
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Cheuk Nang (Holdings) Limited, you should at once hand this circular and the accompanying Form of Election (if any) to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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CHEUK NANG (HOLDINGS) LIMITED

卓能 (集團) 有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 131)

Executive Directors:

Dr. Chao Sze Tsung, Cecil (Chairman)
Chao Gigi (Vice Chairman)
Yung Philip
Ho Sau Fun, Connie

Registered Office:

Suite 4901, 49/F
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Non-Executive Directors:

Chao Howard
Lee Ding Yue, Joseph

Independent Non-Executive Directors:

Dr. Sun Ping Hsu, Samson
Ting Woo Shou, Kenneth
Lam Ka Wai, Graham

30 March 2017

Dear Sirs,

**CASH DIVIDEND WITH SCRIP OPTION
IN RELATION TO THE INTERIM DIVIDEND
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

Introduction

It was resolved by the directors of Cheuk Nang (Holdings) Limited (“the Company”) that an interim dividend for the six months ended 31 December 2016 of HK\$0.065 per issued share of the

Company (“Shares”) be paid to shareholders whose names appeared on the register of members at the close of the business on 29 March 2017. It was also resolved that such dividend should be paid in cash or be satisfied by way of an allotment of new Shares credited as fully paid in accordance with the Articles of Association of the Company and that shareholders may elect to receive scrip wholly or partly in lieu of the cash dividend. The latest date on which transfers were accepted for registration in order to qualify for the dividend was 22 March, 2017. The register of members of the Company was closed from 23 March 2017 to 29 March 2017 (both days inclusive) during which period no transfers of shares was effected.

Particulars of the Interim Dividend

Shareholders have the following choices in respect of the interim dividend:

- (i) Interim dividend of HK\$0.065 per Share in cash; or
- (ii) an allotment of new Shares (“New Shares”) credited as fully paid and having a discounted market value (as defined below) equal to the total amount of interim dividend which shareholders could elect to receive in cash in respect of HK\$0.065 per Share, subject to any fractional entitlement being disregarded as mentioned below; or
- (iii) partly New Shares and partly cash.

For the purpose of calculating the number of New Shares to be allotted, the discounted market value (“Discounted Market Value”) of a New Share means a 15% discount on the closing market price of the Shares on The Stock Exchange of Hong Kong Limited as at 27 March 2017 (being the latest practicable date prior to the bulk-printing of this circular) rounded down to one decimal place. The closing market price of the Shares as at 27 March 2017 is HK\$5.30, the Discounted Market Value is HK\$4.50.

Accordingly, the number of New Shares which shareholders will receive, in respect of the existing Shares registered in their names as at 29 March 2017 and for which all elections to receive the scrip dividend are lodged with the Company’s share registrar in Hong Kong on or before 18 April 2017, will be calculated as follows:-

$$\begin{array}{l} \text{Number of New} \\ \text{Shares to be} \\ \text{received} \end{array} = \begin{array}{l} \text{Number of existing Shares held on} \\ \text{29 March 2017 for which scrip} \\ \text{election is made} \end{array} \times \frac{\text{HK\$0.065}}{\text{HK\$4.50}}$$

As at 29 March 2017, the total number of issued shares of the Company is 523,749,311 shares. The maximum number of New Shares to be issued in respect of the interim dividend will be 7,565,267 shares which represent 1.44% of the existing total number of issued shares and 1.42% of the enlarged number of issued shares of the Company.

The last day on which shareholders will be entitled to make their choices of the above alternatives is 4:30 p.m. on 18 April 2017.

The New Shares to be issued pursuant to the scrip dividend arrangements will rank pari passu in all respects with the existing issued Shares, except for the interim dividend for the six months ended 31 December 2016 and will rank in full for all future dividends and distributions which may be declared, made or paid. No shareholder will be entitled to be issued any fraction of a Share under the scrip dividend arrangements. Fractional entitlements to Shares will be disregarded and the benefit thereof will accrue to the Company. No cash in lieu of fractional entitlements to the New Shares will be offered by the Company to the shareholders since the shareholders already given opportunity to elect for either cash or New Shares or both.

Advantage of the Scrip Dividend

The scrip dividend will enable shareholders to increase their holdings of Shares without incurring dealing costs or stamp duty. The scrip dividend will also be to the advantage of the Company because, to the extent that shareholders elect to receive New Shares, in whole or in part, such cash as would otherwise have been paid to the shareholders will be retained for use as working capital by the Company.

Effect of the Scrip Dividend

If there is no election to receive the interim dividend in scrip were received in respect of all the existing Shares registered as at 29 March 2017, the total cash dividend payable by the Company would be approximately HK\$34,043,705.22.

Shareholders of the Company should note that the scrip dividend may give rise to notification requirements under the Securities and Futures Ordinance for those shareholders who may have notifiable interests in the Company. Shareholders of the Company who are in any doubt as to how these provisions may affect them are recommended to seek their own professional advices.

Form of Election

Enclosed is a Form of Election. **No action is required if you wish the interim dividend for the six months ended 31 December 2016 which you are entitled to receive to be wholly satisfied in cash. Otherwise, if you wish to receive such dividend by an allotment of New Shares on the abovementioned basis, or partly in cash with the balance satisfied by an allotment of New Shares, you must complete the enclosed Form of Election in accordance with the instructions printed thereon and lodge it with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investors Services Limited of 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 18 April 2017.**

If you have signed the Form of Election but do not specify the number of Shares in respect of which you wish to receive the dividend by way of an allotment of New Shares or, if you elect to receive the dividend by way of an allotment of New Shares in respect of a greater number of Shares than your registered holding, then in either case you will be deemed to have exercised your election to receive the dividend in New Shares in respect of all the Shares registered in your name(s). No acknowledgement of receipt of Form of Election will be issued.

The Form of Election has not been sent to shareholders who have previously made a permanent election to receive all future dividends either wholly in cash or wholly in New Shares. These shareholders will receive dividend in the form specified in the permanent election for all the Shares for the time being registered in their names, without having to complete any further Form of Election. Any shareholder wishing to change these existing permanent elections should contact the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, before 4:30 p.m. on 18 April 2017.

Overseas Shareholders

All shareholders resident outside Hong Kong should consult their bankers or other professional advisers as to whether any governmental or other consents are required or other formalities need to be observed to enable them to receive Shares in satisfaction of interim dividend for the six months ended 31 December 2016. No person receiving in any territory outside Hong Kong a copy of this circular and/or a Form of Election may treat the same as an invitation to him unless in the relevant territory such invitation could lawfully be made to him without having to comply with any unfulfilled registration or other legal requirements.

This circular and Form of Election will not be registered in Hong Kong or any other jurisdiction. The Shares have not been registered under the applicable securities legislation of any jurisdictions other than Hong Kong. The Company has made enquiries with legal advisers where its overseas shareholders are based regarding legal restriction and regulatory arrangements on participation of shareholders resident outside Hong Kong in the scrip dividend arrangements as required by rule 13.36(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. As at 29 March 2017, the Company has 4 overseas shareholders situated in United Kingdom, Switzerland and Portugal. Since registration or filing or other procedures will need to be carried out to comply with the relevant securities legislation of different countries, it would be impractical for the Company to comply with the different procedures in different countries given the small number of overseas shareholders. In order to save the administration costs, the Form of Election will not be sent to those shareholders who have registered address situated overseas (“the Excluded Shareholders”) and they will only receive this circular for information. Excluded Shareholders will receive their dividends wholly in cash.

Listing and Dealings

Shares issued by the Company have been admitted as eligible securities for deposit and settlement in the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited. Dealings in the Company’s Shares may be settled through the Central Clearing and Settlement System. Investors should seek the advice of their stockbrokers or other professional advisers for details of these settlement arrangements and how such arrangements will affect their rights and interests.

The Shares are listed and dealt in on The Stock Exchange of Hong Kong Limited. On no other stock exchanges are any part of the Shares of the Company listed or dealt in or on which listing or permission to deal is being or is proposed to be sought. Application will be made to The Stock Exchange of Hong Kong Limited for the listing of and permission to deal in the New Shares to be issued pursuant to the scrip dividend arrangements. It is expected that the share certificates will be sent to those shareholders by ordinary post on 26 April 2017 at their own risks and dealings in such Shares will commence on 27 April 2017. In the unlikely event that the New Shares are not admitted to listing by The Stock Exchange of Hong Kong Limited before 19 April 2017, the Forms of Election will be disregarded and the full cash dividend will be paid to the entitled shareholders according to their registered shareholdings.

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 purpose of giving information with regard to the issuer. The directors, have made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document 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 document misleading.

Recommendation

It is the shareholders’ responsibility to decide in this regard whether or not to exercise their rights to receive scrip dividend in lieu of cash. Whether or not it is to the shareholders’ advantage to cash or New Shares, in whole or in part, depend upon their own individual circumstances. The effect on the tax position of any shareholder will depend on that shareholder’s particular circumstances. If you are in any doubt as to what to do, you should consult your professional advisers. Shareholders who are trustee are recommended to take professional advice as to whether the choice to receive cash or New Shares is within their powers and as to its effect having regard to the terms of the relevant trust instrument.

Yours faithfully,
Cecil Sze-Tsung Chao
Executive Chairman