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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt about this circular, 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 Yip's Chemical Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser.

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.

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# Yip's Chemical Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 408

**(1) GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES;  
(2) RE-ELECTION OF DIRECTORS;  
(3) ADOPTION OF NEW SHARE OPTION SCHEME; AND  
(4) NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening the AGM of Yip's Chemical Holdings Limited to be held at 27/F., Fortis Tower, Nos. 77-79 Gloucester Road, Wanchai, Hong Kong on Monday, 6 June 2022 at 3:00 p.m. is set out on pages 39 to 43 of this circular. A proxy form for use at the AGM is enclosed.

Whether or not you are able to attend and vote at the AGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for holding the AGM or any adjournment thereof.

Completion and return of the proxy form will not preclude you from subsequently attending and voting at the AGM or any adjourned meeting should you so wish.

### PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

To ensure the safety and health of the AGM attendees and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the AGM. These measures include, but are not limited to:

- (a) limiting the number of the AGM attendees to avoid over-crowding;
- (b) conducting compulsory body temperature checks;
- (c) wearing of surgical face mask at all times;
- (d) completing a travel and health declaration;
- (e) arranging venue seating to allow for appropriate social distancing; and
- (f) not providing food or beverage.

Any attendee who (a) refuses to comply with the precautionary measures; (b) is subject to compulsory quarantine or medical surveillance order by the Department of Health of Hong Kong or has close contact with any person under quarantine; (c) is subject to the Government's prescribed testing requirement or direction and has not tested negative; or (d) has any flu-like symptoms or is otherwise unwell, will be denied entry into or be requested to leave the Venue at the absolute discretion of the Company as permitted by law.

**Shareholders are strongly encouraged to appoint the chairman of the AGM as their proxies, instead of attending the AGM in person in consideration of health and safety reasons.**

**Subject to the development of the COVID-19 pandemic and the requirements or guidelines of the Government and/or regulatory authorities, the Company may announce further updates on the AGM arrangement as and when appropriate.**

28 April 2022

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## **PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING**

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To ensure the safety and health of the AGM attendees and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the AGM.

### **LIMITING ATTENDANCE IN PERSON AT THE VENUE**

The Company will limit attendance in person at the Venue in accordance with prevailing requirements or guidelines published by the Government and/or regulatory authorities at the time of the AGM. Given the limited capacity of the Venue and the requirements for social distancing to ensure attendees' safety and health, only Shareholders and/or their representatives and relevant AGM staff will be admitted to the Venue. Admission to the Venue will not be granted in excess of the capacity of the Venue.

### **HEALTH AND SAFETY MEASURES AT THE AGM**

In addition to limiting the attendance in person at the Venue, the following measures will also be implemented at the AGM:

1. Compulsory body temperature screening/checks will be conducted on every attendee at the main entrance of the Venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the Venue;
2. Every attendee is required to wear a face mask at all time within the Venue;
3. Every attendee is required to complete a travel and health declaration;
4. Seating at the Venue will be arranged so as to allow for appropriate social distancing;
5. No food or beverages will be provided at the AGM; and
6. Any other additional precautionary measures in accordance with the prevailing requirements or guidelines of the Government and/or regulatory authorities, or as considered appropriate in light of the development of the COVID-19 pandemic.

Any attendee who (a) refuses to comply with the precautionary measures; (b) is subject to compulsory quarantine or medical surveillance order by the Department of Health of Hong Kong or has close contact with any person under quarantine; (c) is subject to the Government's prescribed testing requirement or direction and has not tested negative; or (d) has any flu-like symptoms or is otherwise unwell, will be denied entry into or be requested to leave the Venue at the absolute discretion of the Company as permitted by law.

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## PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

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Shareholders are requested (a) to consider carefully the risk of attending the AGM, which will be held in an enclosed environment; (b) to follow any prevailing requirements or guidelines of the Government relating to COVID-19 in deciding whether or not to attend the AGM; and (c) not to attend the AGM if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19.

It is possible that Shareholders and/or their representatives may not be able to attend in person at the Venue depending on prevailing Government regulations. Shareholders are strongly encouraged to appoint the chairman of the AGM as their proxy to vote on the resolutions, instead of attending the AGM in person. Subject to the development of the COVID-19 pandemic and the requirements or guidelines of the Government and/or regulatory authorities, the Company may announce further updates on the AGM arrangement as and when appropriate. If Shareholders have any questions relating to the AGM, please contact the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, as follows:

Tricor Secretaries Limited  
Level 54, Hopewell Centre  
183 Queen's Road East, Hong Kong  
Tel: (852) 2980 1333  
Fax: (852) 2810 8185  
Email: [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com)

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## DEFINITIONS

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

“Adoption Date”	the date on which the New Share Option Scheme is adopted by an ordinary resolution to be passed by the Shareholders at the AGM
“AGM”	the annual general meeting of the Company to be convened and held at 27/F., Fortis Tower, Nos. 77-79 Gloucester Road, Wanchai, Hong Kong on Monday, 6 June 2022 at 3:00 p.m. or any adjournment thereof for the purpose of considering and, if thought fit, approving the resolutions contained in the AGM Notice
“AGM Notice”	the notice convening the AGM set out on pages 39 to 43 in this circular
“Articles”	the articles of association of the Company as amended from time to time
“Associated Company(ies)”	any company(ies) in which the Company directly or indirectly owns 20% or more attributable equity interests and in calculating the percentage interest so attributed, the percentage interest held in the Associated Company shall be multiplied by the percentage interest in each level of entity through which such interest held by the Group
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Auditor”	the auditor for the time being of the Company
“Bauhinia Ink”	洋紫荆油墨股份有限公司(Bauhinia Ink Company Limited), (formerly known as 洋紫荆油墨(浙江)有限公司 (Bauhinia Variegata Ink & Chemicals (Zhejiang) Limited <sup>#</sup> ), a Subsidiary owned as to approximately 91.76% by the Company as at the Latest Practicable Date
“Board”	the board of Directors (including non-executive Directors and independent non-executive Directors), and for the purposes of the New Share Option Scheme, include such committee or such sub-committee or person(s) delegated with the power and authority by the board of Directors to administer the New Share Option Scheme
“Business Day”	a day on which banks in Hong Kong are open to conduct business generally throughout their normal business hours and the Stock Exchange is open for trading of securities, excluding a Saturday, Sunday, public holidays and days on which a tropical cyclone warning no. 8 or above or a black rainstorm warning signal is issued in Hong Kong at any time between 09:00 and 17:00

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## DEFINITIONS

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“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Yip’s Chemical Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Employee(s)”	any (full-time or part-time) employee(s) and officer(s) of the Company, or of any Subsidiary or of any Associated Company including any executive and non-executive director or proposed executive and non-executive director of the Company or any Subsidiary or any Associated Company
“Existing Share Option Scheme”	the share option scheme adopted by the Company on 25 May 2012 with a term of 10 years expiring on 24 May 2022
“General Allotment Mandate”	a general allotment mandate to the Directors to allot and issue Shares the number of which shall not exceed 20% of the aggregate number of issued shares of the Company as at the date of approval of the mandate (subject to adjustment in case of any Share consolidation or subdivision after such mandate has been approved, provided that the maximum number of Shares that may be allotted and issued as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same)
“General Extension Mandate”	a general mandate to the Directors to add to the General Allotment Mandate the number of Shares repurchased under the Repurchase Mandate
“Government”	The Government of the Hong Kong Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

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“Grantee(s)”	any Participant(s) who accept(s) the Offer of the grant of any Option in accordance with the terms of the New Share Option Scheme or (where the context so permits) any legal Personal Representative(s) of the original Grantee
“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
“Independent Non-executive Director(s)” or “INED(s)”	the independent non-executive director(s) of the Company
“Latest Practicable Date”	22 April 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“New Share Option Scheme”	the new share option scheme proposed to be adopted by the Company at the AGM, a summary of the principal terms of which is set out in Appendix II to this circular
“Offer”	an offer for the grant of an Option pursuant to the New Share Option Scheme
“Offer Date”	the date which must be a Trading Day on which an Option is offered to any Participants
“Option(s)”	for the purposes of both the Existing Share Option Scheme and the New Share Option Scheme, option(s) carrying right to subscribe for Shares granted under the Existing Share Option Scheme or to be granted pursuant to the New Share Option Scheme (as the case may be)
“Option Period”	in respect of any particular Option, such period as the Board may in its absolute discretion determine and notify the Grantee during which the Grantee may exercise an Option, save that such period shall not be more than ten (10) years from the Offer Date and the Board may provide restrictions on the exercise of an Option during the period an Option may be exercised

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## DEFINITIONS

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“Participant(s)”	any Employee(s), adviser(s), consultant(s), agent(s), contractor(s), client(s), supplier(s) and/or such other person(s), who in the sole discretion of the Board has/have contributed or may contribute to the Group and/or any Associated Company
“Personal Representative(s)”	the person(s) who, in accordance with the laws of succession applicable in respect of the death of a Grantee (being an individual), is or are entitled to exercise the Share Options granted to such Grantee (to the extent not already exercised);
“Repurchase Mandate”	a general mandate to the Directors to exercise all the powers of the Company to repurchase such number of Shares not exceeding 10% of the aggregate number of issued shares of the Company as at the date of approval of the mandate (subject to adjustment in case of any Share consolidation or subdivision after such mandate has been approved, provided that the maximum number of Shares that may be repurchased as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same)
“Scheme Mandate Limit”	the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and all other share option scheme(s) of the Company
“Scheme Period”	the period of 10 years commencing from the Adoption Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“Share(s)”	ordinary share(s) of HK\$0.10 each (or of such other nominal amount as shall result from a sub-division, consolidation, re-classification or re-construction of such shares from time to time) in the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option as described in the New Share Option Scheme

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## DEFINITIONS

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“Subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules, and for the purpose of the New Share Option Scheme, shall mean a company which is for the time being and from time to time a subsidiary of the Company, and the term “Subsidiaries” shall be construed accordingly
“Supplementary Guidance”	the “Frequently asked questions on adjustments of the exercise price of share options” (FAQ no.072-2020) published by the Stock Exchange and its attachment “Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the Note Immediately After the Rule” (as may be amended and updated from time to time)
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-back published by the Securities and Futures Commission of Hong Kong as revised from time to time
“Trading Day”	a day on which the Stock Exchange is open for the trading of securities
“Venue”	the venue of the AGM
“%”	per cent.

# In this circular, the English translation/transliteration of the Chinese names denoted is for illustration purposes only. In the event of any inconsistency, the Chinese names shall prevail.



## Yip's Chemical Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 408

*Non-executive Director:*

Mr. Ip Chi Shing (*Chairman*)

*Executive Directors:*

Mr. Yip Tsz Hin (*Deputy Chairman and  
Chief Executive Officer*)

Mr. Ip Kwan (*Deputy Chief Executive Officer*)

Mr. Ho Sai Hou (*Chief Financial Officer*)

*Independent Non-executive Directors:*

Mr. Wong Yuk

Mr. Ho Pak Chuen, Patrick

Mr. Ku Yee Dao, Lawrence

*Registered Office:*

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

*Head Office and Principal Place of  
Business in Hong Kong:*

27/F., Fortis Tower

Nos. 77-79 Gloucester Road

Wanchai

Hong Kong

28 April 2022

*To: the Shareholders*

Dear Sir or Madam,

**(1) GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES;  
(2) RE-ELECTION OF DIRECTORS;  
(3) ADOPTION OF NEW SHARE OPTION SCHEME; AND  
(4) NOTICE OF ANNUAL GENERAL MEETING**

### 1. INTRODUCTION

The purpose of this circular is to provide you with information regarding the following proposals to be put forward at the AGM to the Shareholders for their consideration and, if thought fit, approval:

- (a) grant of General Allotment Mandate to the Directors;
- (b) grant of Repurchase Mandate to the Directors;

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## LETTER FROM THE CHAIRMAN

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- (c) grant of General Extension Mandate to the Directors;
- (d) adoption of New Share Option Scheme;
- (e) re-election of Directors; and
- (f) the declaration of final dividend of HK18 cents per Share for the year ended 31 December 2021.

### **2. GENERAL ALLOTMENT MANDATE**

At the last annual general meeting of the Company held on 3 June 2021, the ordinary resolution for a General Allotment Mandate was passed by the Shareholders and such mandate will lapse at the conclusion of the forthcoming AGM.

An ordinary resolution will be proposed at the AGM to approve the grant of a new General Allotment Mandate to the Directors to allot, issue and otherwise deal with Shares up to 20% of the aggregate number of issued Shares as at the date of passing the such resolution (subject to adjustment in case of any Share consolidation or subdivision after such mandate has been approved, provided that the maximum number of Shares that may be allotted and issued as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same).

As at the Latest Practicable Date, the aggregate number of issued Shares was 568,484,096 fully paid-up Shares. Subject to the passing of the proposal resolution for the General Allotment Mandate and on the basis that no Shares will be allotted and issued or repurchased from the Latest Practicable Date and up to the date of the AGM, exercise in full of the General Allotment Mandate could result in up to the issuance of 113,696,819 new Shares (subject to adjustment in case of any Share consolidation or subdivision after such mandate has been approved, provided that the maximum number of Shares that may be allotted and issued as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same). There is however no present intention for any issuance of Shares pursuant to the General Allotment Mandate.

### **3. REPURCHASE MANDATE**

At the last annual general meeting of the Company held on 3 June 2021, the ordinary resolution for a Repurchase Mandate was passed by the Shareholders and such mandate will lapse at the conclusion of the forthcoming AGM.

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## LETTER FROM THE CHAIRMAN

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An ordinary resolution will be proposed at the AGM to approve the grant of a new Repurchase Mandate. The new Repurchase Mandate, if granted, will allow the Directors to exercise all the powers of the Company to repurchase its own Shares not exceeding 10% of the number of issued Shares as at the date of passing the relevant resolution (subject to adjustment in case of any Share consolidation or subdivision after such mandate has been approved, provided that the maximum number of Shares that may be repurchased as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same).

Subject to the passing of the proposed resolution for the Repurchase Mandate and on the basis that there were 568,484,096 fully paid-up Shares as at the Latest Practicable Date and assuming no Share will be issued or repurchased by the Company from the Latest Practicable Date to the date of AGM, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 56,848,409 Shares (subject to adjustment in case of any Share consolidation or subdivision after such mandate has been approved, provided that the maximum number of Shares that may be repurchased as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same).

An explanatory statement required under Rule 10.06(1)(b) of the Listing Rules to provide the Shareholders with all the information reasonably necessary for them to make an informed decision in relation to this resolution for Repurchase Mandate to be proposed at the AGM is set out in Appendix I to this circular.

#### **4. GENERAL EXTENSION MANDATE**

It is recommended that a General Extension Mandate be granted to the Directors permitting them, after the grant of the new Repurchase Mandate referred to above, to add to the new General Allotment Mandate the number of Shares repurchased pursuant to the new Repurchase Mandate.

The authority conferred on the Directors by the new General Allotment Mandate, the new Repurchase Mandate and the General Extension Mandate would continue to be in force until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of the Cayman Islands or the Articles to be held; and (iii) its revocation or variation by ordinary resolution of the Shareholders in a general meeting.

#### **5. PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME**

##### **Expiration of the Existing Share Option Scheme**

The Existing Share Option Scheme, with a term of 10 years, will expire on 24 May 2022. In view of the expiration of the Existing Share Option Scheme and in order to enable the Group to grant Options to selected eligible participants, including Directors, as incentives or rewards for their contribution to the Group and its Associated Companies, as well as a way to attract and retain eligible participants, the Directors propose to recommend to Shareholders at the AGM to adopt the New Share Option Scheme.

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## LETTER FROM THE CHAIRMAN

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Upon expiry of the Existing Share Option Scheme, no further options will be granted thereunder but the rules of the Existing Share Option Scheme will remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of outstanding Options granted prior to its expiration or otherwise as may be required in accordance with the rules of the Existing Share Option Scheme. Options granted under the Existing Share Option Scheme prior to such expiration will continue to be valid and exercisable in accordance with the rules of the Existing Share Option Scheme.

As at the Latest Practicable Date, the Company had outstanding Options granted under the Existing Share Option Scheme carrying rights to subscribe for 3,600,000 Shares in total, which will remain valid and exercisable after the expiration of the Existing Share Option Scheme. Assuming no Option is lapsed pursuant to the terms of the Existing Share Options Scheme, an aggregate of 3,600,000 Shares (representing approximately 0.63% of the issued Shares as at the Latest Practicable Date) remain issuable upon the exercise in full of all outstanding Options granted under the Existing Share Option Scheme which are yet to be exercised upon vesting under the Existing Share Option Scheme. Save as aforesaid and up to the Latest Practicable Date, no other Options has been granted under the Existing Share Option Scheme or any other schemes. The Directors confirm that the Company has no intention to grant any further Options under the Existing Share Option Scheme from the Latest Practicable Date up to the expiry date of the Existing Share Option Scheme.

### **Adoption of the New Share Option Scheme**

In view of the expiration of the Existing Share Option Scheme, the Board proposed the adoption of the New Share Option Scheme, which will be valid for a term of 10 years from the Adoption Date.

The purpose of the New Share Option Scheme is to recognise and motivate the contribution of eligible Participants, to provide incentives to them, to help the Group and its Associated Companies in retaining eligible Participants and recruiting additional Employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group and its Associated Companies.

The Participants under the New Share Option Scheme, being the same as those under the Existing Share Option Scheme, cover any Employee, adviser, consultant, agent, contractors, client, supplier and/or such other person, who in the sole discretion of the Board has contributed or may contribute to the Group and/or the Associated Companies.

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## LETTER FROM THE CHAIRMAN

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Whilst the eligible Participants include adviser(s), consultant(s), agent(s), contractor(s), client(s), supplier(s) and/or such other person(s), who in the sole discretion of the Board has/have contributed or may contribute to the Group and/or its Associated Companies (“**Non-Employee Participant(s)**”) in addition to Employee(s) of the Group and/or its Associated Companies, the eligibility of any of the eligible Participants (whether being an Employee or not) shall be determined by the Board or its delegate(s) from time to time on the basis of the Board’s opinion as to such eligible Participant’s contribution to the development and growth of the Group. The Board considers that the grant of Options to these eligible Non-Employee Participants will offer incentives for advisors, consultants and service providers to provide better services to the Group and/or its Associated Companies (for example in terms of special skills or technical knowledge to fill the void currently experienced by the Group and/or its Associated Companies), to customers to maximise the quantity of their orders and increase loyalty to the Group and/or its Associated Companies, for suppliers to offer more economic and quality supplies to the Group and/or its Associated Companies, for the business partners and joint venture business partners to refer or introduce potential business opportunities to the Group and/or its Associated Companies, for consultants, advisors, distributors, contractors and agents to maximise the quality of their service offerings to the Group and/or its Associated Companies, thereby optimising performance efficiency and benefiting the long-term growth of the Group and/or its Associated Companies.

As an illustration, the Board has in the past engaged, and may from time to time engage, external consultants and advisers to review the Group’s business process and practices in order to streamline and improve the systems with a view to saving costs, enhancing the Group’s business effectiveness and competitiveness and thereby achieving growth in the Group’s overall revenue and profitability. The Board believes that it is beneficial to maintain the flexibility to grant Options to such external consultants and advisers, because (i) on the one hand the Group could maintain more cash in hands if the Group, subject to negotiation between the parties, pays such external consultants and advisers fully or partly in Options as an alternative to monetary consideration; and (ii) on the other hand, given the exercise price of the Options is fixed at the time of grant, the greater the increase in the Share price after the grant, the greater the value of the Options, it is therefore expected that if the external consultants and advisers are granted with Options as their consideration (in part or in full), that will provide extra incentive for them to contribute to the overall development of the Group with a view to creating greater value to the Group and its shareholders and the Share price.

Accordingly, the Board will assess the eligibility of these eligible Non-Employee Participants based on various factors such as performance conditions, or targets to be achieved and potential and/or actual contribution to the business affairs of and benefits to the Group. It is expected that the Non-Employee Participants will make an effort to contribute to the development of the Group and the Group. In particular, in determining the criteria for the eligible Non-Employee Participants, the Board will take into account the following factors: (i) the special skills or technical knowledge possessed by them which is beneficial to the continuing development of the Group and/or any Associated Company, (ii) whether they have contributed to the business development of the Group and/or any Associated Company, and (iii) whether they will contribute to the medium-to-long-term business development of the respective Subsidiaries or Associated Companies.

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## LETTER FROM THE CHAIRMAN

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Whilst the grant of Options to Non-Employee Participants is generally expected to serve as an alternative to their consideration (in full or in part) as shown in the illustration above, any grant of Options to these Non-Employee Participants will generally be subject to arm's length negotiation between the Group and such Non-Employee Participants. Hence the Company believes that it will not be appropriate to set any sublimit in respect of the grant of Options to any single Non-Employee Participants, which will have to be determined on a case by case basis having considered the various factors including those set out above. As such, no sublimit is imposed in the New Share Option Scheme in respect of any grant of Options to Non-Employee Participants. Nevertheless, any grant of Options to any single Non-Employee Participant is subject to the individual limit stipulated in the Listing Rules from time to time which is equally applicable to all Participants. Under the prevailing Listing Rules, no Participant shall be granted an Option if the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted (including exercised, cancelled and outstanding options) in any twelve (12) month period up to and including the date of grant to such Participant would exceed one per cent. (1%) of the Shares for the time being in issue unless the proposed grant has been approved by the Shareholders in general meeting with the proposed Grantee and his associates abstaining from voting. Nevertheless, any grant of Options to any of these Non-Employee Participants shall first be approved by the remuneration committee of the Company which will only approve such grant if it is fair and reasonable and in the interest of the Company and its Shareholders as a whole, after taking into account all the surrounding circumstances of the possible grant.

Based on the aforesaid, whilst the Group has never granted any Options to Non-Employee Participants historically and does not have any present intention to grant any Options under the New Share Option Scheme to any Non-Employee Participants, the Group believes that it is beneficial to maintain the flexibility to grant Options to such Non-Employee Participants under the New Share Option Scheme.

The New Share Option Scheme will take effect upon satisfaction of the following conditions:

- (i) the passing of a resolution by the Shareholders at the AGM approving the adoption of the New Share Option Scheme; and
- (ii) the Listing Committee of the Stock Exchange granting 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.

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## LETTER FROM THE CHAIRMAN

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A summary of the principal terms of the New Share Option Scheme is set out in Appendix II to this circular. A copy of the New Share Option Scheme will be published on the websites of the Stock Exchange and the Company for a period of not less than 14 days before the date of the AGM and a copy of the New Share Option Scheme will be available for inspection at the AGM. The terms of the New Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and are largely in line with the market form. There is no material difference between the terms of the Existing Share Option Scheme and the New Share Option Scheme, except for changes made primarily to bring them in line with changes to the relevant laws, regulations and the Listing Rules and to provide flexibility or clarification in relation to the administration of the New Share Option Scheme as set out below:

- (1) to extend the authority of the Board under the New Share Option Scheme to be exercisable by not only such committee duly authorised thereof (as already provided in the Existing Share Option Scheme) but also to such sub-committee or person(s) delegated with power and authority by the Board to administer the New Share Option Scheme;
- (2) to clarify in the New Share Option Scheme that the Offer Date must be a Trading Day;
- (3) to clarify in the New Share Option Scheme that rights attaching to the Shares to be allotted upon the exercise of an Option include voting, dividend, transfer and other rights (including those arising on a liquidation of the Company);
- (4) in addition to the default position prescribed in the New Share Option Scheme, to allow the Board to determine otherwise in its absolute discretion the period for acceptance of an Offer of grant of Option, to what extent (e.g. whether in board lot or not) that an Offer may be accepted or exercised in part, the manner that an Option may be exercised (e.g. through electronics stock option platform), the evidence required to be provided by a legal Personal Representative claiming to have a right in any outstanding Option; the period within which the Company shall allot the Shares upon exercise of an Option, the period within which and the manner by which the Grantees shall take action to exercise any outstanding Options under certain specified events, including but not limited to cessation of employment or death of the Grantee, general offer etc.;
- (5) to set out the implications of, albeit unlikely, privatisation offer, on any outstanding Option granted and not yet exercised or lapsed under the New Share Option Scheme having considered the relevant requirements under the Takeovers Code.

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## LETTER FROM THE CHAIRMAN

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Under the New Share Option Scheme, as in the Existing Share Option Scheme, the Board has the absolute discretion to set terms and impose conditions in granting of the Options (including imposing conditions in relation to the minimum period of the Options to be held and/or the performance targets to be achieved before such Options can be exercised and the requirement for a minimum subscription price) whether on a case-by-case basis or generally. The exercise price of the Option is to be determined by the Board in its absolute discretion at the time of the grant of the relevant Option but in any case it shall be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; or (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

Unless the Board exercise its discretion as set out above to determine otherwise, the New Share Option Scheme does not stipulate any performance target that must be met before any Option granted under the New Share Option Scheme can be exercised, nor any minimum period for which any Option granted under the New Share Option Scheme which must be held before it can be exercised. However, under the New Share Option Scheme, the Board may at its discretion specify any conditions which must be satisfied before the Option may be exercise in the letter of Offer issued by the Board. The Board believes that the absence of a predetermined minimum period for which an Option must be held before it can be exercised and performance targets that must be achieved before the Options can be exercised in the rules of the New Share Option Scheme will provide the Board more flexibility to grant Options which are appropriate to the Participants, based on factors such as their working experience, industry knowledge and their past and/or expected contribution to the development and success of the Group, with reference to industry and macroeconomic development which may change from time to time.

With such discretion and flexibility, the Directors may impose different conditions in the grant of the Options to the eligible Participants as they consider appropriate in light of the circumstances of each grant of Option with a view to achieving the purpose of the New Share Option Scheme as stated above.

Based on 568,484,096 Shares in issue as at Latest Practicable Date and assuming that no further issue or repurchase of Shares from the Latest Practicable Date up to the date of approval of the New Share Option Scheme at the AGM, Options carrying right to subscribe for up to 56,848,409 Shares (i.e. the initial Scheme Mandate Limit) may be issued under the New Share Option Scheme or any other schemes of the Company pursuant to Rule 17.03(3) of the Listing Rules, representing approximately 10% of the Shares in issue as at the date of approval of the New Share Option Scheme at the AGM.

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## LETTER FROM THE CHAIRMAN

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No trustees will be appointed under the New Share Option Scheme.

Given that (i) the Existing Share Option Scheme will expire on 24 May 2022; and (ii) the purpose of the New Share Option Scheme is to enable the Group to grant Options to Participants as incentives or rewards for their contribution to the Group and its Associated Companies and hence can enable the Group and its Associated Companies to recruit and retain senior management and key employees, attract human resources that are valuable to the Group and to provide the Participants with an opportunity to have a personal stake in the Company through the Company offering the grant of Options with a view to motivating the Participants to optimise their performance and efficiency for the benefit of the Group as a whole, the Directors consider that the adoption of the New Share Option Scheme is in the interests of the Company and the Shareholders as a whole.

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

The Board confirms that to the best of their knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis.

No Shareholders has a material interest in the adoption of the New Share Option Scheme, and hence no Shareholders are required to abstain from voting on resolution approving the adoption of the New Share Option Scheme at the AGM.

### **Value of the Options**

The Board considers that it would not be appropriate to state the value of all Options that can be granted under the New Share Option Scheme as if they had been granted on the Latest Practicable Date, as a number of variables which are crucial for the calculation of the Options value are yet to be determined. Such variables include, without limitation, the Subscription Price payable for the Shares, Option Period, any lock-up period, any performance target and any other conditions that the Board may impose with respect to the Options. The Subscription Price of the Options depends on the price of the Shares as quoted on the Stock Exchange, which in turn depends on when the Options are granted under the New Share Option Scheme. With a Scheme Period of ten years, the Board is of the view that it is too premature to state whether or not Options will be granted under the New Share Option Scheme and, if so, the number of Options that may be granted. It is also difficult to ascertain with accuracy the exercise price given the volatility to which the price of Shares may be subject to during the ten-year life span of the New Share Option Scheme.

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## LETTER FROM THE CHAIRMAN

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The Board believes that any calculation of the value of the Options as at the Latest Practicable Date based on and subject to a number of theoretical bases and speculative assumptions would not be meaningful and would be misleading to the Shareholders in the circumstances.

### 6. RE-ELECTION OF DIRECTORS

In accordance with Article 112 of the Articles, at each annual general meeting of the Company, not less than one-third of the Directors for the time being shall retire from office by rotation. The Directors to retire in every year shall be those who have been in office for the longest period since their last election but as between persons who became Directors on the same day those to retire shall be determined by lot (unless they otherwise agree between themselves). As set out in Appendix 14 to the Listing Rules, every Director, shall be subject to retirement by rotation at least once every three years. Accordingly, the following Directors shall retire from office by rotation at the conclusion of the AGM, and all of them being eligible, will offer themselves for re-election at the AGM:

<b>Name</b>	<b>Position</b>
(a) Mr. Ip Chi Shing	Non-executive Director
(b) Mr. Yip Tsz Hin	Executive Director
(c) Mr. Ho Sai Hou	Executive Director

If re-elected at the AGM, all the aforesaid Directors will be subject to retirement by rotation, removal, vacation, termination and re-election in accordance with the Articles or the disqualification to act as a Director under the Articles, the law of the Cayman Islands and the Listing Rules.

The particulars of the aforesaid Directors required to be disclosed under the Listing Rules are set out in Appendix III to this circular.

### 7. ANNUAL GENERAL MEETING

A notice convening the AGM is set out on pages 39 to 43 of this circular and a proxy form for use at the AGM is herein enclosed.

Whether or not you are able to attend the AGM in person, please complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding AGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting at the AGM or any adjourned meeting should you so desire.

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## LETTER FROM THE CHAIRMAN

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### 8. FINAL DIVIDEND

The Board has recommended the declaration of a final dividend to be paid out of the distributable profit of the Company to the Shareholders whose names appear on the register of members of the Company on Friday, 17 June 2022. An ordinary resolution will be proposed at the AGM to approve the declaration of final dividend.

### 9. CLOSURE OF REGISTER OF MEMBERS

#### 9.1. Book Closure for ascertaining the Shareholders' entitlement to attend and vote at the AGM

The Hong Kong branch register of members of the Company will be closed from Tuesday, 31 May 2022 to Monday, 6 June 2022 (both dates inclusive) for the purpose of ascertaining Shareholders' entitlement to attend and vote at the forthcoming AGM. No transfer of the Shares may be registered on those dates. In order to qualify for the Shareholders' entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 30 May 2022.

#### 9.2. Book Closure for ascertaining the Shareholders' entitlement to the proposed final dividend

The Hong Kong branch register of members of the Company will be closed from Thursday, 16 June 2022 to Friday, 17 June 2022 (both dates inclusive) for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend should the relevant resolution be passed. No transfer of the Shares may be registered on those dates. In order to qualify for the Shareholders' entitlement to the proposed final dividend, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 15 June 2022.

### 10. VOTING BY POLL

In accordance with Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except, the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the voting on all resolutions at the AGM will be conducted by way of poll.

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## LETTER FROM THE CHAIRMAN

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### 11. DOCUMENTS ON DISPLAY

Copies of the New Share Option Scheme are published at the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.yipschemical.com>) for a period of not less than 14 days before the date of the AGM and a copy of the New Share Option Scheme will be made available for inspection at the AGM.

### 12. RESPONSIBILITY OF THE DIRECTORS

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 render any statement herein this circular misleading.

### 13. RECOMMENDATION

The Board believes that the resolutions proposed in this circular are in the best interests of the Company and the Shareholders as a whole. The Board recommends that the Shareholders vote in favour of all resolutions to be proposed at the AGM.

### 14. PRECAUTIONARY MEASURES FOR THE AGM IN VIEW OF THE RECENT DEVELOPMENT OF CORONAVIRUS DISEASE 2019

In view of the recent development of coronavirus disease 2019 (COVID-19), and in order to better protect the safety and health of the Shareholders, the Company wishes to remind the Shareholders and other participants who will attend the AGM in person to take personal precautions and abide by the requirements of pandemic precaution and control at the Venue. The Company also advises the Shareholders to attend and vote at the AGM by way of non-physical presence. The Shareholders may choose to vote by filling in and submitting the relevant proxy form of the AGM, and appoint the chairman of the AGM as a proxy to vote on relevant resolution(s) as instructed in accordance with the relevant proxy form instead of attending the AGM in person. The Company will implement the following precautionary measures at the AGM:

1. Compulsory body temperature checks will be conducted on all persons attending the AGM at the waiting area outside the Venue before they are admitted to the Venue. Any person with a body temperature of over 37.3 degree Celsius, or who has any flu-like symptoms, or is otherwise apparently unwell, will not be admitted to the Venue;
2. All attendees must wear surgical face masks at all times inside the Venue or at the waiting area outside the Venue;

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## LETTER FROM THE CHAIRMAN

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3. All attendees of the AGM are required to fill in a travel and health declaration form to confirm that (i) he/she has no flu-like symptoms within 7 days immediately before the AGM; and (ii) within 14 days immediately before the AGM: (a) he/she has not travelled outside of Hong Kong; (b) he/she is/was not under compulsory quarantine or medical surveillance order by the Department of Health of Hong Kong; (c) he/she has not had close contact with confirmed case(s) and/or probable case(s) of COVID-19 patient(s); and (d) he/she does/did not live with any person under home quarantine. Any person who fails to provide the required confirmation may be requested to leave or denied entry into the Venue;
4. Seating at the Venue will be arranged in a manner to allow for appropriate social distancing. As a result, there may be limited capacity for Shareholders to attend the AGM. The Company may limit the number of attendees at the AGM as may be necessary to avoid over-crowding;
5. Any attendee who does not follow any of the abovementioned measures will be refused admission to the Venue or requested to leave the Venue;
6. No food or beverage will be served at the AGM to avoid close contact of attendees; and
7. All attendees are recommended to clean their hands with alcohol-based hand sanitizer before entering the Venue.

Subject to the development of the COVID-19 pandemic and the requirements or guidelines of the Government and/or regulatory authorities, the Company may announce further updates on the AGM arrangement as and when appropriate.

Your attention is also drawn to Appendices I, II and III to this circular and the AGM Notice.

Yours faithfully,  
**Ip Chi Shing**  
*Chairman*

This explanatory statement contains all the information required pursuant to Rule 10.06(1)(b) and other relevant provisions of the Listing Rules.

## **1. THE SHARE REPURCHASE RULES**

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their fully-paid up shares on the Stock Exchange subject to certain restrictions. In this regard, the definition of “shares” in Chapter 10 of the Listing Rules would, and where used below in this explanatory statement (including the use of the word “Share(s)”) shall (unless the context otherwise requires) include shares of all classes and securities which carry a right to subscribe or purchase Shares of the Company. The most important restrictions contained in the Listing Rules are summarised below:–

### **1.1. Exercise of the Repurchase Mandate**

Exercise in full of the Repurchase Mandate, on the basis of 568,484,096 Shares in issue as at the Latest Practicable Date and on the basis that no new Shares are issued prior to the date of the resolution approving the Repurchase Mandate, could result in up to 56,848,409 Shares being repurchased by the Company, representing 10% of the number of issued Shares as at the Latest Practicable Date (subject to adjustment in case of any Share consolidation or subdivision after such mandate has been approved, provided that the maximum number of Shares that may be repurchased as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same), during the period from the date on which the resolution granting the Repurchase Mandate is passed until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of the Cayman Islands or the Articles to be held; and (iii) its revocation or variation by ordinary resolution of the Shareholders in a general meeting.

### **1.2. Reasons for Share Repurchases**

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

**1.3. Funding of Repurchases**

In repurchasing Shares, the Company may only apply funds from the Company's internal source legally available for such purpose in accordance with the law of the Cayman Islands and the Articles.

On the basis of the consolidated net tangible assets of the Group as at 31 December 2021, and taking into account the current working capital position of the Group, the Directors consider that there would be no material adverse effect on the working capital and gearing position of the Group in the event that the Repurchase Mandate is exercised in full at any time during the effective period of the Repurchase Mandate. The Directors do not propose to exercise the Repurchase Mandate to such extent as it would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Group.

**2. SHARE PRICES**

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

	Per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2021</b>		
April	4.52	3.72
May	4.72	4.30
June	4.59	4.30
July	5.30	4.13
August	5.76	4.44
September	5.41	4.64
October	4.80	4.01
November	4.70	3.96
December	4.48	3.80
<b>2022</b>		
January	4.55	4.14
February	4.57	4.00
March	4.18	3.41
April (up to the Latest Practicable Date)	4.37	3.98

**3. GENERAL**

- (i) During the six months immediately preceding the Latest Practicable Date, neither the Company nor any of its subsidiaries otherwise purchased, sold or redeemed any of the Company's Shares, whether on the Stock Exchange or otherwise.
- (ii) None of the Directors nor (to the best of the knowledge of the Directors having made all reasonable enquiries) any of their close associates have any present intention to sell any of the Shares to the Company in the event that the Repurchase Mandate is approved by the Shareholders.
- (iii) No core connected person of the Company has notified the Company that he/she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is approved by the Shareholders.
- (iv) The Directors have undertaken to the Stock Exchange that so far as the same may be applied, they will exercise the Repurchase Mandate in accordance with the Listing Rules and any applicable law of the Cayman Islands.
- (v) If on exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for purposes of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and thereby become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code.

As at the Latest Practicable Date, Mr. Ip Chi Shing is, and is deemed to be, interested in 197,000,532 Shares within the meaning of Part XV of the SFO (including the Shares held by his wife, the Shares held jointly with his wife and the Shares held through corporations controlled by him) representing approximately 34.65% of the total number of Shares in issue. In the event that the Directors exercise in full the Repurchase Mandate which is to be approved by the Shareholders and no further Shares are issued during the proposed repurchase period, the percentage of issued share capital in the Company that Mr. Ip Chi Shing is, and is deemed to be, interested in will increase to approximately 38.50% of the total number Shares in issue. Such increase may give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors have no intention to exercise the Repurchase Mandate to such an extent as would result in such mandatory offer obligation arising.

The Company has no intention to exercise the Repurchase Mandate to the effect that it will result in the public float to fall below 25% or such other minimum percentage prescribed by the Listing Rules from time to time.

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## **APPENDIX II      PRINCIPAL TERMS OF NEW SHARE OPTION SCHEME**

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The following is a summary of the principal terms of the New Share Option Scheme proposed to be adopted at the AGM which serves to summarise the terms of the New Share Option Scheme, but does not constitute the full terms of the same.

### **1.      PURPOSE OF THE NEW SHARE OPTION SCHEME**

The purpose of New Share Option Scheme is to recognise and motivate the contribution of Participants, to provide incentives to them, and to help the Group and its Associated Companies in retaining their existing Employees and recruiting additional Employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group and its Associated Companies.

### **2.      ELIGIBLE PARTICIPANTS OF THE NEW SHARE OPTION SCHEME**

The Participants of the New Share Option Scheme include any Employee, adviser, consultant, agent, contractors, client, supplier and/or such other person, who in the sole discretion of the Board has contributed or may contribute to the Group and/or the Associated Company.

### **3.      DURATION OF THE NEW SHARE OPTION SCHEME AND ADMINISTRATION OF THE NEW SHARE OPTION SCHEME**

Subject to early termination of the New Share Option Scheme as set out in the paragraph 13 below, the New Share Option Scheme shall be valid and effective for the Scheme Period, after which period no further Options will be granted, but the provisions of the New Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme, and Options granted during the life of the New Share Option Scheme shall continue to be exercisable in accordance with their terms of grant within the Scheme Period.

The New Share Option Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided in the rules of the New Share Option Scheme) shall, subject to compliance with the Listing Rules, be final and binding on all parties. The Board shall, subject to the provisions contained in the rules of the New Share Option Scheme, have the right to (i) interpret and construe the provisions of the New Share Option Scheme; (ii) determine the persons to whom Options will be awarded under the New Share Option Scheme and the number and the Subscription Price of Options awarded thereto; (iii) make such appropriate and equitable adjustments to the terms of Options granted under the New Share Option Scheme as it deems necessary; and (iv) make such other decisions or determinations as it shall deem appropriate in the administration of the New Share Option Scheme.

### **4.      PERFORMANCE TARGETS AND MINIMUM PERIOD FOR WHICH OPTION MUST BE HELD**

There is no performance target that must be achieved before the Options can be exercised except otherwise imposed by the Board in its absolute discretion and stated in terms of the Offer of the grant of the Option.

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## APPENDIX II      PRINCIPAL TERMS OF NEW SHARE OPTION SCHEME

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Unless the Board in its absolute discretion otherwise determines and states in the Offer to a Participant, there is no minimum period for which an Option granted under the New Share Option Scheme must be held before it can be exercised.

### 5.      MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

- (a)      The Scheme Mandate Limit shall not exceed ten per cent. (10%) of the total number of Shares in issue as at the Adoption Date. The Company may obtain approval from its Shareholders for refreshing the Scheme Mandate Limit pursuant to paragraph 5(b) below. Option lapsed in accordance with the terms of the New Share Option Scheme or any other share option schemes of the Company under which such Options are granted, as the case may be, shall not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.

If the Company conducts a share consolidation or subdivision after the Scheme Mandate Limit has been approved in general meeting, the maximum number of Shares that 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 Scheme Mandate Limit as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same.

- (b)      The Company may seek approval of the Shareholders in general meeting to refresh the Scheme Mandate Limit provided that the Scheme Mandate Limit so refreshed must not exceed ten per cent. (10%) of the Shares in issue at the date of the approval of the renewal by the Shareholders (or such other limit as stipulated in the Listing Rules from time to time). All Options previously granted under the New Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the New Share Option Scheme and any other share option schemes of the Company and exercised options) prior to the approval of such refreshment shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. In seeking approval, the Company shall send a circular to the Shareholders.
- (c)      The Company may grant Options to Participant(s) beyond the Scheme Mandate Limit if the grant of such Options is specifically approved by the Shareholders in general meeting. In seeking such approval, a circular must be sent to the Shareholders containing a generic description of the specified Participants, the number and terms of the Options to be granted, the purpose of granting Options to the specified Participants, and how these Options serve such purpose.

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## APPENDIX II      PRINCIPAL TERMS OF NEW SHARE OPTION SCHEME

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- (d) Notwithstanding paragraphs 5(a), 5(b) and 5(c) above, the maximum number of Shares which may be issued upon exercise of all outstanding Options under the New Share Option Scheme and options which may be granted under any other share option schemes of the Company shall not exceed thirty per cent. (30%) or such higher percentage as may be allowed under the Listing Rules of the total number of Shares in issue from time to time. No Option may be granted under any scheme of the Company if this will result in the limit referred to in this paragraph being exceeded.
- (e) No Participant shall be granted an Option if the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted (including exercised, cancelled and outstanding options) in any twelve (12) month period up to and including the date of grant to such Participant would exceed one per cent. (1%) of the Shares for the time being in issue (or such other limit as stipulated in the Listing Rules from time to time) unless the proposed grant has been approved by the Shareholders in general meeting with the proposed Grantee and his associates abstaining from voting. A circular must be sent to the Shareholders disclosing the identity of the proposed Grantee, the number and terms of the Options granted and to be granted and other information required under the Listing Rules. The number and terms (including the exercise price) of Options to be granted to such proposed Grantee must be fixed before the Shareholders' approval and the date of meeting of the Board for proposing such further grant should be taken as the date for the purpose of calculating the Subscription Price.
- (f) Notwithstanding any provision to the contrary in the rules of the New Share Option Scheme, if the Listing Rules stipulate any other limit regarding the maximum number of Shares which may be issued upon exercise of Options granted and to be granted to any Participant or any class or category of Participants within any specified period, and/or impose additional compliance requirements for any such grant and/or for any grant exceeding the aforesaid limit, no grant of Options to such Participant or class or category of Participants should be made unless the Company has duly complied with the Listing Rules. In all circumstances, no grant of Options shall be made if it will result in contravention of the Listing Rules.

### 6. GRANT OF OPTION

- (a) On and subject to the terms of the New Share Option Scheme, the Board shall be entitled at any time and from time to time within the Scheme Period to offer to grant to any Participant as the Board may in its absolute discretion select, and subject to such conditions (including but not limited to terms and conditions in relation to vesting, exercise or otherwise) as the Board may in its absolute discretion think fit provided that such conditions shall not be inconsistent with any other terms and conditions of the New Share Option Scheme, an Option to subscribe for such number of Shares as the Board may in its absolute discretion determine at the Subscription Price.

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## APPENDIX II      PRINCIPAL TERMS OF NEW SHARE OPTION SCHEME

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- (b) Any grant of Option to a director, chief executive, substantial shareholder or connected person of the Company or any of their respective associates under the New Share Option Scheme must be approved by the Independent Non-executive Directors (excluding any Independent Non-executive Director who is the Grantee of the Option).
- (c) Where a grant of Option is proposed to be granted to a substantial shareholder (as defined in the Listing Rules) of the Company or an Independent Non-executive Director or any of their respective associates and the proposed grant of Option, when aggregated will result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including exercised, cancelled and outstanding options) to such person(s) in the past twelve (12) months period up to and including such date of such grant, would entitle such person(s) to subscribe for over 0.1 per cent. (0.1%) of the total Shares in issue for the time being and having an aggregate value in excess of HK\$5 million based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet at the date of each grant, then the proposed grant of Option must be subject to approval by Shareholders on a poll in a general meeting where all connected person(s) of the Company must abstain from voting in favour (except where such connected person(s) intend(s) to vote against the proposed grant of Options and his/their intention to do so has been stated in the circular). A Shareholders' circular must be prepared by the Company explaining the proposed grant of Option, disclosing the number and terms (including the Subscription Price) of the Options proposed to be granted to each such Participant, the recommendation from the Independent Non-executive Directors (excluding any Independent Non-executive Director who is the proposed Grantee of the Option) as to voting and all information required under the Listing Rules. The Shareholders' approval as described above will also be required for any change in the terms of any Options granted to a substantial shareholder (as defined in the Listing Rules) of the Company or an Independent Non-executive Director or any of their respective associates.
- (d) For the avoidance of doubt, the requirements for the granting of Options to an executive or non-executive director of the Company set out in paragraph 6(b) and 6(c) above shall not apply where the Participant is only a proposed executive or non-executive director of the Company.
- (e) Any grant of the Options to Non-Employee Participants must first be approved by the remuneration committee of the Company.
- (f) Disclosures will be made in the annual and interim reports of the Company including details of the Options granted to the following person(s): (i) a director, chief executive, substantial shareholder or connected person of the Company or any of their respective associates of the Company; (ii) each Participant with Options granted in excess of the individual limit referred to herein or in the Listing Rules; (iii) aggregate figures for Employees; (iv) aggregate figures for suppliers of goods or services; and (v) other Participants in aggregate.

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## APPENDIX II      PRINCIPAL TERMS OF NEW SHARE OPTION SCHEME

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- (g) The Company may not grant any Options after inside information has come to its knowledge until and including) the Trading Day after it has announced the information. In particular, the Company may not grant any Option during the period commencing one month immediately before the earlier of: (1) the date of the Board meeting (as such date is first notified to the Exchange under the Listing Rules) for approving 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 announce 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 during any period of delay in publishing a results announcement.
- (h) An Offer of the grant of an Options shall be made to a Participant in writing in such form as the Board may in its absolute discretion from time to time determine specifying the number of Shares, the Subscription Price, the Option Period in respect of which the Offer is made, the date by which the Option must be applied for and further requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the New Share Option Scheme and shall remain open for acceptance by the Participant concerned until 5:00 p.m. on the twenty-first (21st) Business Day (or such other period as may be determined by the Board and set out in the Offer) following the Offer Date provided that no such Offer shall be open for acceptance after the Scheme Period or after the New Share Option Scheme has been terminated.
- (i) An Option shall be deemed to have been granted and accepted when the duplicate letter of Offer comprising acceptance of the Option duly signed by the Grantee together with a remittance in favour of the Company of HK\$1.00 or any other amount as may be determined by the Board by way of consideration for the grant thereof is received by the Company. Such remittance shall in no circumstances be refundable. Once the Offer is accepted by the Grantee in accordance with the terms of the New Share Option Scheme, for the purpose of the New Share Option Scheme, the Offer Date will become the date of grant of the relevant Option.
- (j) Any Offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of such number of Shares as represents a board lot for the time being for the purposes of trading on the Stock Exchange or an integral multiple thereof (unless the Board may determine otherwise). To the extent that the Offer of the grant of an Option is not accepted (or not accepted to its fullest extent) by 5:00 p.m. the twenty-first (21st) Business Day (or such other period as may be determined by the Board) following the Offer Date in the manner indicated in paragraph 6(i), the Offer (or, as the case may be, to the extent not accepted) will be deemed to have been irrevocably declined and lapsed automatically.

**7.      SUBSCRIPTION PRICE**

The Subscription Price in respect of any particular Option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant Option (and shall be stated in the terms of the Offer of the grant of the Option) but in any case the Subscription Price shall not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the relevant Offer Date in respect of such Option, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) Trading Days immediately preceding the relevant Offer Date in respect of such Option; or (iii) the nominal value of a Share. In the event of fractional prices, the Subscription Price per Share shall be rounded upwards to the nearest whole cent. Without prejudice to the generality of the foregoing, the Board may grant Options in respect of which the Subscription Price is fixed at different prices for certain periods during the Option Period.

**8.      EXERCISE OF OPTIONS**

- (a) An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Grantee shall entitle the Company to cancel any outstanding Option or part thereof granted to such Grantee (to the extent not already exercised).
  
- (b) Unless the Board in its absolute discretion otherwise accepts any other manner of how an Option may be exercised (including but not limited to exercising through electronics stock option platform), an Option may be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof unless otherwise determined by the Board) in the manner as set out in paragraph 8(c) below by the Grantee (or, as the case may be, his legal Personal Representative(s)) giving notice in writing to the Company in such form and manner as the Board may accept stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given and relevant and (if applicable) sufficient Option certificate(s) to cover the number of Shares in respect of which the Option is being exercised. Within twenty-one (21) days (or such other period as may be determined by the Board) after receipt of the notice and the remittance and, where appropriate, receipt of the independent financial advisers or the Auditor's certificate pursuant to paragraph 9, the Company shall allot the relevant Shares to the Grantee (or, as the case may be, his legal Personal Representative(s)) credited as fully paid and, where appropriate, issue to the Grantee (or his legal Personal Representative(s)) a share certificate in respect of the Shares so allotted.

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## APPENDIX II      PRINCIPAL TERMS OF NEW SHARE OPTION SCHEME

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If the number of Shares in respect of which Option certificate(s) (if applicable) lodged under this paragraph 8(b) exceeds the number of Shares comprised in the notice of exercise of an Option, the Company shall issue to the Grantee an Option certificate in relation to the balance of the Shares to the Grantee (or, as the case may be, his legal Personal Representative(s)).

- (c) Subject as provided in the rules of the New Share Option Scheme and the terms of the Offer of the grant of the Option to the relevant Participants, the Option may be exercised by the Grantee (or, as the case may be, his legal Personal Representative(s)) at any time during the Option Period provided that, unless the Board in its absolute discretion otherwise determines or resolves:–
- i. In the event of the Grantee, being an Employee at the date of grant or subsequently becomes an Employee after the date of grant, ceasing to be an Employee for any reason other than his retirement, death or the termination of his employment on one or more of the grounds specified in paragraph 10(d), the Grantee may exercise the Option up to his entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of one month (or such other period as the Board may determine otherwise and notify the Grantee), following the date of such cessation, which date shall be the Grantee's last actual working day with the Company, the relevant Subsidiary or the Associated Company (as the case may be) whether salary is paid in lieu of notice or not or, if any of the events referred to in paragraphs 8(c)(iv), 8(c)(v) or 8(c)(vi) occurs during such period, the Grantee may exercise the Option within the period stipulated in paragraphs 8(c)(iv), 8(c)(v) or 8(c)(vi) instead of the period referred to in this paragraph 8(c)(i) (for the avoidance of doubt, the retirement of any director of any member of the Group or the Associated Company pursuant to the constitution of the relevant member of the Group or the Associated Company at an annual general meeting of such member who is re-elected at the same annual general meeting shall not be regarded as ceasing employment for the purpose of this paragraph);
  - ii. In the event of the Grantee ceasing to be an Employee as a result of his retirement (provided that none of the events which would be a ground for termination of his employment under paragraph 10(d) arises prior to his retirement), the Grantee shall be entitled within a period of twelve (12) months, or such other period as may be determined by the Board, from the date of retirement to exercise the Option up to the entitlement of such Grantee as at the date of retirement (to the extent which has become exercisable and not already exercised) or, if any of the events referred to in paragraphs 8(c)(iv), 8(c)(v) or 8(c)(vi) occurs during such period, the Grantee may exercise the Option within the period stipulated in paragraphs 8(c)(iv), 8(c)(v) or 8(c)(vi) instead of the period referred to in this paragraphs 8(c)(ii) (for the avoidance of doubt, the retirement of any director of any member of the Group or the Associated Company pursuant to the constitution of the relevant member of the Group or the Associated Company at an annual general meeting of such member who is re-elected at the same annual general meeting shall not be regarded as retirement for the purpose of this paragraph);

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- iii. In the event of the death of the Grantee (provided that none of the events which would be a ground for termination of his employment under paragraph 10(d) arises prior to his death, in the case the Grantee is an Employee at the date of grant), the legal Personal Representative(s) of the Grantee shall, upon producing such evidence of his title as the Board may in its sole and absolute discretion require, be entitled within a period of twelve (12) months, or such other period as may be determined by the Board, from the date of death or, if any of the events referred to in paragraphs 8(c)(iv), 8(c)(v) or 8(c)(vi) occurs during such period, within the period stipulated in paragraph 8(c)(iv), 8(c)(v) or 8(c)(vi) instead of the period referred to in this paragraph 8(c)(iii) to exercise the Option up to the entitlement of such Grantee as at the date of death (to the extent which has become exercisable and not already exercised);
- iv. If a general offer (whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner but other than an offer to acquire and/or cancel the Shares arising from a privatisation proposal of the Company) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry of the Option, the Grantee (or, as the case may be, his legal Personal Representative(s)) shall be entitled to exercise the Option in full (to the extent which has become exercisable and not already exercised) at any time within fourteen (14) Business Days, or such other period as may be determined by the Board, after the date on which the offer becomes or is declared unconditional;
- v. If an offer to acquire and/or cancel the Shares arising from a privatisation proposal of the Company, whether by way of take-over offer, share buy-back offer, or scheme of arrangement or otherwise is made to all the holders of the Shares (or all such holders other than the offeror of the offer and/or any person controlled by such offeror and/or any person acting in association or concert with such offeror), whether or not it involves a change of control of the Company, and (i) in case of a scheme of arrangement, if the arrangement is formally proposed to the holders of the Shares, or (ii) in any other case, if such offer becomes or is declared unconditional prior to the expiry of the Option, the Grantee (or, as the case may be, his legal Personal Representative(s)) shall be entitled to exercise the Option (to the extent not already exercised or lapsed) to its full extent or to the extent specified in the Grantee's notice to the Company in exercise of such Option at any time thereafter and up to such time as may be determined by the Board, provided that the latest time for exercise of Option shall not be later than (i) in case of a scheme of arrangement, 3:00 p.m. (Hong Kong time) of the record date for entitlements under such scheme of arrangement, or (ii) in any other case, the close of such offer (or any revised offer), and for the avoidance of doubt, the Grantee (or, as the case may be, his legal Personal Representative(s)) shall not be entitled to exercise any of the Option after the

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aforesaid latest time for exercise of Option and an Option shall lapse automatically (to the extent not exercised) on the date on which (i) in case of a scheme of arrangement, the offer extended to all Grantees in relation to the Options arising from such scheme of arrangement becoming effective, or (ii) in any other case, such offer (or any revised offer) closed;

- vi. In the event that a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily winding-up the Company or an order of the court is made for the winding-up of the Company, the Company shall on the same date as or soon after it dispatches such notice to each member of the Company or such order is made, give notice thereof to all Grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each Grantee (or where permitted under paragraph 8(c)(iii) his legal Personal Representative(s)) shall be entitled to exercise all or any of his Options (to the extent which has become exercisable and not already exercised) at any time not later than five (5) Business Days, or such other period as may be determined by the Board, prior to the proposed general meeting of the Company by giving notice in writing to the Company in such form and manner as the Board may accept, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than 3:00 p.m. on the Business Day immediately preceding the date of the proposed general meeting referred to in this paragraph, allot the relevant Shares to the Grantee (or, as the case may be, his legal Personal Representative) credited as fully paid;
- vii. If, pursuant to the Companies Law, a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all Grantees (together with a notice of the existence of the provisions of this paragraph 8(c)(vii)) on the same date as it despatches to each member or creditor of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee (or his legal Personal Representative(s)) shall be entitled to exercise all or any of his Options in whole (or in part) (to the extent not already lapsed or exercised) at any time no later than five (5) Business Days, or such other period as may be determined by the Board, prior to the date of the meeting directed to be convened by the court for the purposes of considering such compromise or arrangement by notice in writing to Company in such form and manner as the Board may accept, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the Grantee credited as fully paid. With effect from the date of such meeting, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not

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## APPENDIX II      PRINCIPAL TERMS OF NEW SHARE OPTION SCHEME

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been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of Options under this paragraph 8(c)(vii) shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court) the rights of Grantees to exercise their respective Options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of this Scheme) (provided that the Option Period shall accordingly be extended by the length of the period of the suspension) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of the Company or any of its officers; and

- viii. notwithstanding anything contained in paragraphs 8(c)(i) to 8(c)(vii) above, the Board shall have absolute discretion to make any decision regarding the exercise of any outstanding Option (whether such Option has become exercisable or not at the relevant time) when any event described in paragraphs 8(c)(i) to 8(c)(vii) occurs, subject always to full compliance with the applicable Listing Rules and applicable laws.
- (d) The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment, including voting, dividend, transfer and other rights (including those arising on a liquidation of the Company). Accordingly, the Shares to be allotted upon the exercise of an Option will entitle the holders of Options to participate in all dividends or other distributions paid or made with a record date for entitlement thereto falling on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment.

A Share issued upon the exercise of an Option shall not carry voting rights until the registration of the Grantee (or any other person) as the holder thereof.

**9. REORGANISATION OF CAPITAL STRUCTURE**

(a) In the event of any alteration in the capital structure of the Company pursuant to a capitalisation issue, rights issue, open offer with price-dilutive element as referred to in the Supplementary Guidance, sub-division or consolidation of Shares or reduction of capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company in a party) whilst any Option remains exercisable such corresponding alterations (if any) shall be made in:

- i. The number of Shares subject to the Option so far as unexercised; and/or
- ii. The Subscription Price

as an independent financial adviser or the Auditor shall certify in writing to the Board to be in their opinion fair and reasonable and in accordance with, either generally or as regards any particular Grantee that any such alterations shall satisfy the requirements set out in note to Rule 17.03(13) of the Listing Rules (or such rule as from time to time amended by the Stock Exchange) or any guidance note issued by the Stock Exchange in relation thereto, PROVIDED THAT (i) any alteration shall be made on the basis that the proportion of the issued share capital of the Company to which a Grantee is entitled after such alteration shall remain as far as possible the same as but not greater than that to which he was entitled before such alteration; (ii) no such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value or to increase the proportion of the issued share capital of the Company for which any Grantee would have been entitled to subscribe had he exercised all the Options held by immediately prior to such adjustments; and (iii) no alteration shall be made to the advantage of any Grantee without specific prior approval by the Shareholders. In any event, the adjustment is subject to the overriding principle that no adjustments to the exercise price or number of shares should be made to the advantage of any Grantee, as illustrated in the Supplementary Guidance (and any future guidance or interpretation of the Listing Rules issued by the Exchange from time to time). In case of any alterations other than any made on a capitalisation issue, a written confirmation from an independent financial adviser or the Auditor to the Directors is required to confirm that the provisos herein have been satisfied.

(b) The capacity of the independent financial advisers or the Auditor in this paragraph 9 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.

(c) The costs of the independent financial advisers or the Auditor shall be borne by the Company.

**10.    LAPSE OF OPTION**

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

- (a) the expiry of the Option Period;
- (b) unless the Board has made any decision under paragraph 8(c)(viii), the expiry of any of the periods referred to in paragraphs 8(c)(i), 8(c)(ii), 8(c)(iii), 8(c)(iv), 8(c)(v) or 8(c)(vi);
- (c) subject to paragraph 8(c)(v), the date of the commencement of the winding-up of the Company (as determined in accordance with the Companies Law or such other applicable law in the jurisdiction in which the winding-up takes place);
- (d) in the case the Grantee is an Employee at the date of grant or subsequently becomes an Employee after the date of grant, the date on which the Grantee ceases to be any Employee by reason of the termination of his employment on any one or more of the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board in its absolute discretion) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company, the relevant Subsidiary or the Associated Company, and for the purpose of this paragraph 10(d), a resolution of the Board (or a duly authorised committee thereof) of the Company, of the relevant Subsidiary or of the Associated Company to the effect that employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph 10(d) shall be conclusive and binding on the Grantee;
- (e) subject to the proposed compromise or arrangement becoming effective, the expiry of the period referred to in paragraph 8(c)(vii);
- (f) the date on which the Grantee commits a breach of paragraph 8(a);
- (g) the date on which the Option is cancelled by the Board in accordance with paragraph 11;
- (h) the offer of the grant of an Option is not accepted by 5:00 p.m. on the 21st Business Day (or such other date as the Board may determine otherwise and set out in the terms of the Offer) following the Offer Date in the manner indicated in paragraph 6(h); or
- (i) the expiry of any period determined by the Board under paragraph 8(c)(viii).

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## **APPENDIX II      PRINCIPAL TERMS OF NEW SHARE OPTION SCHEME**

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### **11.    CANCELLATION OF OPTIONS**

Subject to paragraph 8(a) above, the Board may with the approval of the relevant Grantees cancel any Option granted but not exercised. The Board may issue new Option to the Grantee of any cancelled Option provided that the issue of such new Option may only be made under the New Share Option Scheme or any other share option scheme with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

### **12.    ALTERATION OF THE NEW SHARE OPTION SCHEME**

- (a)    The provisions of the New Share Option Scheme relating to matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the Participants without approval by Shareholders in a general meeting.
- (b)    Any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the New Share Option Scheme must be approved by Shareholders in a general meeting.
- (c)    The alteration of terms and conditions of the New Share Option Scheme which are of a material nature (except where such alterations take effect automatically under the existing terms of the New Share Option Scheme) must be approved by Shareholders in a general meeting.
- (d)    Save and except for the matters set out in paragraphs 12(a) to 12(c) above, other provisions of the New Share Option Scheme may be altered in any respect by resolution of the Board.
- (e)    Paragraphs 12(a) to 12(d) are subject to the PROVISOR THAT no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration without the consent or sanction in writing of such number of Grantees who shall together hold Options in respect of not less than three-fourths in nominal value of all Shares that to be issued on exercise of the Options granted under the New Share Option Scheme.
- (f)    The amended terms of the New Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules, the Supplementary Guidance and any future guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time.

### **13.    TERMINATION OF THE NEW SHARE OPTION SCHEME**

The Company, by 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 Option will be offered but in respect of any Option granted but not exercised or lapsed, the provisions of the New Share Option Scheme shall remain in full force and effect in all other respects. Upon such termination, details of the Options granted, including Options exercised or outstanding and, if applicable, Options that become void and non-exercisable as a result of such termination must be disclosed in the circular to Shareholders seeking approval of the first new scheme established thereafter.

Set out below are details of the Directors who will be proposed to be re-elected at the AGM.

1. **Mr. Ip Chi Shing**, aged 74, is the Chairman and the Co-founder of the Group and was re-designated as the Chairman of the Group and a Non-executive Director of the Company in 2012. Mr. Ip focuses on the leading of the Board, formulating the Group's long-term development strategy and the planning and inheritability of human resources of the Group etc. He is (i) the brother of Mr. Yip Tsz Hin, the Deputy Chairman of the Group, the Chief Executive Officer of the Group, an Executive Director as well as a member of the Senior Leadership Team; and (ii) the father of Mr. Ip Kwan, the Deputy Chief Executive Officer of the Group, an Executive Director of the Company and a member of the Senior Leadership Team. In 2006, Mr. Ip established "Ip Chi Shing Charitable Foundation Limited" with the current objectives of carrying out charity activities in Mainland China and Hong Kong including fostering education in Mainland China and providing care for the underprivileged groups in Hong Kong and making contributions to society.

As at the Latest Practicable Date, Mr. Ip is interested or is deemed to be interested in 197,000,532 Shares for the purpose of Part XV of the SFO (Note). Each of Mr. Ip and his wife holds one non-voting deferred share of Yip's H.C. (Holding) Limited, a Subsidiary of the Company.

A service contract was entered into between the Company and Mr. Ip in respect of his appointment as a Non-Executive Director. Mr. Ip was not appointed for any specific length or proposed length of service with the Company but is subject to rotation, removal, vacation or termination of his office as a Director as set out in the Articles or the disqualification to act as a Director under the Articles, the laws of the Cayman Islands and the Listing Rules.

*Note:* Out of those Shares, 2,094,000 Shares are held by his wife, 7,098,000 Share are held by Mr. Ip and his wife jointly, 21,200,000 Share are held by Ip Chi Shing Charitable Foundation Limited, a charitable organization, and 5,304,000 Shares are held by Yip's Care Extension Foundation Limited. Mr. Ip Chi Shing controls 50% (together with his wife control 100%) and 60% (together with his younger sister and brother control 100%) of the voting power at the general meetings of Ip Chi Shing Charitable Foundation Limited and Yip's Care Extension Foundation Limited, respectively. He is therefore deemed to be interested in those Shares held by these two corporations.

2. **Mr. Yip Tsz Hin**, aged 63, joined the Group in 1977. Mr. Yip is the Deputy Chairman of the Group, the Chief Executive Officer of the Group, an Executive Director of the Company and a member of the Senior Leadership Team. He also acts as a director of certain subsidiaries of the Company. Mr. Yip has over 40 years of experience in the manufacturing of and trading in petrochemical products. He is (i) the brother of Mr. Ip Chi Shing, the Chairman of the Group and a Non-executive Director of the Company; and (ii) the uncle of Mr. Ip Kwan, the Deputy Chief Executive Officer of the Group, an Executive Director of the Company and a member of the Senior Leadership Team.

As at the Latest Practicable Date, Mr. Yip is interested in 45,116,248 Shares, of which 31,116,248 Share is personal interests and his wife holds 14,000,000 Shares. Mr. Yip also holds one non-voting deferred share of Yip's H.C. (Holding) Limited, a Subsidiary of the Company. Mr. Yip was deemed to be interested in 1,593,000 shares in Bauhinia Ink (representing approximately 0.53% of the issued share capital of Bauhinia Ink) held by 中山市裕貿投資諮詢合夥企業(有限合夥) (Zhongshan Yumao Investment Advisory Partnership (Limited Partnership))#, in which he held approximately 54.49% economic interest as a limited partner thereof. Save as disclosed herein, he does not have any interests in the Shares within the meaning of Part XV of the SFO.

A service contract was entered into between the Company and Mr. Yip in respect of his appointment as a Chief Executive Officer and an Executive Director. Mr. Yip was not appointed for any specific length or proposed length of service with the Company but is subject to rotation, removal, vacation or termination of his office as a Director as set out in the Articles or the disqualification to act as a Director under the Articles, the laws of the Cayman Islands and the Listing Rules.

# *For identification purposes only*

3. **Mr. Ho Sai Hou**, aged 55, joined the Group in 2010. Mr. Ho is the Chief Financial Officer of the Group, an Executive Director of the Company, a member of the Senior Leadership Team and the Company Secretary of the Company. He also acts as a director of certain subsidiaries of the Company. Mr. Ho holds a Bachelor of Social Sciences Degree in Accounting from The University of Hong Kong and an Executive Master of Business Administration (EMBA) from The China Europe International Business School in 2007. Before joining the Group, Mr. Ho acted as chief financial officer, executive director and company secretary for several listed companies in Hong Kong. He is a member of The Hong Kong Institute of Certified Public Accountants (HKICPA) and a fellow member of the Association of Chartered Certified Accountants (ACCA). He has over 20 years of experience in accounting, finance, taxation and company secretarial fields.

As at the Latest Practicable Date, Mr. Ho is interested in Options carrying right to subscribe for 200,000 Shares.

A service contract was entered into between the Company and Mr. Ho in respect of his appointment as a Chief Financial Officer and an Executive Director. Mr. Ho was not appointed for any specific length or proposed length of service with the Company but is subject to rotation, removal, vacation or termination of his office as a Director as set out in the Articles or the disqualification to act as a Director under the Articles, the laws of the Cayman Islands and the Listing Rules.

Save as disclosed above, each of the Directors proposed to be re-elected (i) does not have any relationship with any other directors, senior management or any substantial or controlling Shareholders of the Company; (ii) does not have other major appointments and professional qualifications; (iii) does not at present and did not in the past three years hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (iv) does not hold any position with the Company and other members of the Group; and (v) has no interest in the Shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, the Directors proposed to be re-elected confirmed that there are no other matters that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to rule 13.51(2)(h) to (w) of the Listing Rules.

#### DIRECTORS' EMOLUMENTS

The amounts of emoluments received by the above Directors to be re-elected at the forthcoming AGM for the year ended 31 December 2021 are set out in the table below:

Directors	Directors' emoluments				Total HKD'000
	Directors Fees HKD'000	Salaries and other benefits HKD'000	Discretionary bonus HKD'000	Retirement benefit scheme contributions HKD'000	
Mr. Ip Chi Shing <sup>a</sup>	–	1,491	–	–	1,491
Mr. Yip Tsz Hin <sup>b</sup>	–	4,057	2,649	295	7,001
Mr. Ho Sai Hou <sup>b</sup>	–	2,532	949	226	3,707

The amount of emoluments to be received in 2022 by the Directors to be re-elected at the AGM are estimated below:

- (i) Mr. Ip Chi Shing will be entitled to receive salaries and other benefits of HKD1,478,000<sup>a</sup> for the year of 2022;
- (ii) Mr. Yip Tsz Hin will be entitled to receive an annual salary of HKD3,293,000<sup>b</sup>, housing reimbursement of HKD795,000<sup>b</sup> per annum and a discretionary bonus for the year of 2022; and
- (iii) Mr. Ho Sai Hou will be entitled to receive an annual salary of HKD2,525,000<sup>b</sup> and a discretionary bonus for the year of 2022.

*Remarks:*

- a. The director's emolument of Non-executive Director is covered by an appointment letter and determined by the Board based on the recommendation given by the remuneration committee of the Company with reference to the Company's remuneration policy and taking into account, among other factors, the Director's qualification and experience, responsibilities undertaken, contribution to the Company, and the prevailing market level of remuneration for similar position.
- b. The director's emoluments of Executive Directors are covered by the respective service contract. The emolument of the above Executive Directors is/will be determined by the remuneration committee of the Company with reference to the Company's remuneration policy and taking into account, among other factors, the Directors' qualification and experience, responsibilities undertaken, contribution to the Company, and the prevailing market level of remuneration for similar position.

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## NOTICE OF ANNUAL GENERAL MEETING

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# Yip's Chemical Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 408

**NOTICE IS HEREBY GIVEN THAT** the annual general meeting (the “**AGM**”) of Yip’s Chemical Holdings Limited (the “**Company**”) will be held at 27/F., Fortis Tower, Nos. 77-79 Gloucester Road, Wanchai, Hong Kong (the “**Venue**”) on Monday, 6 June 2022 at 3:00 p.m. for transacting the following business:

### **ORDINARY BUSINESS**

1. To receive and adopt the audited consolidated financial statements and the reports of the directors of the Company (“**Director(s)**”) and the independent auditor of the Company (“**Auditor**”) for the year ended 31 December 2021;
2. To declare a final dividend of HK18 cents per share of the Company (“**Share**”) for the year ended 31 December 2021;
3. To re-appoint Deloitte Touche Tohmatsu as the Auditor and to authorise the board of Directors to fix their remuneration;
4. To re-elect Mr. Ip Chi Shing as a Non-executive Director;
5. To re-elect Mr. Yip Tsz Hin as an Executive Director;
6. To re-elect Mr. Ho Sai Hou as an Executive Director;
7. To authorise the board of Directors to fix the remuneration of the Directors.

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## NOTICE OF ANNUAL GENERAL MEETING

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### SPECIAL BUSINESS

8. To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions (with or without modification):

**“THAT**

- (a) a general mandate be and is hereby unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to allot, issue and otherwise deal with unissued shares or securities convertible into shares or options, warrants or similar rights to subscribe for any Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers either during or after the Relevant Period, in addition to any Shares which may be issued from time to time (a) on a Rights Issue (as hereinafter defined) or (b) upon exercise of any options under any option scheme or similar arrangement for the time being adopted for the grant or issue of Shares or (c) upon the exercise of rights of subscription or conversion attaching to any warrants or convertible bonds issued by the Company or any securities which are convertible into Shares the issue of which warrants and other securities has previously been approved by shareholders of the Company or (d) as any scrip dividend pursuant to the Articles, not exceeding 20% of the aggregate number of issued Shares as at the date of this resolution (subject to adjustment in case of any Share consolidation or subdivision after such mandate has been approved, provided that the maximum number of Shares that may be allotted and issued as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same); and
- (b) for the purpose of this resolution:

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by any applicable law of the Cayman Islands or the articles of association of the Company; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

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

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## NOTICE OF ANNUAL GENERAL MEETING

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9. “**THAT** an unconditional general mandate be and is hereby granted to the Directors to repurchase shares of the Company, and that the exercise by the Directors of all powers of the Company to purchase Shares subject to and in accordance with all applicable laws or the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved, subject to the following conditions:
- (a) such mandate shall not extend beyond the Relevant Period;
  - (b) such mandate shall authorise the Directors to procure the Company to repurchase Shares at such price as the Directors may at their discretion determine;
  - (c) the Shares to be repurchased by the Company pursuant to paragraph (a) of this resolution during the Relevant Period shall be no more than 10% of the aggregate number of issued Shares as at the date of passing this resolution (subject to adjustment in case of any Share consolidation or subdivision after such mandate has been approved, provided that the maximum number of Shares that may be repurchased as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same); and
  - (d) for the purpose of this resolution:

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

    - (i) the conclusion of the next annual general meeting of the Company;
    - (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of the Cayman Islands or the articles of association of the Company to be held; and
    - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”
10. “**THAT** conditional upon the resolutions nos. 8 and 9 being passed, the number of Shares which are repurchased by the Company pursuant to and in accordance with the resolution no. 9 above shall be added to the number of issued Shares that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to and in accordance with resolution no. 8 above.”; and

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## NOTICE OF ANNUAL GENERAL MEETING

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11. “**THAT** conditional upon The Stock Exchange of Hong Kong Limited granting approval of the listing of and permission to deal in the Shares falling to be issued pursuant to the exercise of any options granted under the share option scheme referred to in the circular dispatched to the shareholders of the Company on the same day as this notice, the terms of which are set out in the printed document marked “A” now produced to the Meeting and for the purpose of identification signed by the Chairman hereof (“**Share Option Scheme**”), the Share Option Scheme be approved and adopted to be the Share Option Scheme of the Company and that the Directors be authorised to grant options thereunder and to allot and issue Shares pursuant to the Share Option Scheme and take all such steps as may be necessary or desirable to implement such Share Option Scheme and with effect from the date of the Share Option Scheme becoming unconditional and coming into effect.”

By order of the Board  
**Ip Chi Shing**  
*Chairman*

Hong Kong, 28 April 2022

*Notes:*

1. The Hong Kong branch register of members of the Company will be closed from Tuesday, 31 May 2022 to Monday, 6 June 2022 (both dates inclusive) for the purpose of ascertaining shareholders’ entitlement to attend and vote at the AGM. No transfer of the Shares may be registered on those dates. In order to qualify for the shareholders’ entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates should be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Monday, 30 May 2022.
2. The Hong Kong branch register of members of the Company will be closed from Thursday, 16 June 2022 to Friday, 17 June 2022 (both dates inclusive) for the purpose of ascertaining Shareholders’ entitlement to the proposed final dividend. No transfer of the Shares may be registered on those dates. In order to qualify for the Shareholders’ entitlement to the proposed final dividend, all transfer forms accompanied by the relevant share certificates should be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 15 June 2022.
3. Any shareholder of the Company entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company. Proxy forms must be lodged at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time for holding the AGM.
4. The form of proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of such power of attorney or authority) must be deposited with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 48 hours before the time appointed for holding the AGM, otherwise the form of proxy shall not be treated as valid.

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## NOTICE OF ANNUAL GENERAL MEETING

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5. To safeguard the health and safety of shareholders of the Company and to prevent and control the spreading of COVID-19, the following precautionary measures will be implemented at the AGM, including but not limited to:
- (a) limiting the number of the AGM attendees to avoid over-crowding;
  - (b) conducting compulsory body temperature checks;
  - (c) wearing of surgical face mask at all times;
  - (d) completing a travel and health declaration;
  - (e) arranging venue seating to allow for appropriate social distancing; and
  - (f) not providing food or beverage.
6. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning signal is in effect at the time of the AGM, or in the event that the COVID-19 situation requires the date of the AGM to be changed, the Company will post an announcement on the Company’s website at <http://www.yipschemical.com> and the Stock Exchange’s website at <http://www.hkexnews.hk> to notify shareholders of the Company of the date, time and place of the rescheduled AGM. Shareholders of the Company should make their own decision as to whether they would attend the AGM under bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.
7. References to time and dates in this notice are to Hong Kong time and dates.
8. As at the date hereof, the Board of Directors comprises the following Directors:

*Non-executive Directors:*

Mr. Ip Chi Shing (*Chairman*)  
Mr. Wong Yuk\*  
Mr. Ho Pak Chuen, Patrick\*  
Mr. Ku Yee Dao, Lawrence \*

*Executive Directors:*

Mr. Yip Tsz Hin (*Deputy Chairman and Chief Executive Officer*)  
Mr. Ip Kwan (*Deputy Chief Executive Officer*)  
Mr. Ho Sai Hou (*Chief Financial Officer*)

\* *Independent Non-executive Directors*