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LEE & MAN CHEMICAL COMPANY LIMITED

理文化工有限公司

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.leemanchemical.com>

(Stock Code: 746)

CONNECTED TRANSACTION

The Board is pleased to announce that on 4 May 2016, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor for the purchase by the Purchaser of the Property at an aggregate consideration of HK\$5,480,000. The Company intends to use the Property as an information research centre in Hong Kong.

The Board is pleased to announce that the Purchaser, an indirect wholly-owned subsidiary of the Company, has entered into the Agreement with the Vendor for the purchase by the Purchaser of the Property.

THE AGREEMENT

A summary of the material terms of the Agreement are as follows:–

Date: 4 May 2016

Parties: (i) the Vendor
(ii) the Purchaser, an indirect wholly-owned subsidiary of the Company

The Vendor is a proposed executive Director to be elected in the upcoming annual general meeting of the Company, and his biographical details are set out in the Company's circular dated 1 April 2016. He joined the Group on 1 July 2015, when he was appointed as a chief strategist and his main duties involved planning the Group's overall business and long term strategies, formulating new product development directions, leading the Group's research and development team for enhancement of scientific research technology, commercialising its research results and introducing new products into the market. He was also appointed as a director of the Purchaser with effect from 1 March 2016, and is therefore a connected person of the Company at the subsidiary level.

Pursuant to the terms of the Agreement, the Purchaser will acquire the Property from the Vendor at the consideration of HK\$5,480,000. An initial deposit of HK\$548,000 was paid to the Vendor upon signing of the Agreement. The balance of the consideration of HK\$4,932,000 is payable on or before the completion date of the Agreement, which is scheduled to take place on 31 May 2016. Pursuant to the Agreement, (i) if the Purchaser fails to complete the purchase of the Property, the Vendor has the right to, amongst other things, forfeit the deposit and terminate the Agreement, and (ii) if the Vendor fails to complete the sale of the Property, the Purchaser is entitled to, amongst other things, have the deposit returned and terminate the Agreement. Both parties also have a right to bring an action for specific performance of the Agreement either in lieu of or in addition to any claim for damages which a party may sustain by reason of the breach of the Agreement by the other party.

The Property is located at workshop D35, 17/F, Wah Lok Industrial Centre (Phase II), Nos. 31–35 Shan Mei Street, Shatin, New Territories with a total saleable area of approximately 1,326 square feet and is currently vacant. The original acquisition cost to the Vendor in respect of the Property was approximately HK\$6,328,000.

The consideration for the Property was determined after arm's length negotiations between the Vendor and the Purchaser, by reference to, the market price of the property of HK\$5,480,000, as determined by a third party valuer.

The total consideration for the Property will be satisfied by internal resources of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and the Group is principally engaged in the manufacture and sale of chemical products.

The Group plans to set up a new information research centre in Hong Kong, to supplement its existing facilities in China. The Directors consider that the Property is situated in a location which is suitable for the intended use as an information research centre. By acquiring the Property, the Group will not be subject to the fluctuations in costs associated with renting of suitable premises, and the uncertainty in the permanence of the facilities, and avoid any adverse effect on its operations if it is required to move its facilities if rental costs become too high.

The Directors believe that it is in the long term benefit to the Group's development to acquire the Property to establish an information research centre.

The Directors, including the independent non-executive Directors, consider that the terms of the Agreement are fair and reasonable, and that the Agreement and the transactions contemplated thereunder are on normal commercial terms and are in the interests of the Company and its shareholders as a whole.

No Director has any material interest in the Agreement and the transactions contemplated thereunder and therefore no Director was required to abstain from voting on the relevant board resolution approving the Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

The Vendor, Professor Chan Albert Sun Chi, is proposed to be elected and appointed as an executive Director in the upcoming annual general meeting to be held on 9 May 2016. He was also appointed as a director of the Purchaser with effect from 1 March 2016, and is therefore a connected person of the Company at the subsidiary level. The Acquisition therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, but as the applicable percentage ratios (as defined under the Listing Rules) are less than 1.0% and the transaction is a connected transaction only because it involves a connected person at the subsidiary level, it is a de minimis transaction under Rule 14A.76(1)(b) of the Listing Rules and is fully exempt from shareholders' approval, annual review and disclosure requirements.

DEFINITIONS

In this announcement, capitalised terms shall have the meaning as ascribed to them below unless otherwise specified:–

“Agreement”	the binding sale and purchase agreement dated 4 May 2016 entered into between the Vendor and the Purchaser in respect of the acquisition of the Property
“Board”	board of Directors of the Company
“Company”	Lee & Man Chemical Company Limited 理文化工有限公司, a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“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 People's Republic of China
“Property”	the property located at workshop D35, 17/F, Wah Lok Industrial Centre (Phase II), Nos. 31–35 Shan Mei Street, Shatin, New Territories
“Purchaser”	Lee & Man (International) Investment Limited, a company incorporated in Hong Kong with limited liability

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Vendor”

Professor Chan Albert Sun Chi, a proposed executive Director of the Company

By order of the Board
Lee & Man Chemical Company Limited
Wai Siu Kee
Chairman

Hong Kong, 4 May 2016

As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely, Ms. Wai Siu Kee, Mr. Lee Man Yan, Mr. Yang Zuo Ning and Ms. Wong Yuet Ming and three independent non-executive directors, namely Mr. Wong Kai Tung, Tony, Mr. Wan Chi Keung, Aaron BBS JP and Mr. Heng Victor Ja Wei.