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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)

PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME AND GRANT OF SHARE OPTIONS

The Board is pleased to announce that:

- (1) it is proposed the Company shall adopt a New Share Option Scheme; and
- (2) Mr. Lee Man Yan, an executive Director and chief executive officer of the Company, be conditionally granted such number of Options representing 10% of the total issued share capital of the Company.

NEW SHARE OPTION SCHEME

The Board is pleased to announce that the adoption of a New Share Option Scheme pursuant to Chapter 17 of the Listing Rules be proposed for approval at the EGM, and Mr. Lee be conditionally granted 82,500,000 Options (representing the maximum 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 schemes of the Company assuming no change in the total issued share capital of the Company at the EGM since the date of this announcement). Further details of the New Share Option Scheme will be set out in a circular to be despatched in due course to the Shareholders.

As at the date of this announcement, none of the Company and any of its subsidiaries has adopted any share option scheme pursuant to the Listing Rules.

GRANT OF OPTIONS

The grant of the Options was approved by all the independent non-executive Directors on 13 June 2017 pursuant to Rule 17.04(1) of the Listing Rules. As the number of Shares which fall to be issued to Mr. Lee pursuant to the exercise of the Options in full exceeds 1% of the total issued share capital of the Company, the grant of the Options is subject to the approval by Shareholders who are independent of Mr. Lee and his associates at the EGM to be convened for the purpose of, amongst other things, the grant of the Options to Mr. Lee.

Mr. Lee, his associates and the core connected persons of the Company will abstain from voting on the resolution approving the grant of Options at the EGM.

A summary of the grant terms are as follows:

Vesting period and related performance targets

The Options will vest on 1 April 2022. They will be exercisable by Mr. Lee during the period from 1 April 2022 to 31 March 2027 if the Group achieves the following performance targets:

- (i) all the 82,500,000 Options will be exercisable from 1 April 2022 to 31 March 2027 (both dates inclusive) if the Net Profit for the Group's financial year ending 31 December 2021 equals or exceeds 150% of the Net Profit for the Group's financial year ended 31 December 2016 of HK\$216,195,000;
- (ii) if the Net Profit for the Group's financial year ending 31 December 2021 cannot be achieved as per (i) above, the 82,500,000 Options will be exercisable from 1 April 2023 to 31 March 2027 (both dates inclusive) if the Net Profit for the Group's financial year ending 31 December 2022 equals to or exceeds 160% of the Net Profit for the Group's financial year ended 31 December 2016 of HK\$216,195,000.

Exercise Price

The exercise price of the Options conditionally granted to Mr. Lee is HK\$3.72 which was determined at the Board meeting held on 13 June 2017. The exercise price has been fixed in compliance with Rule 17.03(9) of the Listing Rules by reference to the highest of (i) HK\$0.1, being the par value of a Share; (ii) HK\$3.72, being the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of the above Board meeting approving the exercise price and the grant, and (iii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of the above Board meeting.

Any exercise of the Options by Mr. Lee shall be subject to the Company's compliance with the public float requirement under Rule 8.08 of the Listing Rules.

The Options are granted to Mr. Lee, subject to (i) the adoption of the New Share Option Scheme; (ii) obtaining of the listing approval from the Stock Exchange; and (iii) Independent Shareholders' approval of the proposed grant at the EGM. Such grant is both in line with and as an incentive for his continuing commitment and contribution to the Group in the future. The Board believes that it is crucial to incentivize and align Mr. Lee's interest with that of the Company and its shareholders and the grant of Options with the prescribed performance targets set out above will achieve such objective. The consideration payable by Mr. Lee on acceptance of the Options was HK\$1.00.

The Directors (including the independent non-executive Directors) consider that the terms of the grant of the Options are fair and reasonable and in the interests of Shareholders as a whole.

VALUE OF OPTIONS

The values of the Options granted are set out below. Such values are determined using the Binomial model with details as follows:

Options Granted on 13 June 2017

Exercise price	HK\$3.72
Maturity (years)	9.80
Expected volatility of underlying share estimated based on historical volatility of the Shares	37.022%
Risk free rate (based on yield rate of 10 year Hong Kong government bond)	1.22%
Expected dividend yield estimated based on historical dividend yield of the Shares	2.42%
Exercise multiple	3.32
Grant date	13 June 2017
Number of options	82,500,000
Number of vesting period	1
Vesting date	1 April 2022
Estimate value for each Option	1.2786

The closing price of the Shares on the grant date was HK\$3.72.

BOOK CLOSURE

For ascertaining Shareholders' right to attend and vote at the EGM, the register of members of the Company will be closed from 12 July 2017 to 14 July 2017, both dates inclusive, during which period no transfer of Shares will be registered. Holders of the Company's Shares whose names appear on the Company's register of members on 14 July 2017 are entitled to attend and vote at the EGM. In order to qualify for attending and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 11 July 2017.

A circular containing further details on the grant of the Options and the notice of EGM will be despatched as soon as practicable.

DEFINITIONS

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

“associate”	has the same meaning as defined in the Listing Rules;
“Board”	means the board of Directors;
“Company”	means Lee & Man Chemical Company Limited 理文化工有限公司, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange;
“core connected person”	has the same meaning as defined in the Listing Rules;
“Director(s)”	means director(s) of the Company;
“EGM”	means the extraordinary general meeting of the Company to be convened to approve, amongst other things, the adoption of the New Share Option Scheme and the grant of the Options to Mr. Lee;
“Group”	means the Company and its subsidiaries;
“Hong Kong”	means The Hong Kong Special Administrative Region of the PRC;
“Independent Shareholders”	means Shareholders other than Mr. Lee and his associates;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Lee”	Mr. Lee Man Yan, an executive Director and chief executive officer of the Company;

“Net Profit”	for any financial year, means the consolidated net profit of the Company after tax but excluding extraordinary items based on its audited consolidated statement of comprehensive income for that financial year;
“New Share Option Scheme”	means the new share option scheme proposed to be adopted by the Company at the EGM;
“Option”	means an option to subscribe for Shares pursuant to the New Share Option Scheme and for the time being subsisting;
“Share(s)”	means ordinary share(s) of HK\$0.10 each in the issued share capital of the Company;
“Shareholder(s)”	means holder(s) of the Share(s);
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“%”	means per cent.

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

Hong Kong, 13 June 2017

As at the date of this announcement, the Board comprises four executive directors, namely Ms. Wai Siu Kee, Mr. Lee Man Yan, Professor Chan Albert Sun Chi and Mr. Yang Zuo Ning and three independent non-executive directors, namely Mr. Wong Kai Tung, Tony, Mr. Wan Chi Keung, Aaron and Mr. Heng Victor Ja Wei.