

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

If you have sold or transferred all your shares in Lee & Man Chemical Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



LEE & MAN CHEMICAL COMPANY LIMITED

理文化工有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 746)

**PROPOSALS FOR ADOPTION OF
THE NEW SHARE OPTION SCHEME,
GRANT OF SHARE OPTIONS
AND**

NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the Extraordinary General Meeting of Lee & Man Chemical Company Limited to be held at 8th Floor, Liven House, 61–63 King Yip Street, Kwun Tong, Kowloon, Hong Kong at 11:00 a.m. on Friday, 14 July 2017 (the “EGM”) is set out on pages 24 to 26 of this circular.

Whether or not shareholders are able to attend the EGM, they are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company’s Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM (or any adjournment thereof) should they so desire.

26 June 2017

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
APPENDIX – SUMMARY OF THE PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME	15
NOTICE OF EXTRAORDINARY GENERAL MEETING	24

DEFINITIONS

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

“Adoption Date”	means 14 July 2017, the date on which the New Share Option Scheme is to be conditionally adopted by the Shareholders in the EGM;
“Articles”	means the articles of association of the Company adopted at the annual general meeting held on 12 August 2005;
“associate”	has the same meaning as defined in the Listing Rules;
“Board”	means the board of Directors;
“Business Day”	means any day (excluding a Saturday and Sunday) on which banks are generally open for business in Hong Kong;
“close associate”	has the same meaning as defined in the Listing Rules;
“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;
“controlling shareholder”	has the same meaning as defined in the Listing Rules;
“Core Connected Person(s)”	has the same meaning as defined in the Listing Rules;
“Date of Grant”	in respect of an Option, means the Business Day on which the Board resolves to make an Offer to a Participant, whether or not the Offer is subject to Shareholders’ approval on the terms of the New Share Option Scheme;
“Director(s)”	means director(s) of the Company or the Board of Directors of the Company, as the context may require;
“EGM”	means the extraordinary general meeting of the Company to be held at 8th Floor, Liven House, 61–63 King Yip Street, Kwun Tong, Kowloon, Hong Kong at 11:00 a.m. on Friday, 14 July 2017;
“Fortune Star”	means Fortune Star Tradings Ltd., the controlling shareholder of the Company, incorporated with limited liability in the British Virgin Islands;

DEFINITIONS

“Grantee”	means any Participant who accepts an Offer in accordance with the terms of this Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee or the legal personal representative of such person;
“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;
“Latest Practicable Date”	means 21 June 2017, being the latest practicable date prior to the printing of this circular;
“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, a summary of the principal terms of which is set out in the Appendix to this circular;
“Offer”	means the offer of the grant of an Option made in accordance with the terms and conditions of the New Share Option Scheme;
“Old Share Option Scheme”	means the share option scheme adopted by the Company on 14 December 2001;
“Option Period”	in respect of any particular Option, means the period to be determined and notified by the Board to the Grantee; at the time of making an Offer which shall not expire later than 10 years from the Date of Grant;
“Option(s)”	means option(s) to subscribe for Shares pursuant to the New Share Option Scheme and for the time being subsisting;

DEFINITIONS

“Participants”	means directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group;
“Remuneration Committee”	means the remuneration committee of the Company, comprising Mr. Heng Victor Jia Wei, Mr. Wong Kai Tung, Tony and Mr. Wan Chi Keung, Aaron, all being independent non-executive Directors;
“SFO”	means the Securities and Futures Ordinance;
“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;
“Subscription Price”	means the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to the New Share Option Scheme;
“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) of the Company, whether incorporated in Hong Kong or elsewhere and “Subsidiaries” shall be construed accordingly;
“substantial shareholder”	has the same meaning as defined in the Listing Rules;
“Supplementary Guidance”	supplementary guidance on Rule 17.03(13) of the Listing Rules issued by the Stock Exchange on 5 September 2005 and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“%”	per cent.

Note: All times and dates referred to in this circular refer to Hong Kong local times and dates.



LEE & MAN CHEMICAL COMPANY LIMITED
理文化工有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 746)

Executive Directors:

Ms. Wai Siu Kee (*Chairman*)
Mr. Lee Man Yan (*Chief Executive Officer*)
Professor Chan Albert Sun Chi
Mr. Yang Zuo Ning

Independent Non-executive Directors:

Mr. Wong Kai Tung, Tony
Mr. Wan Chi Keung, Aaron *BBS JP*
Mr. Heng Victor Ja Wei

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

8th Floor, Liven House
61-63 King Yip Street
Kwun Tong
Kowloon
Hong Kong

26 June 2017

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR ADOPTION OF
THE NEW SHARE OPTION SCHEME
GRANT OF SHARE OPTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 13 June 2017 in relation to the proposed adoption of the New Share Option Scheme and the grant of share options. The purpose of this circular is to provide you with further information on the adoption of the New Share Option Scheme, grant of share options and the ordinary resolutions to be proposed at the EGM for the Independent Shareholders to approve the adoption of the New Share Option Scheme and the grant of the Options.

LETTER FROM THE BOARD

PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME

A. The New Share Option Scheme

The Company does not currently have a share option scheme since the expiry of the Old Share Option Scheme. The Board proposes to recommend to the Shareholders to approve the adoption of the New Share Option Scheme at the EGM. The New Share Option Scheme will become effective after all the conditions precedent as referred to under the paragraph headed “Conditions Precedent to the Adoption of the New Share Option Scheme” below have been fulfilled.

As at the Latest Practicable Date, there were a total of 825,000,000 Shares in issue and there are no outstanding options granted under the Old Share Option Scheme. Assuming that there is no change in the total number of Shares in issue during the period from the Latest Practicable Date up to the date of the EGM, 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 will be 82,500,000 Shares, representing approximately 10% of the total number of Shares in issue as at the date of the EGM, unless the Company obtains a fresh approval from its Shareholders to renew the 10% limit on the basis that the maximum number of Shares which may be issued upon the 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 shall not exceed 30% of the total number of Shares in issue from time to time. If the share capital of the Company changes, including a share consolidation or subdivision, after the adoption of the New Share Option Scheme, the maximum number of Shares that may be issued upon exercise of all the Options will be adjusted accordingly such that the number of Shares as a percentage of the Company’s issued Shares immediately before and after such share capital change shall be the same.

B. Reasons for adopting the New Share Option Scheme

The purpose of the New Share Option Scheme is to reward Participants who have contributed or will contribute to the Group and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The New Share Option Scheme expressly provides that the Board may with respect to each grant of Options, determine the Subscription Price (in compliance with Rule 17.03(9) of the Listing Rules), the minimum period (if any) for which an Option must be held before it can be exercised, performance targets (if any) and other conditions that apply to the Options.

The Directors believe that the New Share Option Scheme will accord the Board flexibility in determining specific targets, parameters and conditions (including the minimum holding period, performance targets and subscription price of such options) to which the specific grant of Options may be subject on a case-by-case basis, will serve to protect the value of the Company and can promote alignment between the Participant and the aim of enhancing shareholders value through increase in share price. The Directors also believe that the New Share Option Scheme will continue to enable the Group to attract and/or retain people who are valuable to the development of the Group and to maintain or attract business relationships with Participants whose contributions are or may be beneficial to the growth of the Group.

LETTER FROM THE BOARD

C. Conditions precedent to the adoption of the New Share Option Scheme

The New Share Option Scheme shall take effect subject to the following conditions:

- (a) the passing of an ordinary resolution of the Shareholders in the EGM approving the adoption of the New Share Option Scheme and authorising the Board to grant Options thereunder and to allot and issue Shares pursuant to the exercise of any Options granted under the New Share Option Scheme; and
- (b) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any Shares which fall to be issued and allotted pursuant to the exercise of Options under the New Share Option Scheme.

An application will be made to the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options granted under the New Share Option Scheme.

D. Principal terms of the New Share Option Scheme

A summary of the principal terms of the New Share Option Scheme is set out in the Appendix to this circular. The terms of the New Share Option Scheme are in line with the provisions of Chapter 17 of the Listing Rules, which governs the terms of the share option schemes of listed companies.

A copy of the New Share Option Scheme is available for inspection at the principal place of business of the Company at 8th Floor, Liven House, 61–63 King Yip Street, Kwun Tong, Kowloon from the date of this circular to and including the date of the EGM.

PROPOSED GRANT OF SHARE OPTIONS

A. Grant of share options

The Board has resolved to grant, subject to

- (i) the adoption of the New Share Option Scheme,
- (ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any Shares which fall to be issued and allotted pursuant to the exercise of Options under the New Share Option Scheme, and
- (iii) approval of the grant of the Options referred to below by the Independent Shareholders,

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 Latest Practicable Date) to Mr. Lee. To the

LETTER FROM THE BOARD

extent the total number of issued Shares changes as at the date of the EGM, the number of Options to be granted shall be such number representing 10% of the total issued Shares as at the date of the EGM.

B. Terms of the Options

The Options, subject to the Independent Shareholders' approval at the EGM, to be granted to Mr. Lee will be granted in accordance with the terms of the New Share Option Scheme (if adopted) and a summary of the principal terms of such Options to be granted to Mr. Lee are set out below:

(a) 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 to 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.

(b) Exercise Price

The exercise price of the Options conditionally granted to Mr. Lee is HK\$3.72, which was determined at the Board meeting on 13 June 2017 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 approving the exercise price and the grant.

LETTER FROM THE BOARD

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.

(c) Reasons and consideration for the grant of the Options

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.

Mr. Lee's Background and Group Performance

Mr. Lee joined the Group in 2000 and is the chief executive officer and general manager of Jiangsu Lee & Man Chemical Ltd. He is in charge of corporate and strategic planning for the chemical business of the Group, and is also responsible for the procurement, staff recruitment, public relations and management operations of the chemical business. Over the last 3 financial years, the revenue of the Group has been increasing. However the Group's profit before tax has been declining for the three financial years ended 31 December 2016. The reason for such declining profitability is primarily a result of the new Jiangxi operations of the Group which accounted for the 30.5% and 42.4% increase in selling and distribution costs for the financial years 2016 and 2015 respectively, together with increase in other ancillary costs including product delivery costs, administrative expenses and finance costs. Further details in connection with such declining profitability are disclosed in the Company's annual report.

Mr. Lee's Remuneration

Based on a public research report by an independent consulting firm published in 2014, where the report findings were derived from a study of 233 listed companies in Hong Kong, the median remuneration for a chief executive officer in the upper quartile companies as compared to that of Mr. Lee's remuneration is as follows:

Market median remuneration for	Multiple of Mr. Lee's remuneration for the year ended 31 December		
	2014*	2015	2016
All Hong Kong listed companies	4.9 to 10.2	4.9 to 10.3	5.1 to 10.6
Industrial companies	3.3 to 6.2	3.3 to 6.3	3.4 to 6.5
Materials companies (including chemicals business)	2.7 to 3.2	2.8 to 3.2	2.9 to 3.3

* Mr. Lee was appointed as chief executive officer of the Group in 2014.

LETTER FROM THE BOARD

The multiples above indicate that the remuneration of chief executive officers in the relevant market segments are significantly in excess of Mr. Lee's remuneration in the last three years. Further Mr. Lee's remuneration over the last three years have also been on a declining trend.

Group Remuneration Policy

The remuneration policy of the Group for Directors comprise directors fees, salaries and, as with the past, through grant of share options. The last share option scheme expired on 13 December 2011 and the Company intends to adopt the New Share Option Scheme as referred to above to continue providing incentive to relevant persons of the Group. The grant of the Options is therefore in line with the Group's remuneration policy for attracting and retaining key talents. This is also evidenced by the similar grant of share options to Mr. Lee in 2010 which, at the time, also represented 10% of the total issued share capital of the Company. Such share options granted to Mr. Lee in 2010 have already lapsed.

The Board's and Remuneration Committee's Views

The Board and the Remuneration Committee believe that it is critical that Mr. Lee be appropriately incentivised given he is the chief executive officer of the Company, driving the growth of the Group's business. Whilst the proportion of Mr. Lee's remuneration represented by the proposed 82,500,000 Options may be relatively larger than the proportion of options granted to chief executive officers of some of the other listed companies in Hong Kong, the Board and the Remuneration Committee remains of the view that the proposed grant of the Options to Mr. Lee is in the best interest of the Company and its shareholders as a whole. The remuneration of Mr. Lee, taking into account the Options, reflects the unique value and benefits that Mr. Lee (as chief executive officer and taking into account his industry experience and expertise) is expected to bring to the Group through the prerequisite performance targets.

The Board and the Remuneration Committee also considered the alternatives of increasing directors fees and salaries but such alternatives involve actual cash payments and they came to the view that the Group's cash resources are better utilised in its business operations. In addition, with the exercise price of HK\$3.72, the Company will receive HK\$306,900,000 upon full exercise of the Options.

The Board and Remuneration Committee also believe granting options would better align shareholder interest (through share price) directly with Mr. Lee's incentive through ability to exercise options and thereby owning Shares. The grant recognises Mr. Lee's expertise which supports the Group's business expansion and given the earliest time when the Options could be exercised is in year 2022, the Options would secure his long term support and commitment to the Group to promote the Group's future development and

LETTER FROM THE BOARD

achieve higher return to the Company (through performance targets) and the Shareholders. If such higher return is not achieved Mr. Lee will not be able to realise this part of his remuneration package represented by the Options.

As referred to in the section headed “B. Terms of the Options – (a) Vesting period and related performance targets” above, the Options may only be exercisable if the relevant performance targets are reached. These performance targets require achievement of Net Profit equal to or exceeding 150% (for the year ending 31 December 2021) and (where applicable) 160% (for the year ending 31 December 2022) as compared to that for the Group’s financial year ended 31 December 2016. Based on Net Profit growth to 150% (and where applicable, 160%), the earnings per Share would increase from HK\$0.262 for the year ended 31 December 2016 to HK\$0.393 (and, by reference to the 160% performance target, HK\$0.419), representing an increase of 50% (and, where applicable, 60%) respectively. Given the maximum dilution impact is 10% (assuming all Options can be and are in fact exercised), the earnings per Share would become HK\$0.357 (and, where applicable, HK\$0.381). This will still translate to a meaningful return to the Shareholders taking into account such potential dilution.

On the above basis, the Board and the Remuneration Committee consider that the grant of the Options is fair and reasonable and in the interest of the Company and its shareholders as a whole, and will achieve the objective of increasing the value of the Company, thereby creating value for Shareholders and aligning the interest of the chief executive officer of the Company with Shareholders, and which benefits outweigh the dilution impact caused by the exercise of such 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 falls to be issued pursuant to the exercise of all the Options to be granted to Mr. Lee exceeds 1% of the total issued share capital of the Company, the grant of the aforesaid Options is subject to the approval by the Independent Shareholders with Mr. Lee, his associates and all Core Connected Persons of the Company abstaining from voting at the EGM on the grant of Options to Mr. Lee. As Fortune Star, the Company’s controlling shareholder, is owned by Mr. Lee (the Grantee) as to 45%, Fortune Star is an associate of the Grantee for the purpose of the Listing Rules and will abstain from voting at the EGM to approve the grant of the Options. As at the Latest Practicable Date, Fortune Star held 618,750,000 Shares, comprising 75% of the issued Shares of the Company.

On the above basis, 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.

LETTER FROM THE BOARD

C. Information on options granted under the New Share Option Scheme

Assuming there is no change to the total issued share capital of the Company from the Latest Practicable Date until the date of the EGM, the 82,500,000 Shares to be issued upon exercise of the Options in full represent 10% of the total issued share capital of the Company as at the Latest Practicable Date. To the extent the total number of issued Shares changes as at the date of the EGM, the number of Options to be granted shall be such number representing 10% of the total issued Shares as at the date of the EGM.

Under the New Share Option Scheme, the Options do not carry any right to voting, dividend, transfer or other rights (including those arising on a liquidation of the Company) prior to their being exercised and the underlying Shares being issued, and the Shares fall to be issued upon exercise of the Options shall rank pari passu with the Shares then existing in all respects, including the entitlement of receiving dividends and other distributions the record date for which is on or after the date of allotment and issue of those Shares. The Options themselves, however, do not carry any right to voting, dividend, transfer or other rights (including those arising on a liquidation of the Company) prior to their being exercised and the underlying Shares being issued.

Based on the New Share Option Scheme which is subject to approval at the EGM, the maximum number of Shares which may be issued under the New Share Option Scheme upon exercise of all options granted thereunder will be 82,500,000, assuming no change to the total issue share capital of the Company from the Latest Practicable Date. The Options granted to Mr. Lee when exercised in full will represent 10% of the total issued share capital of the Company as at the date of the EGM.

The Company currently has no intention to refresh the scheme mandate limit of the New Share Option Scheme upon granting of the Options to Mr. Lee referred to above. In any event should the Company decide to refresh the scheme mandate limit in the future, it will comply with the Listing Rules at the time.

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%

LETTER FROM THE BOARD

Options Granted on 13 June 2017

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.

The following table illustrates the changes in the shareholdings of the Company upon the exercise in full of all the Options (assuming no change in the number of total issued Shares between the Latest Practicable Date and the date when the Shares are issued pursuant to the exercise of the Options in full):

Shareholders	As at the Latest Practicable Date		Upon exercise of the Options in full	
	<i>Number of Shares held</i>	<i>Approximate Shareholding percentage</i>	<i>Number of Shares held</i>	<i>Approximate Shareholding percentage</i>
Lee Man Yan (<i>Note 1</i>)	618,750,000	75%	701,250,000	77.27%
Fortune Star (<i>Note 1</i>)	618,750,000	75%	618,750,000	68.18%
Other Shareholders	206,250,000	25%	206,250,000	22.73%
				<i>(Note 2)</i>
Total:	825,000,000	100%	907,500,000	100%

Notes:

- (1) Fortune Star held 618,750,000 Shares, comprising 75% of the issued Shares as at the Latest Practicable Date. The Grantee held a 45% interest in Fortune Star as at the Latest Practicable Date and was therefore, for the purposes of the SFO, deemed to be interested in all the Shares held by Fortune Star. As a term of the grant of the Options, the Grantee has undertaken not to exercise the Options if, immediately after the exercise of the Options, the Company would not comply with the public float requirements under the Listing Rules.
- (2) Figures shown above are for illustrative purposes only. The exercise of the Options granted to Mr. Lee will be subject always to the Company being able to comply with the public float requirements under Rule 8.08 of the Listing Rules.

LETTER FROM THE BOARD

Mr. Lee Man Yan, being an executive Director, abstained from voting on the Board resolutions for considering and approving the grant of the Options as he has a material interest given he is the proposed grantee. To avoid the perception of conflict, Ms. Wai Siu Kee, an executive Director and the mother of Mr. Lee Man Yan, also abstained from voting on the same resolutions. Save for the aforesaid, none of the Directors have a material interest in the Board resolutions approving the adoption of the New Share Option Scheme and the proposed grant of Options to Mr. Lee.

THE EGM

The following are the details of the EGM:

Date: 14 July 2017

Time: 11:00 a.m.

Venue: 8th Floor, Liven House, 61-63 King Yip Street, Kwun Tong,
Kowloon, Hong Kong

The Notice is set out on pages 24 to 26 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event so as to arrive not less than 48 hours before the time appointed for holding the EGM. The return of a form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so desire.

CLOSURE OF REGISTER OF MEMBERS IN RELATION TO THE EGM

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.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative shall have one vote for every fully paid Share held.

LETTER FROM THE BOARD

After the conclusion of the EGM, the poll results will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and the website of the Company at www.leemanchemical.com.

None of the Directors is a trustee of the New Share Option Scheme and there is no trustee for the New Share Option Scheme. As at the Latest Practicable Date, to the best of the Directors' knowledge and belief having made all reasonable enquiries, no Shareholder has a material interest in the adoption of the New Share Option Scheme and therefore no Shareholder is required to abstain from voting on the resolution in relation thereto.

However, as Fortune Star is an associate of Mr. Lee for the purpose of the Listing Rules, Fortune Star is required to abstain from voting on the resolution approving the grant of the Options to Mr. Lee. In addition, Mr. Lee and all Core Connected Persons of the Company are required to abstain from voting on the resolution approving the grant of the Options to Mr. Lee.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the adoption of the New Share Option Scheme and the grant of the Options to Mr. Lee is in the interest of the Company and the Shareholders as a whole, and recommend the Shareholders (and the Independent Shareholders for the voting on the grant of the Options to Mr. Lee) to vote in favour of both resolutions to be proposed at the EGM.

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

The following is a summary of the rules of the New Share Option Scheme:

PURPOSE

The purpose of the New Share Option Scheme is to reward Participants who have contributed or will contribute to the Group and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

WHO MAY JOIN

On and subject to the terms of the New Share Option Scheme and the Listing Rules, the Board shall be entitled at any time within 10 years after the Adoption Date to make an Offer to any Participant as the Board may in its absolute discretion select to take up an Option pursuant to which such Participant may, during the Option Period, subscribe for such number of Shares as the Board may determine at a price calculated in accordance with the section headed "SUBSCRIPTION PRICE" below. An Offer shall remain open for acceptance by the Participant concerned for a period of 28 days from the Date of Grant provided that no such Offer shall be open for acceptance after the expiry of the life of the New Share Option Scheme or after the New Share Option Scheme has been terminated or after the Participant for whom the Offer is made has ceased to be a Participant. An Offer is deemed to be accepted when the Company receives from the Grantee the offer letter signed by the Grantee specifying the number of Shares in respect of which the Offer is accepted, and a remittance to the Company of HK\$1.00 as consideration for the grant of Option. Such remittance is not refundable in any circumstances.

The Offer shall specify the terms on which the Option is to be granted. Such terms may at the discretion of the Board, include, among other things, (i) the number of Shares comprised in, and the Option Period in respect of, the relevant Option; (ii) the Subscription Price (in compliance with Rule 17.03(9) of the Listing Rules); (iii) the minimum period for which an Option must be held before it can be exercised; (iv) a performance target that must be reached before the Option can be exercised in whole or in part; and/or (v) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.

SUBSCRIPTION PRICE

The subscription price for the Options shall be determined by the Board in its absolute discretion but in any event shall be at least the highest of:

- (1) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the Date of Grant which must be a Business Day;
- (2) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the Date of Grant; and
- (3) the nominal value of the Shares.

**PERIOD OF THE NEW SHARE OPTION SCHEME AND TIME OF EXERCISE OF
OPTIONS**

Subject to the terms of the New Share Option Scheme, the New Share Option Scheme was adopted for a period of ten years commencing from the Adoption Date.

Subject to any restrictions applicable under the Listing Rules and notwithstanding the terms of grant thereof, an Option may be exercised by the Grantee in accordance with the terms of the New Share Option Scheme at any time during the period to be determined and notified by the Board to each Grantee at the time of making an offer of the grant of an Option which shall not expire later than ten years from the Date of Grant.

RIGHTS ARE PERSONAL TO GRANTEES

An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any other person over or in relation to any Option or purport to do any of the foregoing. Any breach of the foregoing by the Grantee shall entitle the Company to cancel any outstanding Option or any part thereof granted to such Grantee to the extent not already exercised without incurring any liability on the part of the Company.

RIGHTS OF SHARES AND OPTIONS

The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the memorandum of association and Articles of the Company for the time being in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which those Shares are allotted on exercise of the Option and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made after the date on which the Shares are allotted other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which the Shares are allotted. For the avoidance of doubt, a Share issued upon the exercise of an Option shall not carry any voting rights until the registration of the Grantee (or any other person nominated by the Grantee), but without prejudice to the other terms of the New Share Option Scheme, as the holder thereof.

The Options do not carry any right to vote in general meeting of the Company, or any right, dividend, transfer or any other rights, including those arising on the liquidation of the Company.

GRANT OF OPTIONS TO CONNECTED PERSONS OR ANY OF THEIR ASSOCIATES

Any grant of Options to any Director, chief executive or substantial shareholder (as such term is defined in the Listing Rules) of the Company, or any of their respective associates under the New Share Option Scheme or any other share option schemes of the Company or any of its Subsidiaries shall be subject to the prior approval of the

independent non-executive Directors of the Company (excluding independent non-executive Directors who are the proposed Grantees of the Options in question). Where any grant of Options to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12 month period up to and including the date of such grant:

- (1) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and
- (2) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Hong Kong Stock Exchange on the Date of Grant, in excess of HK\$5 million,

such further grant of Options shall be subject to prior approval by resolution of the Shareholders (voting by way of poll). The Company shall send a circular to the Shareholders in accordance with the Listing Rules and the Grantee, his associates and all core connected persons of the Company shall abstain from voting in favour of the resolution at such general meeting of the Shareholders.

MAXIMUM NUMBER OF SHARES

- (1) 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 shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of Shares in issue on the Adoption Date (the "Scheme Mandate Limit"), representing 82,500,000 Shares (assuming there will be no change to the share capital of the Company from the Latest Practicable Date to the Adoption Date). Options lapsed in accordance with the terms of the New Share Option Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may renew the Scheme Mandate Limit at any time subject to prior Shareholders' approval but in any event, 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 schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the renewal of the Scheme Mandate Limit. Options previously granted under the New Share Option Scheme or any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.

- (2) Notwithstanding the foregoing, the Company may grant Options beyond the Scheme Mandate Limit to Participants if:
- (i) separate Shareholders' approval has been obtained for granting Options beyond the Scheme Mandate Limit to Participants specifically identified by the Company before such Shareholders' approval is sought; and
 - (ii) the Company, in connection with the seeking of such separate Shareholders' approval, has first sent a circular to Shareholders containing such information as may be required by the Listing Rules then prevailing to be included in such circular.
- (3) Subject to paragraph (4) below, the maximum number of Shares issued and to be issued upon exercise of the Options granted to each Grantee under the New Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1.0% of the Shares in issue for the time being.
- (4) Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1.0% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the Participant is a connected person) abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant) and such other information required under the Listing Rules.

MAXIMUM NUMBER OF OPTIONS

At any time, the maximum number of Shares which may be issued upon exercise of all Options which then have been granted and have yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the Shares in issue from time to time.

RIGHTS ON TERMINATION OF EMPLOYMENT BY DISMISSAL

- (i) If the Grantee who is an employee or director of the Company or another member of the Group ceases to be a Participant by reason of the termination of his employment or directorship on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or

has made any arrangement or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily, his Option shall lapse automatically (to the extent not already exercised) and not be exercisable on or after the date of termination of his employment and to the extent the Grantee has exercised the Option in whole or in part, but Shares have not been allotted to him, the Grantee shall be deemed not to have so exercised such Option and the Company shall return to the Grantee the amount of the Subscription Price for the Shares received by the Company in respect of the purported exercise of such Option.

- (ii) If the Grantee who is an employee or a director of the Company or another member of the Group ceases to be a Participant for any reason other than his death or the termination of his employment or directorship on one or more of the grounds specified above, the Option (to the extent not already exercised) shall lapse on a date (to be determined by the Board or delegated committees of the Board) falling no later than two years from the date of cessation or termination of such employment or directorship (which date shall be the Grantee's last actual working day with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not).

RIGHTS ON DEATH

If the Grantee ceases to be a Participant by reason of his death before exercising his Option in full and none of the events which would be a ground for termination of his employment as described in paragraph (i) under the section headed "RIGHTS ON TERMINATION OF EMPLOYMENT BY DISMISSAL" above has arisen, his legal personal representative(s) may exercise the Option up to the Grantee's entitlement as at the date of death (to the extent not already exercised) within a period of 12 months following the date of his death.

RIGHTS ON CEASING TO BE A PARTICIPANT IN OTHER CIRCUMSTANCES

If a Grantee who is not an employee or a director of the Company or a member of the Group ceases to be a Participant as and when determined by the Board by resolution for any reason other than his death, the Board may by written notice to such Grantee within one month from the date of such cessation determine the period within which the Option (or such remaining part thereof) shall be exercisable following the date of such cessation.

RIGHTS ON A GENERAL OFFER BY WAY OF TAKEOVER

In the event of a general offer for Shares by way of takeover or otherwise (other than by way of scheme of arrangement pursuant to the section below) being made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) shall be entitled to exercise the Option in full (to the

extent not already exercised) or to the extent as notified by the Company at any time within such period as shall be notified by the Company.

RIGHTS ON A GENERAL OFFER BY WAY OF SCHEME OF ARRANGEMENT

In the event of a general offer by way of scheme of arrangement being made to all the Shareholders and approved by the necessary number of Shareholders at the requisite meetings, the Company shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent specified in such notice.

RIGHTS ON WINDING UP

In the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to all the Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue and register in the name of the Grantee such number of fully paid Shares to the Grantee which fall to be issued on exercise of such Option.

RIGHTS ON A COMPROMISE OR ARRANGEMENT

In the event a compromise or arrangement (other than a scheme of arrangement contemplated above) between the Company and its members or creditors is proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all the Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such compromise or arrangement, and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent notified by the Company and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.

EFFECT OF ALTERATIONS TO SHARE CAPITAL

In the event of any alteration to the capital structure of the Company whilst any Option remains exercisable, arising from capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange, other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party, adjustment (if any) shall be made to (a) the

number or nominal amount of Shares subject to the Option so far as unexercised; (b) the number of Shares subject to the New Share Option Scheme; (c) the Subscription Price for the Shares subject to the Option so far as unexercised; and/or (d) the method of exercise of the Option, provided that:

- (a) any such alterations must be made so that each Grantee is given the same proportion of the equity capital of the Company as that to which he was previously entitled;
- (b) no such alterations shall be made which would result in the Subscription Price for a Share being less than its nominal value;
- (c) any such alterations, save as those made on a capitalisation issue, shall be confirmed by the auditors of the Company or the independent financial adviser in writing to the Board, either generally or as regards any particular Grantee, that such adjustments made by the Company satisfy the requirements of sub-paragraphs (a) and (b) above and are in his opinion fair and reasonable and in compliance with the requirements under Rule 17.03(13) of the Listing Rules and the note thereto;
- (d) any such alterations made pursuant to a sub-division or consolidation of share capital shall be made on the basis that the aggregate Subscription Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; and
- (e) any such alterations as a result of an issue of securities with a price-dilutive element, such as rights issue, open offer or capitalisation issue, should be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures (referred to in Hong Kong Accounting Standards 33) and the acceptable adjustments set out in the Supplementary Guidance and any future guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time.

The capacity of the auditors of the Company or the independent financial adviser to the Company in this section is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees.

TERMINATION OF THE NEW SHARE OPTION SCHEME

The Company may by ordinary resolution in general meeting or the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered or granted but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect in respect of Options which are granted during the life of the New Share Option Scheme and which remain unexpired immediately prior to the termination of the operation of the New Share Option Scheme.

ALTERATIONS TO THE NEW SHARE OPTION SCHEME

Subject to the Listing Rules, the regulations for the administration and operation of the New Share Option Scheme may be altered by resolution of the Board except that those specific provisions of the New Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and changes to the authority of the Board in relation to any alteration of the terms of the New Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must also, to be effective, be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme. The New Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules.

LAPSE OF OPTION

Without prejudice to the authority of the Board to provide for additional situations where an Option shall lapse, an Option shall lapse automatically and shall not be exercisable, to the extent not already exercised, on the earliest of:

- (1) the expiry of the Option Period (subject to the provisions of the New Share Option Scheme);
- (2) the expiry of the periods referred to in the sections headed "RIGHTS ON TERMINATION OF EMPLOYMENT BY DISMISSAL", "RIGHTS ON DEATH", "RIGHTS ON CEASING TO BE A PARTICIPANT IN OTHER CIRCUMSTANCES", "RIGHTS ON A GENERAL OFFER BY WAY OF TAKEOVER", "RIGHTS ON A GENERAL OFFER BY WAY OF SCHEME OF ARRANGEMENT", "RIGHTS ON WINDING UP" or "RIGHTS ON A COMPROMISE OR ARRANGEMENT" above respectively;
- (3) the expiry of the period referred to in the section headed "RIGHTS ON A GENERAL OFFER BY WAY OF TAKEOVER" above, subject to no court of competent jurisdiction making any order to prohibit the offeror from acquiring the remaining Shares in the offer;
- (4) subject to the scheme of arrangement becoming effective, the expiry of the period for exercising the Option as referred to in the section headed "RIGHTS ON A GENERAL OFFER BY WAY OF SCHEME OF ARRANGEMENT" above;
- (5) the date of the commencement of the winding-up of the Company, other than as contemplated in the section headed "RIGHTS ON WINDING UP" above;

- (6) the date on which the Grantee (if an employee or director of the Company or another member of the Group) ceases to be a Participant as referred to in paragraph (i) under the section headed "RIGHTS ON TERMINATION OF EMPLOYMENT BY DISMISSAL" above;
- (7) where the Grantee commits a breach by selling, transferring, assigning, charging, mortgaging, encumbering or creating any interest (legal or beneficial) in favor of any third party over or in relation to any Option or purport to do any of the foregoing, the date on which the Board shall exercise the Company's right to cancel the Option; and
- (8) subject to paragraph (ii) under the section headed "RIGHTS ON TERMINATION OF EMPLOYMENT BY DISMISSAL" above, the date the Grantee ceases to be a Participant by any other reason.

RESTRICTION ON GRANT OF OPTION

In addition, a grant of Options may not be made after inside information (as defined under Part XIVA of the SFO) has come to the Company's knowledge until it has disclosed the information to the public. In particular, during the period commencing one month immediately preceding the earlier of:

- (1) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or, any other interim period (whether or not required under the Listing Rules); and
- (2) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, no Option may be granted.

CANCELLATION OF OPTIONS

Any Options granted but not exercised may be cancelled by the Board if the Grantee so agrees and new Options may be granted to the Grantee provided that such new Options fall within the limits prescribed in the sections headed "MAXIMUM NUMBER OF SHARES" and "MAXIMUM NUMBER OF OPTIONS" above, excluding the cancelled Options, and are otherwise granted in accordance with the terms of the New Share Option Scheme. Notwithstanding the foregoing, where the Grantee is in breach of any of the restrictions set out in the section headed "RIGHTS ARE PERSONAL TO GRANTEEES" above, the Board may cancel any outstanding Option without the relevant Grantee's agreement. For the avoidance of doubt, no consent is required to be given by the Grantee where an Option lapses in accordance with the terms of the New Share Option Scheme.

NOTICE OF EXTRAORDINARY GENERAL MEETING



LEE & MAN CHEMICAL COMPANY LIMITED 理文化工有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 746)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of the shareholders of Lee & Man Chemical Company Limited (the “Company”) will be held at 8th Floor, Liven House, 61–63 King Yip Street, Kwun Tong, Kowloon, Hong Kong at 11:00 a.m. on Friday, 14 July 2017 for the purpose of considering and, if thought fit, to pass the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

- (A) “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the shares of the Company, representing 10% of the number of issued shares of the Company (“Shares”) on the date of the passing of this resolution (or such number of Shares as adjusted to the extent there is a change to the number of the total issued Shares after the date of passing of this resolution as a result of sub-division or consolidation of Shares), which may fall to be issued pursuant to the exercise of any options granted under the new share option scheme of the Company (the “New Share Option Scheme”) (a copy of which has been submitted to the meeting and signed by the Chairman of the meeting for the purpose of identification), the New Share Option Scheme be and is hereby approved and adopted on the date of this meeting and the directors of the Company be and are hereby authorised to grant options and to allot and issue shares of the Company thereunder and to take all such steps and do all such 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.”
- (B) “**THAT:**
- (i) subject to Resolution (A) above being approved and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the shares of the Company which may fall to be issued pursuant to the exercise of any options granted under the new share option scheme of the Company, the grant to Mr. Lee Man Yan under the New Share Option Scheme (as defined in Resolution (A) above) of up to such number of options upon the exercise

NOTICE OF EXTRAORDINARY GENERAL MEETING

of which will result in the issue of shares representing 10% of the total issued shares of the Company as at the date of this resolution being passed, further information of which was set out in the circular of the Company dated 26 June 2017, be and is hereby approved; and

- (ii) any one director or the secretary of the Company be and is thereby authorised to sign such documents and take all steps on behalf of the Company which he considers necessary or desirable in connection with, the aforesaid grant of options pursuant to the New Share Option Scheme.”

By order of the board of
Lee & Man Chemical Company Limited
Cheung Kwok Keung
Company Secretary

Hong Kong, 26 June 2017

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

8th Floor, Liven House
61–63 King Yip Street
Kwun Tong
Kowloon
Hong Kong

As at the date of this notice, the Board of the Company 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 BBS JP and Mr. Heng Victor Ja Wei.

Notes:

1. Any member entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. Where there are joint registered holders of any share, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding. Several executors or administrators of a deceased member in whose name any share stands shall be deemed joint holders thereof.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
4. The form of proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of such power of attorney or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the EGM, and in default the form of proxy shall not be treated as valid.
5. The completion and return of the form of proxy shall not preclude members from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. A form of proxy for use at the EGM is enclosed.