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## **LEE & MAN CHEMICAL COMPANY LIMITED**

**理文化工有限公司**

*(Incorporated in the Cayman Islands and its members' liability is limited)*

*Website: [www.leemanchemical.com](http://www.leemanchemical.com)*

**(Stock Code: 746)**

### **INTERIM RESULTS**

**FOR THE SIX MONTHS ENDED 30 JUNE 2022**

#### **FINANCIAL HIGHLIGHTS**

- Revenue increased 43.1% to HK\$3,251 million as market price of chemical products remains at peak
- Profit increased 51.8% to HK\$891 million in first half of 2022 due to strong profit margin contribution
- Gross profit margin slightly narrowed by 0.5 p.p. to 44.3%
- Interim dividend of HK38 cents per share is declared

## INTERIM RESULTS

The board of directors (the “Board”) of Lee & Man Chemical Company Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 together with comparative figures for the last corresponding period as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue	3, 4	3,250,758	2,271,500
Cost of sales		(1,809,354)	(1,253,416)
Gross profit		1,441,404	1,018,084
Other income	5	37,057	40,486
Other gains or losses	6	7,582	(2,807)
Selling and distribution costs		(121,922)	(114,444)
General and administrative expenses		(154,856)	(136,070)
Research and development cost		(120,039)	(94,137)
Finance costs		(20,849)	(23,000)
Net exchange (losses) gains		(20,852)	15,973
Share of gains of joint ventures		220	166
Share of losses of associates		(449)	(457)
Profit before taxation		1,047,296	703,794
Income tax expense	7	(155,967)	(116,766)
<b>Profit for the period</b>	8	<b>891,329</b>	<b>587,028</b>
<b>Other comprehensive (expenses) income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Exchange differences arising on translation		(229,117)	102,484
Share of other comprehensive (expenses) income of joint ventures and associates		(262)	965
Other comprehensive (expenses) income for the period		(229,379)	103,449
<b>Total comprehensive income for the period</b>		<b>661,950</b>	<b>690,477</b>
Earnings per share:			
– Basic (HK cents)	10	108.0	71.2
– Diluted (HK cents)		103.3	71.1

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		30 June 2022 (Unaudited) <i>HK\$'000</i>	31 December 2021 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	4,786,767	5,041,104
Right-of-use assets		144,670	153,052
Intangible assets		94,133	99,299
Deposits paid for the acquisition of property, plant and equipment		71,833	20,363
Interests in joint ventures		106,804	109,955
Interests in associates		24,675	21,980
Deferred tax assets		22,135	23,372
Goodwill		2,776	2,896
		<b>5,253,793</b>	<b>5,472,021</b>
<b>CURRENT ASSETS</b>			
Inventories	12	729,716	762,475
Properties held for sale		105,471	126,792
Properties under development		362,536	374,001
Trade and other receivables	13	372,234	324,048
Bills receivable		181,126	204,899
Tax recoverable		162	196
Amount due from a joint venture		15,031	15,607
Amount due from an associate		7,019	2,133
Amounts due from related companies		16,596	10,978
Bank balances with restricted use		5,882	–
Bank balances and cash		348,350	324,882
		<b>2,144,123</b>	<b>2,146,011</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	537,182	613,221
Contract liabilities		95,318	120,772
Amount due to a joint venture		765	–
Amounts due to related companies		11,198	10,004
Taxation payable		82,672	159,892
Lease liabilities		2,487	2,178
Bank borrowings		293,423	432,699
		<b>1,023,045</b>	<b>1,338,766</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(CONTINUED)**  
*At 30 June 2022*

		<b>30 June 2022</b>	31 December 2021
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NET CURRENT ASSETS</b>		<b>1,121,078</b>	807,245
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>6,374,871</b>	6,279,266
<b>NON-CURRENT LIABILITIES</b>			
Other payables	14	<b>24,329</b>	36,065
Lease liabilities		<b>1,358</b>	2,190
Deferred tax liabilities		<b>39,111</b>	65,876
Bank borrowings		<b>329,134</b>	600,205
		<b>393,932</b>	704,336
<b>NET ASSETS</b>		<b>5,980,939</b>	5,574,930
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>82,500</b>	82,500
Reserves		<b>5,898,439</b>	5,492,430
<b>TOTAL EQUITY</b>		<b>5,980,939</b>	5,574,930

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The functional currency of the Company is Renminbi (“RMB”), while the condensed consolidated financial statements are presented in Hong Kong dollars (“HK dollars”) as the Company is listed in The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values as appropriate.

Other than new accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

#### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2018–2020</i>

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 3. REVENUE

#### (i) Disaggregation of revenue

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Caustic soda	1,186,006	568,112
Chloromethane products	944,987	594,627
Fluorochemical products	105,592	80,950
Hydrogen peroxide	198,897	242,970
Polymers	481,141	336,911
Liquified chlorine	41,601	78,164
Styrene acrylic latex surface sizing agent	35,388	35,241
Lithium-ion battery additives	26,230	–
Others	204,193	174,008
	<hr/>	<hr/>
Manufacture and sale of chemical products	3,224,035	2,110,983
Sale of properties	26,723	160,517
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	<b>3,250,758</b>	<b>2,271,500</b>
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All of the Group's revenue is recognised at a point in time.

#### (ii) Performance obligations for contracts with customers

##### *Manufacture and sale of chemical products with product delivery services*

The Group manufactures and sells chemical products directly to customers. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specified location (delivery). The normal credit term is 7 to 60 days upon delivery.

##### *Sale of properties*

For contracts entered into with customers for sale of properties, the Group's performance does not create an asset with alternative use to the Group. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the management has concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to the customers. Revenue from sale of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives certain percentage of the contract value as deposits from customers when they sign the sale and purchase agreements and receives the remainder within 120 days from the date of agreements. Depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. The deposits and advance payment schemes result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property.

#### 4. SEGMENT INFORMATION

The Group manages its different businesses by their unique attributes. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, below describes the operations in each of the Group's identified reportable segments as at 30 June 2022:

- Chemical: manufacture and sale of chemical products
- Property: development and sale of properties and rental income from leasing of properties

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases.

Revenue and expenses are allocated to the reportable segments with reference to revenue directly generated by those segments and the expenses directly incurred by those segments. Segment results form the basis of measurement used for assessing segment performance and represent profit or loss before other income, other gains or losses, finance cost, net exchange gain (loss), share of results of joint ventures and associates, income tax and items not specifically attributed to individual reportable segments, such as unallocated head office and corporate expenses. Segment information below is presented in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment.

##### (a) Operating segments

*For the six months ended 30 June 2022*

	<b>Chemical</b> <i>HK\$'000</i>	<b>Property</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
Revenue from external customers	<u>3,224,035</u>	<u>26,723</u>	<u>3,250,758</u>
Segment results	<u>1,077,653</u>	<u>6,602</u>	1,084,255
Unallocated head office and corporate expenses			(39,668)
Other income			37,057
Other gains or losses			7,582
Finance cost			(20,849)
Net exchange loss			(20,852)
Share of results of joint ventures and associates			<u>(229)</u>
Profit before tax			<u>1,047,296</u>

For the six months ended 30 June 2021

	Chemical <i>HK\$'000</i>	Property <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue from external customers	<u>2,110,983</u>	<u>160,517</u>	<u>2,271,500</u>
Segment results	<u>674,201</u>	<u>47,072</u>	721,273
Unallocated head office and corporate expenses			(47,840)
Other income			40,486
Other gains or losses			(2,807)
Finance cost			(23,000)
Net exchange gain			15,973
Share of results of joint ventures and associates			<u>(291)</u>
Profit before tax			<u>703,794</u>

**(b) Geographical information**

The Group's operations of the two segments are both located in the PRC. Most of the Group's revenue from external customers is derived from the PRC and most of the Group's non-current assets are located in the PRC for both periods.

**(c) Revenue from major customers**

None of the corresponding revenue from customers contribute over 10% of the total revenue of the Group for the six months ended 30 June 2022 and 30 June 2021.

**(d) Other segment information**

	Chemical		Property	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Depreciation	<u>203,274</u>	186,734	<u>2,211</u>	2,184
Amortisation	<u>1,488</u>	1,483	<u>-</u>	-



## 5. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Government grants	24,652	8,868
Electricity and steam income	1,980	13,678
Scrap sales	5,451	6,763
Bank interest income	2,375	2,157
Rental income	1,479	1,332
Interest income from a joint venture	316	324
Others	804	7,364
	<u>37,057</u>	<u>40,486</u>

## 6. OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net gain (loss) on settlement of derivative financial instruments	9,669	(2,628)
Net loss on disposal of property, plant and equipment	(2,087)	(179)
	<u>7,582</u>	<u>(2,807)</u>

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Current tax		
PRC Enterprise Income Tax ("EIT")	173,870	110,707
PRC Land Appreciation Tax ("LAT")	3,116	20,506
Withholding tax on dividend income	24,602	19,248
Hong Kong Profits Tax	569	–
Other jurisdictions	–	138
Over provision in prior years – EIT	(21,872)	(14,864)
Deferred tax	<u>(24,318)</u>	<u>(18,969)</u>
	<u>155,967</u>	<u>116,766</u>

The Group's major business is in the PRC. Under the Law of the PRC on EIT and its Implementation Regulation, the tax rate of the subsidiaries in the PRC is 25%.

Certain of the Group's subsidiaries operating in the PRC are eligible as High and New Technology Enterprise and are entitled to a preferential income tax rate of 15%. EIT of the PRC has been provided for after taking these tax incentives into account.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been levied at progressive rates ranging from 30% to 60% on the appreciation of land value, represented by the excess of sale proceeds of properties over prescribed direct costs. Prescribed direct costs are defined to include costs of land use rights, development and construction costs, as well as certain costs relating to the property development. According to the State Administration of Taxation's official circulars, LAT shall be payable provisionally upon sale of the properties, followed by final ascertainment of the gain at the completion of the properties development.

Taxation arising in other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

No provision for Hong Kong Profits Tax is made for the six months ended 30 June 2021 since there were no assessable profits. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2022.

## 8. PROFIT FOR THE PERIOD

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Profit for the period has been arrived at after charging:		
Directors' emoluments	<b>23,942</b>	28,966
Other staff costs:		
Salaries and other benefits (excluding directors)	<b>170,478</b>	141,630
Retirement benefit schemes contributions (excluding directors)	<b>10,128</b>	7,219
Total staff costs	<b>204,548</b>	177,815
Finance costs:		
Interest on bank borrowings	<b>20,757</b>	24,828
Interest on lease liabilities	<b>92</b>	130
Less: amounts capitalised to property, plant and equipment	<b>–</b>	(1,958)
	<b>20,849</b>	23,000
Cost of inventories recognised as expenses	<b>1,809,354</b>	1,253,416
Depreciation of property, plant and equipment	<b>202,441</b>	185,912
Depreciation of right-of-use assets	<b>3,044</b>	3,006
Amortisation of intangible assets	<b>1,488</b>	1,483
Total depreciation and amortisation	<b>206,973</b>	190,401
Capitalised in inventories	<b>(168,575)</b>	(162,555)
	<b>38,398</b>	27,846

## 9. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Final dividend paid during the period:		
2021 final dividend HK32 cents per share (2021: 2020 final dividend of HK16.5 cents per share)	<u>264,000</u>	<u>136,125</u>
Interim dividend declared subsequent to period end:		
2022 interim dividend HK38 cents per share (2021: 2021 interim dividend of HK26 cents per share)	<u>313,500</u>	<u>214,500</u>

The Board has declared that an interim dividend of HK38 cents (2021: HK26 cents) per share for the six months ended 30 June 2022 to shareholders whose names appear in the Register of Members on 26 August 2022.

## 10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit for the period attributable to owners of the Company of HK\$891,329,000 (2021: HK\$587,028,000) and 825,000,000 (2021: 825,000,000) shares in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company and the weighted average number of ordinary shares in issue after adjusting for the potential dilutive effect caused by the share options granted under the share option scheme.

	Six months ended 30 June	
	2022	2021
	'000 Shares	'000 Shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	825,000	825,000
Effect of deemed issue of shares under the Company's share option scheme	<u>38,188</u>	<u>861</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>863,188</u>	<u>825,861</u>

## 11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$157 million on property, plant and equipment to expand its operation.

## 12. INVENTORIES

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Raw materials and consumables	444,136	502,407
Work in progress	54,188	53,236
Finished goods	231,392	206,832
	<u>729,716</u>	<u>762,475</u>

## 13. TRADE AND OTHER RECEIVABLES

The Group generally allows its trade customers an average credit period ranged from 7 to 60 days.

Included in the balance are trade receivables of approximately HK\$188,938,000 (31 December 2021: HK\$156,907,000). The aged analysis of trade receivables based on invoice date at the end of the reporting period is as follows:

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Not exceeding 30 days	160,560	137,225
31 to 60 days	23,287	15,609
61 to 90 days	118	3,098
91 to 120 days	3,265	920
Over 120 days	1,708	55
Trade receivables	188,938	156,907
Prepayments	65,295	87,138
Deposits to suppliers	89,769	33,148
Value-added tax recoverable	17,892	37,859
Other receivables	10,340	8,996
Total trade and other receivables	<u>372,234</u>	<u>324,048</u>

#### 14. TRADE AND OTHER PAYABLES

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period obtained for trade purchases is 7 to 45 days.

Included in trade and other payables are trade payables of approximately HK\$199,442,000 (31 December 2021: HK\$187,762,000). The aged analysis of trade payables based on invoice date at the end of the reporting period is as follows:

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Not exceeding 30 days	<b>129,032</b>	137,019
31 to 60 days	<b>32,809</b>	27,138
61 to 90 days	<b>7,002</b>	5,430
Over 90 days	<b>30,599</b>	18,175
	<hr/>	<hr/>
Trade payables	<b>199,442</b>	187,762
Construction costs payables and accruals	<b>174,163</b>	251,113
Other payables	<b>112,072</b>	140,742
Value-added tax accruals	<b>20,686</b>	22,355
Other accruals	<b>55,148</b>	47,314
	<hr/>	<hr/>
Total trade and other payables	<b>561,511</b>	649,286
	<hr/> <hr/>	<hr/> <hr/>
Analysed for reporting purposes as:		
Current liabilities	<b>537,182</b>	613,221
Non-current liabilities	<b>24,329</b>	36,065
	<hr/>	<hr/>
	<b>561,511</b>	649,286
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2022, other payables included a non-current deferred income, amounting to HK\$19,858,000 (31 December 2021: HK\$29,561,000) received from the PRC government for an innovative technology project. The amounts will be utilised to the relevant research and development expenses.

#### 15. REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information for the six months ended 30 June 2022 has been reviewed with no disagreement by the Audit Committee of the Company.

## INTERIM DIVIDEND

The Board has declared an interim dividend of HK38 cents per share for the six months ended 30 June 2022 to shareholders whose names appear on the Register of Members on 26 August 2022. It is expected that the interim dividend will be paid around 6 September 2022.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 23 August 2022 to 26 August 2022, both days inclusive, during which period no transfer of shares in the Company can be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (on or before 14 August 2022)/17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (on or after 15 August 2022), for registration no later than 4:30 p.m. on 22 August 2022.

## BUSINESS REVIEW

For the six months ended 30 June 2022, the Group's revenue and net profit were HK\$3,251 million and HK\$891 million, up by 43.1% and 51.8%, respectively, as compared to HK\$2,272 million and HK\$587 million for the corresponding period last year.

The Group's gross profit margin was 44.3%, down by a mild 0.5 percentage point when compared with the corresponding period last year, and net profit margin was 27.4%, increased by 1.6 percentage points when compared with the corresponding period last year.

During the period under review, for **Chemical operations**, with the pandemic situation in China once turning intense and different cities and provinces implementing various control measures, the supply chains of manufacturing industries were adversely affected. Logistics arrangements for raw materials and products were challenging and expensive. Different businesses had to limit their operation scale or even shut down operation temporarily to match pandemic control measures. Market prices of industrial raw materials including chemical products remained high because of reduced supply, which benefited the Group. For **Property operations**, the Group sold and delivered 19 more residential units of RIVERDALE during the period under review, bringing in sales revenue of approximately HK\$27 million.

## **PROSPECTS**

The COVID-19 pandemic has been sporadic, disturbing and throwing supply chain off balance from time to time. In this challenging business environment, the Group will continue to maintain its highly automated operation to minimize potential impacts from the pandemic on its operations while meeting market demand. Regarding recent issues hitting the property sector in China, the Group sees minimal impact from them on its residential project RIVERDALE which has been fully completed. The Group will maintain its sales strategy, putting units out in the market at opportune time, and also complete works of the interior commercial spaces in good time and orderly.

The Group has been committed to expanding its product range to meet the different and unique needs of customers. Starting this year, it has been selling methyl chloride and has doubled the production capacity of polytetrafluoroethylene (PTFE) to better respond to the strong market demand for PTFE. The Group is also delighted to see the market accepting the chlorinated polyvinyl chloride (CPVC) resin, which has taken us years of efforts to develop. The Group firmly believes with products of stable quality it will be able to keep strengthening the foundation of its brand and build itself a “moat” to safeguard its profitability in the long run.

With gradual phasing-out fossil-fuel powered vehicles being a global trend, the supply chain of the new energy automobile industry has been flourishing. Looking forward, the Group shall, while consolidating its core business, draw on the R&D experiences and sound reputation it has built over the years to actively prepare for stepping up investment in high-end polymers and continue to expand the footprint of its lithium battery related products business and claim a place in the lithium battery product supply chain.

This year, the Group celebrates the 10th anniversary of its Jiangxi production base, and adding to the excitement, the production base has been honoured as “Green Factory” by the Ministry of Industry and Information Technology of the People’s Republic of China. In the future, the Group will continue to pursue green manufacturing as well as clean, efficient and low-carbon development management, with the aim of achieving the long-term goal of obtaining “Grade-A Safe Production Standardization Enterprise Certification” and also delivering sustainable and satisfactory returns to shareholders.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The total shareholders’ equity of the Group as at 30 June 2022 was HK\$5,981 million (31 December 2021: HK\$5,575 million). As at 30 June 2022, the Group had current assets of HK\$2,144 million (31 December 2021: HK\$2,146 million) and current liabilities of HK\$1,023 million (31 December 2021: HK\$1,339 million). The current ratio was 2.10 as at 30 June 2022 as compared to 1.60 at 31 December 2021.

The financial resources of the Group remain strong. As at 30 June 2022, the Group's bank balances and cash (including bank balances with restricted use) was HK\$354 million (31 December 2021: HK\$325 million) and the net debt amounted to HK\$268 million (31 December 2021: HK\$708 million). The net debt to equity ratio of the Group as at 30 June 2022 was 4.49% (31 December 2021: 12.70%).

During the period under review, the Group made use of the increase in cash generated from operating activities and actively lowered bank borrowings. The Group would continue to maintain sufficient cash and available banking facilities to meet its capital commitments, working capital requirements and future investments for expansion.

## **CAPITAL AND OTHER COMMITMENTS**

As at 30 June 2022, the Group had capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment in amount of approximately HK\$333 million.

## **HUMAN RESOURCES**

As at 30 June 2022, the Group has a workforce of around 2,100 people. Salaries of employees are maintained at competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group also provides internal training to staff and provides bonuses based upon staff performance and profits of the Group. The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the directors, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2022.



## **AUDIT COMMITTEE**

The Audit Committee, comprising all the independent non-executive directors of the Company, has reviewed the result of the Group for the six months ended 30 June 2022 and has discussed with the management the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

## **APPRECIATION**

On behalf of the Board, I would like to thank the Company's shareholders, customers and business partners for their strong support during the reporting period. In addition, I would also like to take this opportunity to thank our staff for their relentless hard work and contribution to the Group.

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

Hong Kong, 8 August 2022

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