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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

(Stock Code: 746)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

- Revenue broadly stayed at HK\$1,990 million
- Profit increased by 129.5% to HK\$240 million benefited by lower costs of certain raw materials and energy
- Gross profit margin recovered by 6.8 p.p. to 28.9%
- Proposed interim dividend of HK14 cents per share (six months ended 30 June 2023: HK5 cents per share)

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 2024 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 2024

	Notes	Six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Revenue – Chemical		1,968,854	1,938,347
Revenue – Property		20,836	57,789
Total revenue	3, 4	1,989,690	1,996,136
Cost of sales – Chemical		(1,402,841)	(1,519,463)
Cost of sales – Property		(11,635)	(35,689)
Total cost of sales		(1,414,476)	(1,555,152)
Gross profit		575,214	440,984
Other income and expenses	5	32,705	22,338
Other gains or losses	6	(1,178)	(2,425)
Selling and distribution costs		(107,703)	(109,002)
General and administrative expenses		(135,001)	(128,143)
Research and development cost		(54,529)	(71,850)
Finance costs		(13,154)	(22,012)
Net exchange (loss) gain		(480)	1,062
Share of gains of joint ventures		1,246	422
Share of gains (losses) of associates		656	(864)
Profit before taxation		297,776	130,510
Income tax expense	7	(57,691)	(25,899)
Profit for the period	8	240,085	104,611

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2024

	<i>Notes</i>	Six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation		615	(3,348)
Share of other comprehensive (expense) income of joint ventures and associates		(332)	1,201
Other comprehensive income (expense) for the period		283	(2,147)
Total comprehensive income for the period		240,368	102,464
Earnings per share:			
– Basic (<i>HK cents</i>)	10	29.1	12.7
– Diluted (<i>HK cents</i>)		29.1	12.3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		30 June 2024	31 December 2023
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	11	4,995,386	4,706,893
Investment properties		217,582	217,582
Right-of-use assets		201,830	196,132
Intangible assets		82,546	83,885
Deposits paid for the acquisition of property, plant and equipment		98,873	166,330
Interests in joint ventures		99,694	98,780
Interests in associates		24,544	23,888
Deferred tax assets		19,653	19,908
Goodwill		2,593	2,593
		5,742,701	5,515,991
CURRENT ASSETS			
Inventories	12	662,199	787,749
Properties held for sale		13,178	23,806
Trade, bills and other receivables	13	471,237	408,230
Tax recoverable		1,581	1,321
Amounts due from joint ventures		5,851	11,140
Amount due from an associate		2,303	1,796
Amounts due from related companies		20,115	15,268
Bank balances and cash		208,401	263,666
		1,384,865	1,512,976
CURRENT LIABILITIES			
Trade, bills and other payables	14	525,495	383,345
Contract liabilities		50,635	59,102
Amount due to a joint venture		1,240	525
Amount due to an associate		165	–
Amounts due to related companies		11,753	8,551
Taxation payable		54,728	46,167
Lease liabilities		2,323	2,359
Bank borrowings		491,209	671,767
		1,137,548	1,171,816

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)
At 30 June 2024

		30 June	31 December
		2024	2023
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NET CURRENT ASSETS		247,317	341,160
TOTAL ASSETS LESS CURRENT LIABILITIES		5,990,018	5,857,151
NON-CURRENT LIABILITIES			
Other payables	14	41,497	24,897
Lease liabilities		3,618	4,789
Deferred tax liabilities		20,280	27,710
		65,395	57,396
NET ASSETS		5,924,623	5,799,755
CAPITAL AND RESERVES			
Share capital		82,500	82,500
Reserves		5,842,123	5,717,255
TOTAL EQUITY		5,924,623	5,799,755

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 and investment properties, 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 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

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 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</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	
	2024	2023
	HK\$'000	HK\$'000
Caustic soda	798,288	794,444
Chloromethane products	457,431	467,513
Fluorochemical products	133,091	72,706
Hydrogen peroxide	188,876	167,499
Polymers	230,974	272,712
Liquified chlorine	8,010	4,193
Styrene acrylic latex surface sizing agent	49,657	40,982
Lithium-ion battery additives	1,190	3,728
Others	101,337	114,570
	<hr/>	<hr/>
Manufacture and sale of chemical products	1,968,854	1,938,347
Sale of properties	18,994	57,789
	<hr/>	<hr/>
Revenue from contracts with customers	1,987,848	1,996,136
Rental income	1,842	–
	<hr/>	<hr/>
Total revenue	<u>1,989,690</u>	<u>1,996,136</u>

All of the Group's revenue from contracts with customers 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 been transferred, being when the goods have been shipped to the customer's specified location (delivery). The normal credit term is 7 to 150 days upon delivery, except for those sales settled by bills which mature within 180 days.

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 customers obtained control of the completed properties, being at the point that the completed properties are transferred to the customers.

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 2024:

- 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 and expenses, other gains or losses, finance costs, net exchange (loss) gain, 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 2024

	Chemical <i>HK\$'000</i>	Property <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue from external customers	<u>1,968,854</u>	<u>20,836</u>	<u>1,989,690</u>
Segment results	<u>298,997</u>	<u>1,645</u>	300,642
Unallocated head office and corporate expenses			(22,661)
Other income and expenses			32,705
Other gains or losses			(1,178)
Finance costs			(13,154)
Net exchange loss			(480)
Share of results of joint ventures and associates			<u>1,902</u>
Profit before taxation			<u>297,776</u>

For the six months ended 30 June 2023

	Chemical <i>HK\$'000</i>	Property <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue from external customers	<u>1,938,347</u>	<u>57,789</u>	<u>1,996,136</u>
Segment results	<u>161,362</u>	<u>2,940</u>	164,302
Unallocated head office and corporate expenses			(32,313)
Other income and expenses			22,338
Other gains or losses			(2,425)
Finance costs			(22,012)
Net exchange gain			1,062
Share of results of joint ventures and associates			<u>(442)</u>
Profit before taxation			<u>130,510</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 2024 and 30 June 2023.

(d) Other segment information

Amounts included in the measure of segment profit or loss:

	Chemical		Property	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Depreciation	34,150	31,350	839	2,462
Amortisation	<u>1,337</u>	<u>1,355</u>	<u>–</u>	<u>–</u>

5. OTHER INCOME AND EXPENSES

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Government grants	21,834	17,437
Electricity and steam income, net	2,295	(1,873)
Scrap sales	384	682
Bank interest income	3,056	2,812
Rental income	1,774	1,614
Interest income from a joint venture	169	292
Others	3,193	1,374
	<u>32,705</u>	<u>22,338</u>

6. OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Net loss on disposal of property, plant and equipment	<u>(1,178)</u>	<u>(2,425)</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
PRC Enterprise Income Tax ("EIT")	69,356	23,567
PRC Land Appreciation Tax ("LAT")	420	4,889
Withholding tax on dividend income	7,096	13,688
Hong Kong Profits Tax	64	348
Over provision in prior years – EIT	(12,070)	(2,644)
Deferred tax	<u>(7,175)</u>	<u>(13,949)</u>
	<u>57,691</u>	<u>25,899</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.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2024 and 30 June 2023.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments	7,635	7,924
Other staff costs (excluding directors):		
Salaries and other benefits	170,915	159,893
Retirement benefit schemes contributions	9,068	9,647
	<u>187,618</u>	<u>177,464</u>
Total staff costs		
Finance costs:		
Interest on bank borrowings	13,055	21,978
Interest on lease liabilities	99	34
	<u>13,154</u>	<u>22,012</u>
Cost of inventories recognised as expenses (including write-down of inventories of HK\$3,684,000 (2023: Nil))	1,414,476	1,555,152
Depreciation of property, plant and equipment	194,695	196,895
Depreciation of right-of-use assets	3,559	3,078
Amortisation of intangible assets	1,337	1,398
	<u>199,591</u>	<u>201,371</u>
Total depreciation and amortisation Capitalised in inventories	<u>(163,265)</u>	<u>(166,204)</u>
	<u>36,326</u>	<u>35,167</u>
Gross rental income from investment properties	(1,842)	–
Less: direct operating expenses incurred for investment properties that generate rental income during the period	1,079	–
	<u>(763)</u>	<u>–</u>

9. DIVIDENDS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Final dividend paid during the period: 2023 final dividend HK14 cents per share (2023: 2022 final dividend of HK17 cents per share)	115,500	140,250
Interim dividend declared subsequent to period end: 2024 interim dividend HK14 cents per share (2023: 2023 interim dividend of HK5 cents per share)	115,500	41,250

The Board has declared that an interim dividend of HK14 cents (2023: HK5 cents) per share for the six months ended 30 June 2024 to shareholders whose names appear in the Register of Members on 21 August 2024.

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\$240,085,000 (2023: HK\$104,611,000) and 825,000,000 (2023: 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	
	2024	2023
	'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	–	26,911
Weighted average number of ordinary shares for the purpose of diluted earnings per share	825,000	851,911

For the six months ended 30 June 2024, the computation of diluted earnings per share does not assume the exercise of the Company's share option.

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$485 million on property, plant and equipment to expand its operation.

12. INVENTORIES

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Raw materials and consumables	453,839	531,468
Work in progress	29,734	41,057
Finished goods	178,626	215,224
	<u>662,199</u>	<u>787,749</u>

13. TRADE, BILLS AND OTHER RECEIVABLES

The Group generally allows its trade customers a credit period ranged from 7 to 150 days.

The ageing analysis of trade receivables and bills receivable based on invoice date/date of revenue recognition at the end of the reporting period is as follows:

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Not exceeding 30 days	128,648	112,991
31–60 days	32,330	31,498
61–90 days	22,764	11,728
91–120 days	14,922	13,587
Over 120 days	17,201	20,049
Trade receivables, at amortised cost	<u>215,865</u>	<u>189,853</u>
Not exceeding 30 days	68,811	52,405
31–60 days	3,581	35,303
61–90 days	6,436	2,467
91–120 days	6,558	3,050
Over 120 days	441	995
Bills receivable, at FVTOCI	<u>85,827</u>	<u>94,220</u>
Prepayments and deposits to suppliers	125,151	88,716
Value-added tax receivables	26,720	22,578
Other receivables	17,674	12,863
Total trade, bills and other receivables	<u>471,237</u>	<u>408,230</u>

14. TRADE, BILLS 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.

The ageing analysis of trade payables based on invoice date at the end of the reporting period is as follows:

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Not exceeding 30 days	93,633	88,893
31 to 60 days	20,200	28,398
61 to 90 days	11,555	6,846
Over 90 days	40,165	34,696
	<hr/>	<hr/>
Trade payables	165,553	158,833
	<hr/>	<hr/>
61 to 90 days	450	–
Over 90 days	20,521	–
	<hr/>	<hr/>
Bills payable	20,971	–
	<hr/>	<hr/>
Construction costs payables and accruals	205,967	129,550
Other payables	113,173	90,474
Value-added tax accruals	13,773	658
Other accruals	47,555	28,727
	<hr/>	<hr/>
Total trade and other payables	566,992	408,242
	<hr/> <hr/>	<hr/> <hr/>
Analysed for reporting purposes as:		
Non-current liabilities	41,497	24,897
Current liabilities	525,495	383,345
	<hr/>	<hr/>
	566,992	408,242
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As at 30 June 2024, other payables included a non-current deferred income, amounting to HK\$15,413,000 (31 December 2023: HK\$19,061,000) 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 2024 has been reviewed with no disagreement by the Audit Committee of the Company.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK14 cents per share for the six months ended 30 June 2024 to shareholders whose names appear on the Register of Members on 21 August 2024. It is expected that the interim dividend will be paid on or around 5 September 2024.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 16 August 2024 to 21 August 2024, 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 Registrar, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on 15 August 2024.

BUSINESS REVIEW

For the six months ended 30 June 2024, the Group made revenue and profit of HK\$1,990 million and HK\$240 million, respectively, down slightly by 0.3% and increased by 129.5%, against HK\$1,996 million and HK\$105 million in the same period last year.

The Group's gross profit margin was 28.9%, increased by 6.8 percentage points when compared with the corresponding period last year, and net profit margin was 12.1%, 6.9 percentage points more year-on-year.

Regarding the Group's **Chemical operations**, with the manufacturing industry in mainland China remaining overall cautious, prices of the Group's chemical products moved on different paths, but stayed steady as a whole when compared with the last corresponding period. Gross profit from the operations, however, improved during the period under review thanks to decline in raw material prices and energy costs. As for the **Property operations**, the Group sold 13 residential units at *RIVERDALE* during the period, leaving only 15 held for sale units. Including leasing revenue, the total revenue of property operations amounted to approximately HK\$21 million.

OUTLOOK

With the wait-and-see sentiment expected to tail off in the second half year, there is a belief that demand in the manufacturing industry would gradually pick up. The Group will continue to push forward with production automation at its three factories to enhance cost-effectiveness and production efficiency. It will also keep borrowings level under control for responding to future exchange rate and interest rate trends.

The Group has been actively investing resources in research and development of various high-value-added chemical products to strengthen its product portfolio, striving to vertically integrate its production chain and developing various related products, so as to build its unique competitive advantages. The Group firmly believes that offering products of stable and high quality is essential to strengthening its brand foundation and profitability.

The vinylene carbonate (“VC”) production line at the Group’s Changshu plant and the added capacity for producing fluoroethylene carbonate (“FEC”) at the Zhuhai plant, which will both start operation in the second half year, are expected to notably improve production cost-effectiveness. Moreover, the Group is also actively planning to develop a high-end fluoropolymer production line on the new site acquired in Jiangxi. Armed with years of experience producing fluoropolymers at its Jiangxi plant, the Group believes it will see another growth driver emerging in the future.

The Group will also continue to implement various plans to raise energy efficiency and conserve water, doing its best to reduce carbon emissions, and build green factories to achieve sustainable development, while also working hard to bring satisfactory returns to shareholders.

RESULTS OF OPERATION

For the six months ended 30 June 2024, the Group’s revenue and net profit were approximately HK\$1,990 million and HK\$240 million respectively, representing a decrease of 0.3% and a growth of 129.5% respectively, as compared to approximately HK\$1,996 million and HK\$105 million respectively for the corresponding period in the last year. The basic earnings per share was HK29.1 cents for the six months ended 30 June 2024 and HK12.7 cents for the last corresponding period.

Revenue

Chemical operations

For the six months ended 30 June 2024, the Group recorded a revenue from Chemical operations of approximately HK\$1,969 million, representing a slight increase of HK\$31 million or 1.6% as compared to last corresponding period. During the period under review, the unit selling prices of most main products were at similar level compared to last corresponding period.

During the period under review, the average selling price per ton (including value-added tax, similarly hereinafter) of the products of the Group as compared to last corresponding period, the average selling price per ton of Chloromethane (“CMS”) products (mainly methylene chloride and chloroform) was about RMB2,600 and RMB2,700, slightly decreased/increased by approximately 2%. Caustic soda was at about RMB900, decreased by approximately 7%. Polytetrafluoroethylene (“PTFE”) was at about RMB45,000, decreased by approximately 10%, while hydrogen peroxide was at about RMB900, increased by approximately 12%.

The actual production output of the main products for the period (including self-consumption) was approximately 197,000 tons for CMS products, approximately 294,000 tons for 100% dry basis caustic soda, approximately 5,300 tons for PTFE, while for 27.5% hydrogen peroxide was approximately 202,000 tons.

Property operations

For the six months ended 30 June 2024, the Group recorded a revenue from Property operations of approximately HK\$21 million, arising primarily from the sale and delivery a total of 13 residential units of *RIVERDALE*. The unsold residential units of *RIVERDALE* was 15 at the period end.

Selling and distribution expenses

Selling and distribution expenses incurred for the six months ended 30 June 2024 was approximately HK\$108 million, representing a decrease of approximately HK\$1 million as compared to approximately HK\$109 million for last corresponding period. The selling and distribution expenses were at similar level compared to last corresponding period, representing about 5.4% of the total revenue for the period, compared to 5.5% of last corresponding period.

General and administrative expenses

General and administrative expenses incurred for the six months ended 30 June 2024 was approximately HK\$135 million, which increased by approximately HK\$7 million as compared to HK\$128 million for last corresponding period. The increase in general and administrative expenses during the period under review was mainly due to the salary increments to general staff and the increase in certain expenses followed by expiration of pandemic-related concessions and waivers. General and administrative expenses represented approximately 6.8% of the total revenue for the period, representing an increase as compared to 6.4% in corresponding period.

Research and development cost

Research and development costs for the six months ended 30 June 2024 were approximately HK\$55 million, decreased by approximately HK\$17 million as compared to approximately HK\$72 million for last corresponding period. During the period under review, the Group focuses on optimization of technical processes over the main products, further enhancing their quality, so as to maintain our competitiveness in the market.

Finance costs

The interest expenses incurred for the six months ended 30 June 2024 was approximately HK\$13 million, decreased by approximately HK\$9 million as compared to approximately HK\$22 million for last corresponding period. The decrease was mainly due to reduction in outstanding loan balances during the period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group as at 30 June 2024 was HK\$5,925 million (31 December 2023: HK\$5,800 million). As at 30 June 2024, the Group had current assets of HK\$1,385 million (31 December 2023: HK\$1,513 million) and current liabilities of HK\$1,138 million (31 December 2023: HK\$1,172 million). The current ratio was 1.22 as at 30 June 2024 as compared to 1.29 at 31 December 2023.

The financial resources of the Group remain healthy. As at 30 June 2024, the Group's bank balances and cash was HK\$208 million (31 December 2023: HK\$264 million) and the net debt amounted to HK\$283 million (31 December 2023: HK\$408 million). The net debt to equity ratio of the Group as at 30 June 2024 was 4.77% (31 December 2023: 7.04%).

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

HUMAN RESOURCES

As at 30 June 2024, the Group has a workforce of around 2,000 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 2024.

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 2024.

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 2024 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. I would also like to take this opportunity to thank our staff for their continued hard work and contribution to the Group.

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

Hong Kong, 1 August 2024

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