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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 or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

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HUAYU EXPRESSWAY GROUP LIMITED

華昱高速集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1823)

**PROPOSED GRANT OF GENERAL MANDATES TO ISSUE
AND REPURCHASE SHARES,
PROPOSED RE-ELECTION OF RETIRING DIRECTORS,
PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting (the “AGM”) of Huayu Expressway Group Limited (the “Company”) to be held at Unit 1205, 12/F, Tower 1, Lippo Centre, 89 Queensway, Hong Kong on 11 June 2020 at 11:00 a.m. is set out on pages 27 to 32 of this circular.

A form of proxy for use at the AGM is enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). Whether or not you are intending to attend and vote at the AGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the AGM in person or any adjourned meeting (as the case may be) should you so desire.

17 April 2020

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RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, 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.

DEFINITIONS

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

“Adoption Date”	11 June 2020 (the date on which the New Share Option Scheme is adopted by an ordinary resolution of the Shareholders at the AGM)
“AGM”	the annual general meeting of the Company to be convened and held at Unit 1205, 12/F, Tower 1, Lippo Centre, 89 Queensway, Hong Kong on 11 June 2020 at 11:00 a.m. to consider, and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 27 to 32 of this circular; or any adjournment thereof
“Articles”	the articles of association of the Company
“Board”	the board of Directors
“Close associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	Huayu Expressway Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 1823)
“Core connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code contained in Appendix 14 of the Listing Rules
“Director(s)”	the director(s) of the Company
“Eligible Participant(s)”	means any full-time or part-time employee of the Company or any member of the Group, including any executive director, non-executive director and independent non-executive director, and any consultant of the Company or any member of the Group who, in the sole opinion of the Board, will contribute or have contributed to the business of the Group

DEFINITIONS

“Exercise Price”	the price per Share at which an Eligible Participant who accepts an offer of the grant of option in accordance with the terms of the New Share Option Scheme may subscribe for Shares on the exercise of an Option
“Existing Share Option Scheme”	the share option scheme of the Company effective on 30 November 2009 and expired on 29 November 2019
“Extension”	the extension of the Issue Mandate by adding to it an amount representing the aggregate nominal amount of Shares repurchased by the Company pursuant to and in accordance with the Repurchase Mandate
“General Scheme Limit”	the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue as at the day of the passing of the relevant ordinary resolution approving the New Share Option Scheme
“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
“Issue Mandate”	a general and unconditional mandate to allot, issue and deal with new Shares not exceeding 20% of the total number of issued shares of the Company as at the date of passing of the ordinary resolution approving the same
“Latest Practicable Date”	9 April 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“New Share Option Scheme”	the new share option scheme of the Company to be proposed for adoption by the Company at the AGM, the principal terms of which are set out in Appendix III
“Nomination Committee”	the nomination committee of the Company

DEFINITIONS

“Option(s)”	an option (if any) to subscribe for Shares granted or to be granted under the Existing Share Option Scheme or the New Share Option Scheme, as the context requires
“PRC”	The People’s Republic of China and for the purpose of this circular, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 11 December 2009
“Repurchase Mandate”	a general and unconditional mandate to the Directors authorizing the repurchases of Shares by the Company on the Stock Exchange not exceeding 10% of the total number of issued shares of the Company as at the date of passing of an ordinary resolution approving the same
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers approved by the Securities and Futures Commission as amended from time to time
“%”	per cent

LETTER FROM THE BOARD

HUAYU EXPRESSWAY GROUP LIMITED

華昱高速集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1823)

Executive Directors:

Mr. Chan Yeung Nam (*Chairman*)
Mr. Mai Qing Quan (*Chief Executive Officer*)
Mr. Fu Jie Pin

Independent non-executive Directors:

Mr. Sun Xiao Nian
Mr. Chu Kin Wang, Peleus
Mr. Hu Lie Ge

Registered office:

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place
of business in the PRC:*

Zhou Fu Zu
Xingguangcun Sanhexiang
Yueyang Economic and
Technology Development Zone
Yueyang
Hunan Province
The PRC

*Principal place of business
in Hong Kong:*

Unit 1205
12/F, Tower 1
Lippo Centre
89 Queensway
Hong Kong

17 April 2020

To the Shareholders,

Dear Sir or Madam,

**PROPOSED GRANT OF THE GENERAL MANDATES TO ISSUE
AND REPURCHASE SHARES,
PROPOSED RE-ELECTION OF RETIRING DIRECTORS,
PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information regarding certain resolutions to be proposed at the AGM to enable you to make an informed decision on whether to vote for or against those resolutions.

LETTER FROM THE BOARD

At the AGM, resolutions will be proposed for the Shareholders to approve, among other things, (i) the grant of the Repurchase Mandate to the Directors; (ii) the grant of the Issue Mandate to the Directors and the Extension; and (iii) the re-election of retiring Directors.

REPURCHASE MANDATE

Pursuant to the ordinary resolutions passed at the annual general meeting of the Company held on 3 June 2019, a general mandate was granted to the Directors to exercise the powers of the Company to repurchase up to 41,260,800 Shares, being 10% of the total number of issued Shares as at 3 June 2019. Such mandate will lapse at the conclusion of the AGM. An ordinary resolution will be proposed at the AGM to grant the Repurchase Mandate to the Directors. As at the Latest Practicable Date, the Company had an issued share capital of HK\$4,126,080 divided into 412,608,000 Shares of HK\$0.01 each. Subject to the passing of an ordinary resolution approving the Repurchase Mandate and on the basis that no further Shares will be issued or repurchased by the Company prior to the AGM, exercise of the Repurchase Mandate in full would result in up to a maximum of 41,260,800 Shares, representing 10% of the total number of Shares in issue and a share capital of HK\$412,608 being repurchased by the Company. An explanatory statement as required under the Listing Rules to provide the requisite information of the Repurchase Mandate is set out in Appendix I to this circular. The Directors wish to state that they have no immediate plan to repurchase any Shares pursuant to the Repurchase Mandate.

ISSUE MANDATE

Pursuant to the ordinary resolutions passed at the annual general meeting of the Company held on 3 June 2019, a general mandate was granted to the Directors to exercise the powers of the Company to allot, issue or deal with up to 82,521,600 Shares, being 20% of the total number of issued Shares as at 3 June 2019.

An ordinary resolution will be proposed at the AGM that the Directors be granted the Issue Mandate in order to provide flexibility and discretion to the Directors to issue new Shares. As at the Latest Practicable Date, the Company has an issued share capital of HK\$4,126,080 divided into 412,608,000 Shares of HK\$0.01 each. Subject to the passing of an ordinary resolution approving the Issue Mandate and on the basis that no further Shares will be issued or repurchased by the Company prior to the AGM, the exercise of the Issue Mandate in full would result in up to a maximum of 82,521,600 Shares, representing 20% of the total number of Shares in issue and a share capital of HK\$825,216 being issued by the Company during the period ending on the earlier of the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held by law or the date upon which the Issue Mandate is revoked or varied by an ordinary resolution of the Shareholders at a general meeting of the Company. In addition, an ordinary resolution will also be proposed to approve the Extension of the Issue Mandate. The Directors wish to state that they have no immediate plan to issue any new Shares pursuant to the Issue Mandate.

LETTER FROM THE BOARD

RE-ELECTION OF DIRECTORS

As at the Latest Practicable Date, the executive Directors were Mr. Chan Yeung Nam, Mr. Mai Qing Quan and Mr. Fu Jie Pin and the independent non-executive Directors were Mr. Sun Xiao Nian, Mr. Chu Kin Wang, Peleus and Mr. Hu Lie Ge.

Mr. Chu Kin Wang, Peleus and Mr. Hu Lie Ge will retire from office at the AGM. Being eligible, each of them will offer themselves for re-election in accordance with article 84(2) of the Articles.

Details of the Directors proposed to be re-elected at the AGM are set out in Appendix II to this circular.

PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME

Expiry of the Existing Share Option Scheme and Adoption of the New Share Option Scheme

The Existing Share Option Scheme allowing the Company to grant share Options to Eligible Participants for the purpose of, among others, providing incentive or rewards to the Eligible Participants for their contribution to the Group, is valid and effective for a period of 10 years commencing on 30 November 2009. Accordingly, the Existing Share Option Scheme expired on 29 November 2019.

The Board proposes to the Shareholders to adopt the New Share Option Scheme at the AGM. A summary of the principal terms of the New Share Option Scheme is set out in Appendix III to this circular. This serves as a summary of the terms of the New Share Option Scheme but does not constitute the full terms of the same. A copy of the rules of the New Share Option Scheme is available for inspection at the principal place of business in Hong Kong of the Company at Unit 1205 12/F, Tower 1 Lippo Centre 89 Queensway Hong Kong during normal business hours for a 14-day period immediately preceding the AGM and at the venue of the AGM during the AGM.

Under the Existing Share Option Scheme, the Board may offer Options to the eligible persons prescribed in the Existing Share Option Scheme in its absolute discretion. As at the Latest Practicable Date, no options has been granted under the Existing Share Option Scheme. Accordingly, there were no outstanding Options as at the Latest Practicable Date.

The adoption of the New Share Option Scheme is conditional upon:

- (a) the passing of an ordinary resolution at the AGM approving the adoption of the New Share Option Scheme, and authorising the Directors to grant Options thereunder and to allot and issue Shares pursuant to the exercise of any Option; and

LETTER FROM THE BOARD

- (b) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, any new Shares which may be allotted and issued upon the exercise of the subscription rights attaching to the Options granted under the New Share Option Scheme up to the General Scheme Limit.

As at the Latest Practicable Date, there were 412,608,000 Shares in issue. Assuming that there are no further allotment of Shares from the Latest Practicable Date up to the date of approval of the New Share Option Scheme, Options to subscribe for up to 41,260,800 Shares may be issued under the New Share Option Scheme and any other schemes of the Company pursuant to Rule 17.03(3) of the Listing Rules, representing 10% of Shares in issue as at the date of approval of the New Share Option Scheme.

The Directors consider that it is not appropriate to state the value of all the Options that can be granted under the New Share Option Scheme as if they had been granted as at the Latest Practicable Date prior to the approval of the New Share Option Scheme given that the variables which are critical for the calculation of the value of such Options cannot be determined. These variables include but are not limited to, the Exercise Price, whether or not Options will be granted under the New Share Option Scheme and the timing of the granting of such Options, the period during which the subscription rights may be exercised, the discretion of the Board to impose any performance target that has to be achieved before the subscription rights attaching to the Options can be exercised and any other conditions that the Board may impose with respect to the Options and whether or not such Options, if granted, will be exercised. The Exercise Price depends on the price of the Shares as quoted on the Stock Exchange, which in turn depends on when the Board is to grant Options under the New Share Option Scheme. With a scheme life of ten years, the Board is of the view that it is too premature to state whether or not Options will be granted under the New Share Option Scheme and, if so, the number of Options that may be granted. It is also difficult to ascertain with accuracy the Exercise Price given the volatility to which the price of Shares may be subject to during the ten-year life span of the New Share Option Scheme.

The Directors are of the view that the value of the Options depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical bases and speculative assumptions. Accordingly, the Directors believe that any calculation of the value of the Options will not be meaningful and may be misleading to Shareholders in the circumstances.

The Company is not required to appoint any trustee for the purpose of administering the New Share Option Scheme. The New Share Option Scheme will not or does not intend to appoint any trustee and will be subject to administration of the Board. None of the Directors is or will be a trustee of the New Share Option Scheme or have a direct or indirect interest in any such trustee.

LETTER FROM THE BOARD

Application for Listing

An application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be allotted and issued pursuant to the exercise of any Options that may be granted under the New Share Option Scheme up to the General Scheme Limit.

Reasons for Adopting the New Share Option Scheme

The Existing Share Option Scheme expired on 29 November 2019. The Directors consider that it is appropriate to adopt the New Share Option Scheme. The Directors consider that the New Share Option Scheme, which will be valid for ten years from the Adoption Date, will provide the Company with more flexibility in long term planning of granting of the share options to Eligible Participants in a longer period in the future. The New Share Option Scheme also provides appropriate incentives or rewards to Eligible Participants for their contributions or potential contributions to the Group. The purpose of the New Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants of the Group and to promote the success of the business of the Group.

The eligibility of those Eligible Participants other than employees and directors of the Group, will be determined by the Board and based on their potential and/or actual contribution to the business affairs, benefits and the growth of the Group. The purpose of including such participants in the New Share Option Scheme is to give more flexibility to the Company to incentivise and reward such participants who are expected to participate in the growth of the Group and will continue to contribute to the benefit of the Group.

The New Share Option Scheme also expressly provides that, the Board may, with respect to each grant of Options, determine the Exercise Price (being not less than the minimum price specified in the Listing Rules), the conditions precedent and any performance targets that apply to the Options. The Directors believe the New Share Option Scheme will provide the Board with flexibility in determining the applicable performance targets and any other conditions to which the specific grant of Options may be subject on a case-by-case basis, and thus will place the Group in a better position to attract human resources that are valuable to the long term growth and development of the Group.

As at the Latest Practicable Date, the Company and the Board have not identified any Eligible Participants for granting the Options upon adoption of the New Share Option Scheme.

LETTER FROM THE BOARD

AGM

A notice convening the AGM to be held at Unit 1205, 12/F, Tower 1, Lippo Centre, 89 Queensway, Hong Kong on 11 June 2020 at 11:00 a.m. is set out on pages 27 to 32 of this circular.

ACTIONS TO BE TAKEN

A form of proxy for use by the Shareholders at the AGM is enclosed with this circular. Such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk). Whether or not you intend to attend and vote at the AGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the AGM or any adjourned meeting (as the case may be) in person should you so desire.

VOTING BY POLL

Pursuant to the article 66 of the Articles and the requirement of Rule 13.39 of the Listing Rules, every resolution submitted to the AGM shall be determined by voting by poll.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there is no Shareholder who has any material interest in the matters proposed to be approved at the AGM, therefore no Shareholder is required to abstain from voting on the resolutions to be proposed at the AGM.

RECOMMENDATION

At the AGM, resolutions will be proposed for the Shareholders to approve, among other things, (i) the grant of the Repurchase Mandate to the Directors; (ii) the grant of the Issue Mandate and the Extension to the Directors; (iii) the re-election of retiring Directors; and (iv) New Share Option Scheme.

The Directors consider that (i) the grant of the Repurchase Mandate to the Directors; (ii) the grant of Issue Mandate and the Extension to the Directors; (iii) the re-election of retiring Directors; and (iv) New Share Option Scheme are in the interests of the Company, the Group and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the corresponding resolutions to be proposed at the AGM respectively.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, the register of members and transfer books of the Company will be closed from 8 June 2020 to 11 June 2020 (both days inclusive), during which period no transfer of Shares will be registered. The record date for entitlement to attend and vote at the AGM is 5 June 2020. In order to qualify to attend and vote at the AGM, all transfers of Shares, accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 5 June 2020.

OTHERS

In the event of inconsistency between the English version and the Chinese translation of this circular, the English version shall prevail.

Yours faithfully,
For and on behalf of
Huayu Expressway Group Limited
Chan Yeung Nam
Chairman

This appendix serves as an explanatory statement as required under the Listing Rules to provide the requisite information to you for consideration of the Repurchase Mandate.

SHARE CAPITAL

As at the Latest Practicable Date, the Company had 412,608,000 Shares in issue or an issued share capital of HK\$4,126,080. Subject to the passing of the proposed ordinary resolution approving the Repurchase Mandate and no further Shares is issued, allotted or repurchased by the Company prior to the AGM, the exercise of the Repurchase Mandate in full would result in up to a maximum of 41,260,800 Shares, representing 10% of the total number of Shares in issue and a share capital of HK\$412,608 being repurchased by the Company during the period ending on the earlier of: (i) the conclusion of the next annual general meeting of the Company; (ii) the date by which the next annual general meeting of the Company is required to be held by law; or (iii) the date upon which the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders at a general meeting of the Company.

REASONS FOR REPURCHASE

The Directors believe that it is in the interests of the Company and the Shareholders as a whole for the Directors to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements of the Company at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole.

FUNDING OF REPURCHASE

The Directors propose that the repurchase of Shares under the Repurchase Mandate would be financed from the Company's internal resources.

In repurchasing the Shares, the Company may only apply funds legally available for such purposes in accordance with the memorandum of association of the Company and the Articles, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. The Listing Rules also provide that the shares must be fully paid up and all repurchases must be approved in advance by ordinary resolution of shareholders. Under the laws of the Cayman Islands, repurchases by the Company may only be made out of profits of the Company or out of the proceeds of a fresh issue of Shares made for the purpose, or, if so authorised by the Articles and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the Company's profits or share premium account, or, if so authorised by the Articles and subject to the provisions of the Companies Law, out of the Company's capital.

APPENDIX I EXPLANATORY STATEMENT FOR THE REPURCHASE MANDATE

The exercise of the Repurchase Mandate in full will not have a material adverse impact on the working capital or the gearing level of the Company, as compared with the position disclosed in the Company's audited accounts for the year ended 31 December 2019.

The Directors do not propose to exercise the Repurchase Mandate to such extent that would, in the circumstances, have a material adverse impact on the working capital or the gearing level of the Company which, in the opinion of the Directors, are from time to time appropriate for the Company. The number of the Shares to be repurchased on any occasion and the price and other terms upon which the same are purchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the twelve months up to the Latest Practicable Date were as follows:

	Price per Share	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2019		
April	0.76	0.67
May	0.74	0.60
June	0.74	0.66
July	0.80	0.70
August	0.79	0.70
September	0.89	0.76
October	1.12	0.86
November	1.06	0.95
December	1.06	0.84
2020		
January	1.01	0.80
February	0.90	0.77
March	0.89	0.64
April (up to the Latest Practicable Date)	0.80	0.76

DISCLOSURE OF INTERESTS

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates has any present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company or its subsidiaries (as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)).

No Core connected person has notified the Company that he/she has a present intention to sell any Shares to the Company nor has undertaken not to sell any of the Shares held by him/her to the Company in the event that the Repurchase Mandate is approved by the Shareholders.

TAKEOVERS CODE

If, as a result of the shares repurchase by a company, a Shareholder's proportionate interest in the voting rights of the company increases, such increase will be treated as an acquisition of voting rights for the purpose of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert, could obtain or consolidate control of the company and become obliged to make a mandatory offer in accordance with Rule 26 and Rule 32 of the Takeovers Code.

As at the Latest Practicable Date, to the best knowledge of the Directors, the controlling Shareholders (as defined in the Listing Rules) of the Company, namely Velocity International Limited and Mr. Chan Yeung Nam (together the "Controlling Shareholders"), together, exercise and/or control the exercise of approximately 72.71% voting rights in the general meeting of the Company.

In the event that the Directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the Repurchase Mandate, the direct and indirect shareholding of the Controlling Shareholders in the Company would increase to approximately 80.79% of the issued share capital of the Company. As at the Latest Practicable Date, the Directors are not aware of the consequences of such increases or as a result of shares repurchases that would result in any of the aforesaid person or any Shareholder, or group of Shareholders acting in concert, becoming obliged to make a mandatory offer under the Takeovers Code. Having said that, the Directors have no intention to exercise the Repurchase Mandate to such an extent that will result in the number of Shares in the hands of public falling below the prescribed minimum percentage of 25%.

REPURCHASES OF SHARES MADE BY THE COMPANY

No repurchase of Shares has been made by the Company in the last six months up to the Latest Practicable Date (whether on the Stock Exchange or otherwise).

1. MR. CHU KIN WANG, PELEUS (朱健宏)

Mr. Chu Kin Wang, Peleus (朱健宏) aged 55, joined the Company as an independent non-executive Director in May 2009. He obtained his master degree in business administration from the University of Hong Kong. Mr. Chu is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountant and an associate of Hong Kong Institute of Company Secretary and The Institute of Chartered Secretaries and Administrators. Mr. Chu is a director of Chinese People Holdings Company Limited, Tianli Holdings Group Limited (formerly named as EYANG Holdings (Group) Co., Limited), Mingfa Group (International) Company Limited, China First Capital Group Limited and Flyke International Holdings Ltd., all of which are companies listed on the Main Board of the Stock Exchange. He is also a director of Madison Wine Holdings Limited and SuperRobotics Limited (formerly named as SkyNet Group Limited), all of which are companies listed on the Growth Enterprise Market of the Stock Exchange. Pursuant to the service agreement entered into between Mr. Chu and the Company, the term of Mr. Chu's appointment is for a fixed term of 3 years commencing from 23 December 2018. The emolument payable to Mr. Chu is RMB120,000 per annum and may, subject to the discretion of the Directors, be reviewed. His annual emolument as a Director has been determined by the Board with reference to, among other things, his duties and responsibilities as well as the prevailing market conditions.

As at the Latest Practicable Date, Mr. Chu has no interests in the shares of the Company for the purpose of the SFO.

Mr. Chu has been serving the Company as an independent non-executive Director for more than ten years and is familiar with the operation, business and management of the Group. According to the Company's records, Mr. Chu attended all meetings of the Board since his appointment as an independent non-executive Director in May 2009. Together with Mr. Chu's more than 25 years of professional experiences in auditing, accounting and financial management for both private and listed corporations, the Board believes that Mr. Chu will be able to devote sufficient time and provide appropriate advice to the Board.

Save as disclosed above, Mr. Chu has not been a director of any company listed in Hong Kong or overseas for the last three years. Save as disclosed above, Mr. Chu does not have any relationship with any other Director, senior management, substantial shareholder or controlling shareholders (as defined under the Listing Rules) of the Company and has no information to be disclosed pursuant to paragraphs (h) to (v) under Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

2. MR. HU LIE GE (胡列格)

Mr. Hu Lie Ge (胡列格) aged 66, joined the Company as an independent non-executive Director in May 2009. He graduated from 長沙交通學院 (Changsha Communications Institute*) in Mathematical Mechanics and completed a graduate course in Probability Theory and Mathematics Statistics at 長沙鐵道學院 (Changsha Railway University*), currently part of Central South University. Mr. Hu was once the Head of the 交通運輸學院 (College of Transportation and Communications*) in Changsha University of Science and Technology and is now a member of 湖南省促進物流業發展專家委員會 (Hunan Province Committee for Facilitation of the Development of the Logistics Industry*). Pursuant to the service agreement entered into between Mr. Hu and the Company, the term of Mr. Hu's appointment is for a fixed term of 3 years commencing from 23 December 2018. The emolument payable to Mr. Hu is RMB50,000 per annum and may, subject to the discretion of the Directors, be reviewed. His annual emolument as a Director has been determined by the Board with reference to, among other things, his duties and responsibilities as well as the prevailing market conditions.

As at the Latest Practicable Date, Mr. Hu has no interests in the shares of the Company for the purpose of the SFO.

Mr. Hu has not been a director of any company listed on the Stock Exchange or overseas in the past three years. Save as disclosed above, Mr. Hu does not have any relationship with any other Director, senior management, substantial shareholder or controlling shareholders (as defined under the Listing Rules) of the Company and has no information to be disclosed pursuant to paragraphs (h) to (v) under Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

* *The English translation is for reference only. The official name of the university, college, institution or organisation is in Chinese.*

The following is a summary of the principal terms of the New Share Option Scheme proposed to be approved and adopted at the AGM.

(A) PURPOSE

The purpose of the New Share Option Scheme is to enable the Company to grant Options to Eligible Participants as additional incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries to promote the success of our Group.

(B) WHO MAY JOIN

The Board may, at its discretion, offer to grant an Option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (E) below to the following Eligible Participants:

- (a) any full-time or part-time employee of the Company or any member of the Group including any executive director, non-executive director and independent non-executive director; and
- (b) any consultant of the Company or any member of the Group

who, in the sole opinion of the Board, will contribute or have contributed to the business of the Group.

Upon acceptance of the Option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant. Any offer to grant an Option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the Option. To the extent that the offer to grant an Option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(C) MAXIMUM NUMBER OF SHARES

The maximum number of Shares in respect of which Options may be granted under the New Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the date of the passing of the relevant ordinary resolution approving the New Share Option Scheme, being 41,260,800 Shares. Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant Options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by the Company to its Shareholders and the approval of the Shareholders of the Company in general meeting shall be in compliance with Rules 17.03(3) and 17.06 of the Listing Rules and/or such other requirements prescribed under the Listing Rules from time to time.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the New Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with paragraph (q) below whether by way of consolidation, capitalization issue, rights issue, sub-division or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

(D) MAXIMUM NUMBER OF OPTIONS TO ANY ONE INDIVIDUAL

The total number of Shares issued and which may fall to be issued upon exercise of the Options granted under the New Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date on which such Options are offered in writing to an Eligible Participant (“Offer Date”) shall not exceed 1% of the Shares in issue as at the Offer Date. Any further grant of Options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of Options to be granted to such participant must be fixed before the Shareholders’ approval and the date of the Board meeting at which the Board proposes to grant the Options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

(E) PRICE OF SHARES

The exercise price in relation to each Option offered to an Eligible Participant under the New Share Option Scheme shall, subject to certain adjustments, be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets on the Offer Date, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Offer Date; and
- (iii) the nominal value of a Share.

(F) GRANTING OPTIONS TO CERTAIN CONNECTED PERSONS

Any grant of Options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board determines to offer to grant Options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the Offer Date:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and
- (ii) having an aggregate value based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the Offer Date, in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules,

such grant shall be subject to the issue of a circular by the Company to its shareholders and the approval of the Shareholders in general meeting by way of a poll convened and held in accordance with the Company's articles of association at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour of the resolution concerning the grant of such Options at the general meeting, and/or such other requirements prescribed under the Listing Rules from time to time. Unless provided otherwise in the Listing Rules, the date of the Board meeting at which the Board proposes to grant the proposed options to the Eligible Participants shall be taken as the Offer Date for the purpose of calculating the Exercise Price of the Options.

The circular to be issued by the Company to the Shareholders pursuant to the above paragraph (F) shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the Offer Date for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;

- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(G) RESTRICTIONS ON THE TIMES OF GRANT OF OPTIONS

A grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such inside information has been published pursuant to the requirements of the Listing Rules. In particular, no Options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules) and ending on the date of actual publication of the results announcement.

(H) RIGHTS ARE PERSONAL TO GRANTEE

An Option and an offer to grant an Option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option held by him or any offer relating to the grant of an Option made to him or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to this scheme may be registered).

(I) TIME OF EXERCISE OF OPTION AND DURATION OF THE NEW SHARE OPTION SCHEME

An Option may be exercised in accordance with the terms of the New Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an Option may be exercised will be determined by the Board in its absolute discretion, save that no Option may be exercised more than 10 years after it has been granted. No Option may be granted more than 10 years after the date of approval of the New Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the New Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date.

(J) PERFORMANCE TARGET

The exercise of an Option may be subject to the achievement of performance target and/or other conditions to be notified by the Board to each grantee, which the Board may in its absolute discretion determine.

(K) RIGHTS ON CEASING EMPLOYMENT OR DEATH OR LIQUIDATION

- (i) If the grantee of an Option ceases to be an Eligible Participant by any reason other than death or termination of his employment on the grounds specified in paragraph (L) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation of being an Eligible Participant (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) the grantee or his personal representative(s) may exercise the Option within a period of 12 months from such cessation,

which date shall be the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

- (iii) if a grantee (being a corporation):
 - (i) has a liquidator or receiver appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee: or
 - (ii) has suspended, ceased or threatened to suspend or cease business; or
 - (iii) is unable to pay its debts; or
 - (iv) otherwise becomes insolvent; or
 - (v) suffers a change in its constitution, management, directors or shareholding which in the opinion of the Board is material; or
 - (vi) commits a breach of any contract entered into between the grantee or his associate and any member of the Group;

the Option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or on the date of suspension or cessation of business or threatened suspension or cessation of business or on the date when the grantee is deemed to be unable to pay its debts as aforesaid or otherwise becomes insolvent or on the date of notification by the Company that the said change in constitution, management, directors or shareholding is material or on the date of notification by the Company of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable up to the grantee's entitlement immediately prior to the occurrence of any of the event(s) mentioned in paragraphs (i) to (vi) of this clause within such period as the Board may in its absolute discretion determine.

(L) RIGHTS ON DISMISSAL

If the grantee of an Option ceases to be an employee of the Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, he has committed an act of bankruptcy, he has become insolvent or has made arrangements or compositions with his creditors generally, or in relation to an employee of our Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offence involving his integrity or honesty, his Option will lapse and not be exercisable after the date of termination of his employment.

(M) RIGHTS ON TAKEOVER

If a general offer is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an Option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(N) RIGHTS ON WINDING-UP

In the event a notice is given by the Company to its members to convene a general meeting for our purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee (or in the case of the death of the grantee, his legal personal representative(s)) shall be entitled to exercise all or any of his Options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(O) RIGHTS ON COMPROMISE OR ARRANGEMENT BETWEEN THE COMPANY AND ITS MEMBERS OR CREDITORS

If a compromise or arrangement between the Company and its members and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies pursuant to the laws of jurisdiction in which the Company was incorporated, the Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members and/or creditors of the Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or in the case of the death of the grantee, his/her personal representative(s)) may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than two business days prior to the proposed meeting), exercise the Option to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than 12 noon (Hong Kong time) on the business day immediately prior to the date of the proposed general meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the Option credited as fully paid and register the grantee as holder thereof. With effect from the date of such general meeting, the rights of all grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(P) RANKING OF SHARES

The Shares to be allotted upon the exercise of an Option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of Options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of exercise.

(Q) EFFECT OF ALTERATIONS TO CAPITAL

In the event of any alteration in the capital structure of the Company whilst any Option may become or remains exercisable, whether by way of capitalization issue, rights issue, open offer (if there is a price dilutive event), consolidation, share sub-division, or reduction of share capital of the Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding Options and/or the exercise price per Share of each outstanding Option as the auditors of the Company or the approved independent financial adviser shall at the request of the Company or any grantee certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on September 5, 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of the Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to Share Option Scheme) as that to which any grantee of an Option is entitled to subscribe had he exercised all the Options held by him immediately before such alterations. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any outstanding option being increased. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(R) LAPSE OF OPTION

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the Option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of the Company referred to in paragraph (o) becomes effective;

- (iv) the date of commencement of the winding-up of the Company (as determined in accordance with the Companies Law);
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of the Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive.

(S) ALTERATION OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme may be altered in any respect by resolution of the Board, except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the New Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the New Share Option Scheme), must be made with the prior approval of the Shareholders in general meeting provided that the amended terms of the New Share Option Scheme shall remain in compliance with Chapter 17 of the Listing Rules.

(T) CANCELLATION OF OPTIONS

The Board shall exercise the Company's right to cancel the Option at any time after the grantee commits a breach of paragraph (h) above. Subject to paragraph (h) above, any cancellation of Options granted but not exercised must be approved by the grantees of the relevant Options in writing.

(U) TERMINATION OF THE NEW SHARE OPTION SCHEME

The Company may by resolution in general meeting or the Board at any time terminate the operation of the New Share Option Scheme and in such event no further option shall be offered but the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

(V) ADMINISTRATION OF THE BOARD

The New Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the New Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(W) CONDITION OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme is conditional on:

- (i) the approval of the rules of the New Share Option Scheme by the Shareholders in general meeting; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of Options to be granted under the New Share Option Scheme.

(X) DISCLOSURE IN ANNUAL AND INTERIM REPORTS

The Company will disclose details of the New Share Option Scheme in its annual and interim reports in accordance with the Listing Rules in force from time to time.

NOTICE OF ANNUAL GENERAL MEETING

HUAYU EXPRESSWAY GROUP LIMITED

華昱高速集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1823)

NOTICE IS HEREBY GIVEN that the annual general meeting (“**Meeting**”) of Huayu Expressway Group Limited (the “**Company**”) will be held at Unit 1205, 12/F, Tower 1, Lippo Centre, 89 Queensway, Hong Kong on 11 June 2020 at 11:00 a.m. for the following purposes:

AS ORDINARY BUSINESS

ORDINARY RESOLUTIONS

1. To receive and consider the audited financial statements and the reports of the directors (the “**Directors**”) and the auditors (the “**Auditors**”) of the Company for the year ended 31 December 2019.
- 2(A). (i) To re-elect Mr. Chu Kin Wang, Peleus as an independent non-executive Director.

(ii) To re-elect Mr. Hu Lie Ge as an independent non-executive Director.
- 2(B). To authorise the board of Directors (the “**Board**”) to fix the remuneration of the Directors.
3. To re-appoint the Auditors and to authorise the Board to fix their remuneration.
4. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution of the Company:

“THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares of HK\$0.01 each (“**Shares**”) in the capital of the Company subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) or of any other stock exchange on which the Shares may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission of Hong Kong, the Stock Exchange, the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and all other applicable laws in this regard as amended from time to time and the manner of any such repurchase, be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the aggregate nominal amount of the shares of the Company which are authorised to be repurchased by the Directors pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the said approval shall be limited accordingly; and
- (c) for the purposes of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by laws or the Company’s articles of association to be held; or
- (iii) the date upon which the authority set out in this resolution is revoked or varied by way of an ordinary resolution of the shareholders of the Company in general meeting.”

- 5. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution of the Company:

“**THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with the authorized and unissued Shares in the share capital of the Company and to make or grant offers, agreements, options and rights of exchange or conversion including warrants to subscribe for Shares which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements, options and rights of exchange or conversion including warrants to subscribe for Shares which would or might require the exercise of such powers after the end of the Relevant Period (as hereinafter defined);

NOTICE OF ANNUAL GENERAL MEETING

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the Directors pursuant to the approval granted in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of any options granted under the share option scheme of the Company approved by the Stock Exchange; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company from time to time or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by laws or the Company’s articles of association to be held; or
- (iii) the date upon which the authority set out in this resolution is revoked or varied by way of an ordinary resolution of the shareholders of the Company in general meeting; and

“**Rights Issue**” means an offer of Shares or offer on issue of warrants, options or other securities giving rights to subscribe for Shares, open for a period fixed by the Directors to the holders of shares of the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange, in any territory outside Hong Kong).”

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

ORDINARY RESOLUTION

6. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution of the Company:

“**THAT** conditional upon the passing of resolutions nos. 4 and 5 as set out in the notice convening the Meeting, the general mandate granted to the directors of the Company to allot, issue and deal with new shares pursuant to the resolution no. 5 set out in the notice convening this meeting of which this resolution forms part be and is hereby extended by the addition to the aggregate nominal amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the resolution no. 4 set out in the notice convening this meeting of which this resolution forms part, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution.”

7. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the approval for the listing of, and permission to deal in, the shares of the Company to be issued and allotted pursuant to the exercise of options granted under the new share option scheme of the Company (the “**New Share Option Scheme**”), the rules of which are contained in the document marked “A” produced to the meeting and for the purposes of identification signed by the chairman thereof, the New Share Option Scheme be and is hereby approved and adopted and the directors of the Company be and are hereby authorized to do all acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme, including but without limitation:

- (i) to administer the New Share Option Scheme under which options will be granted to participants eligible under the New Share Option Scheme to subscribe for the shares of the Company, including but not limited to determining and granting the options in accordance with the terms of the New Share Option Scheme;
- (ii) to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to the modification and/or amendment and subject to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”);

NOTICE OF ANNUAL GENERAL MEETING

- (iii) to allot and issue from time to time such number of shares (in aggregate not exceeding 10% of the number of shares in issue as at the adoption date of the New Share Option Scheme) of the Company as may be required to be allotted and issued pursuant to the exercise of the options under the New Share Option Scheme and subject to the Listing Rules;
- (iv) to make application at appropriate time or times to the Stock Exchange and any other stock exchanges upon which the issued shares of the Company may for the time being be listed, for listing of and permission to deal in, any shares of the Company which may hereafter from time to time be allotted and issued pursuant to the exercise of options under the New Share Option Scheme; and
- (v) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme.”

By Order of the Board of
Huayu Expressway Group Limited
Chan Yeung Nam
Chairman

Hong Kong, 17 April 2020

As at the date of this notice, the executive Directors of the Company are Mr. Chan Yeung Nam, Mr. Mai Qing Quan and Mr. Fu Jie Pin and the independent non-executive Directors of the Company are Mr. Sun Xiao Nian, Mr. Chu Kin Wang, Peleus and Mr. Hu Lie Ge.

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Notes:

1. The register of members of the Company will be closed from 8 June 2020 to 11 June 2020 (both days inclusive) during which no transfer of Share(s) will be registered. Members whose names appear on the register of members of the Company at the close of business on 5 June 2020 will be entitled to attend and vote at the Meeting.
2. Any shareholder entitled to attend and vote at the Meeting is entitled to appoint another person as his/her proxy to attend and vote on his/her behalf. A shareholder of the Company who is the holder of two or more Shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.
3. Where there are joint registered holders of any Shares, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such Shares as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most, or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand in the register in respect of the relevant joint holding.
4. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or any adjournment thereof.
5. Please refer to Appendix II to the circular of the Company dated 17 April 2020 for the details of the retiring Directors subject to re-election at the Meeting.
6. Taking into account of the recent development of the epidemic caused by novel coronavirus pneumonia (COVID-19), the Company will implement the following prevention and control measures at the AGM against the epidemic to protect the Shareholders from the risk of infection:
 - (i) Compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.5 degrees Celsius will not be admitted to the venue;
 - (ii) Every Shareholder or proxy is required to wear surgical facial mask throughout the AGM; and
 - (iii) No refreshment will be served.

Furthermore, the Company wishes to advise the Shareholders, particularly the Shareholders who are subject to quarantine in relation to COVID-19, that they may appoint any person or the chairman of the AGM as a proxy to vote on the resolutions, instead of attending the AGM in person.