660	11.900
August 2019	12.020	10.660
September 2019	11.080	10.380
October 2019	10.820	10.220
November 2019	10.940	10.400
December 2019	11.000	10.500
January 2020	10.940	10.020
February 2020	10.060	9.230
1 March 2020 to Latest Practicable Date	9.320	6.800

7. SHARE BUY-BACK MADE BY THE COMPANY

No buy-back has been made by the Company of its shares in the last six months prior to the date of this circular.

8. UNDERTAKING OF DIRECTORS

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make buy-backs pursuant to the Buy-back Mandate in accordance with the Listing Rules, the applicable laws of Hong Kong and the Articles of Association.

9. EFFECT OF THE TAKEOVERS CODE

If on the exercise of the power to buy back Shares pursuant to the Buy-back Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert may obtain or consolidate control of the Company and thereby become obliged to make a mandatory general offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, Mr. Liu Lit Chi, Chairman, Managing Director and Chief Executive Officer of the Company, and his controlled companies, namely, Liu's Holdings Limited and Alba Holdings Limited which are acting in concert together hold approximately 53.17% of the issued share capital of the Company. In the event that the Buy-back Mandate is exercised in full, assuming that the present shareholdings and capital structure of the Company remains the same, the interest in the Company held by Mr. Liu Lit Chi, Liu's Holdings Limited and Alba Holdings Limited, both being controlled corporations of Mr. Liu Lit Chi, would be increased to approximately 59.08% of the issued share capital of the Company and such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequence which will arise under the Takeovers Code as a result of any repurchase of Shares under the Buy-back Mandate.

Currently, the Directors have no intention to exercise the powers of the Company to make any buy-backs of the Shares of the Company. In any event, the Directors do not intend to exercise the Buy-back Mandate to an extent which will trigger off the mandatory offer requirement pursuant to the rules of the Takeovers Code or which will reduce the aggregate amount of the share capital of the Company in public hands to below 25%.

10. DISCLOSURE OF INTEREST

No Director, and having made all reasonable enquiries and to the best of the knowledge of the Directors, no close associate of any Director, has any present intention, in the event that the Buy-back Mandate is approved by the Shareholders, to sell Shares to the Company.