

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



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 2023

FINANCIAL HIGHLIGHTS

- Revenue declined by 38.6% to HK\$1,996 million driven by lowered selling prices
- Profit decreased by 88.3% to HK\$105 million
- Gross profit margin decreased 22.2 p.p. to 22.1%
- Proposed interim dividend of HK5 cents per share (2022: HK38 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 2023 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 2023

		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue – Chemical		1,938,347	3,224,035
Revenue – Property		57,789	26,723
Total revenue	3, 4	1,996,136	3,250,758
Cost of sales – Chemical		(1,519,463)	(1,792,350)
Cost of sales – Property		(35,689)	(17,004)
Total cost of sales		(1,555,152)	(1,809,354)
Gross profit		440,984	1,441,404
Other income and expenses	5	22,338	37,057
Other gains or losses	6	(2,425)	7,582
Selling and distribution costs		(109,002)	(121,922)
General and administrative expenses		(128,143)	(154,856)
Research and development cost		(71,850)	(120,039)
Finance costs		(22,012)	(20,849)
Net exchange gain (loss)		1,062	(20,852)
Share of gains of joint ventures		422	220
Share of losses of associates		(864)	(449)
Profit before taxation		130,510	1,047,296
Income tax expense	7	(25,899)	(155,967)
Profit for the period	8	104,611	891,329
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation		(3,348)	(229,117)
Share of other comprehensive income (expense) of joint ventures and associates		1,201	(262)
Other comprehensive expense for the period		(2,147)	(229,379)
Total comprehensive income for the period		102,464	661,950
Earnings per share:			
– Basic (<i>HK cents</i>)	10	12.7	108.0
– Diluted (<i>HK cents</i>)		12.3	103.3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		30 June 2023 (Unaudited) <i>HK\$'000</i>	31 December 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	11	4,719,936	4,747,743
Investment properties		196,719	187,778
Right-of-use assets		194,790	133,849
Intangible assets		86,171	87,531
Deposits paid for the acquisition of property, plant and equipment		120,823	64,545
Interests in joint ventures		100,276	98,654
Interests in associates		23,484	24,338
Deferred tax assets		20,388	20,647
Goodwill		2,622	2,622
		5,465,209	5,367,707
CURRENT ASSETS			
Inventories	12	824,048	844,137
Properties held for sale		30,231	64,950
Trade, bills and other receivables	13	366,108	338,392
Tax recoverable		1,615	7,129
Amount due from a joint venture		14,176	14,225
Amount due from an associate		2,230	5,707
Amounts due from related companies		15,288	12,411
Bank balances and cash		164,873	421,696
		1,418,569	1,708,647
CURRENT LIABILITIES			
Trade and other payables	14	381,850	492,521
Contract liabilities		64,957	66,466
Amount due to a joint venture		981	259
Amount due to an associate		–	167
Amounts due to related companies		13,960	10,861
Taxation payable		40,537	37,985
Lease liabilities		1,282	2,398
Bank borrowings		565,256	523,156
		1,068,823	1,133,813

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)
At 30 June 2023

		30 June 2023	31 December 2022
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NET CURRENT ASSETS		349,746	574,834
TOTAL ASSETS LESS CURRENT LIABILITIES		5,814,955	5,942,541
NON-CURRENT LIABILITIES			
Other payables	14	29,457	30,415
Lease liabilities		–	71
Deferred tax liabilities		44,257	58,178
Bank borrowings		145,986	220,836
		219,700	309,500
NET ASSETS		5,595,255	5,633,041
CAPITAL AND RESERVES			
Share capital		82,500	82,500
Reserves		5,512,755	5,550,541
TOTAL EQUITY		5,595,255	5,633,041

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 new and 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 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and 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 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	<i>Insurance Contracts</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

The application of the new and 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	
	2023	2022
	HK\$'000	HK\$'000
Caustic soda	794,444	1,186,006
Chloromethane products	467,513	944,987
Fluorochemical products	72,706	105,592
Hydrogen peroxide	167,499	198,897
Polymers	272,712	481,141
Liquified chlorine	4,193	41,601
Styrene acrylic latex surface sizing agent	40,982	35,388
Lithium-ion battery additives	3,728	26,230
Others	114,570	204,193
	<hr/>	<hr/>
Manufacture and sale of chemical products	1,938,347	3,224,035
Sale of properties	57,789	26,723
	<hr/>	<hr/>
	1,996,136	3,250,758
	<hr/> <hr/>	<hr/> <hr/>

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 2023:

- 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 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 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 cost			(22,012)
Net exchange gain			1,062
Share of results of joint ventures and associates			<u>(442)</u>
Profit before tax			<u>130,510</u>

For the six months ended 30 June 2022

	Chemical <i>HK\$'000</i>	Property <i>HK\$'000</i>	Consolidated <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 and expenses			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>

(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 2023 and 30 June 2022.

(d) Other segment information

Amounts included in the measure of segment profit or loss:

	Chemical		Property	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	31,350	34,745	2,462	2,211
Amortisation	1,355	1,442	–	–

5. OTHER INCOME AND EXPENSES

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Government grants	17,437	24,652
Electricity and steam income, net	(1,873)	1,980
Scrap sales	682	5,451
Bank interest income	2,812	2,375
Rental income	1,614	1,479
Interest income from a joint venture	292	316
Others	1,374	804
	<u>22,338</u>	<u>37,057</u>

6. OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Net gain on settlement of derivative financial instruments	–	9,669
Net loss on disposal of property, plant and equipment	(2,425)	(2,087)
	<u>(2,425)</u>	<u>7,582</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
PRC Enterprise Income Tax (“EIT”)	23,567	173,870
PRC Land Appreciation Tax (“LAT”)	4,889	3,116
Withholding tax on dividend income	13,688	24,602
Hong Kong Profits Tax	348	569
Other jurisdictions	–	–
Over provision in prior years – EIT	(2,644)	(21,872)
Deferred tax	<u>(13,949)</u>	<u>(24,318)</u>
	<u>25,899</u>	<u>155,967</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.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2023 and 30 June 2022.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging:		
Directors' emoluments	7,924	23,942
Other staff costs (excluding directors):		
Salaries and other benefits	159,893	170,478
Retirement benefit schemes contributions	9,647	10,128
	<hr/>	<hr/>
Total staff costs	177,464	204,548
	<hr/>	<hr/>
Finance costs:		
Interest on bank borrowings	21,978	20,757
Interest on lease liabilities	34	92
	<hr/>	<hr/>
	22,012	20,849
	<hr/>	<hr/>
Cost of inventories recognised as expenses	1,555,152	1,809,354
Depreciation of property, plant and equipment	196,895	202,441
Depreciation of right-of-use assets	3,078	3,044
Amortisation of intangible assets	1,398	1,488
	<hr/>	<hr/>
Total depreciation and amortisation	201,371	206,973
Capitalised in inventories	(166,204)	(168,575)
	<hr/>	<hr/>
	35,167	38,398
	<hr/> <hr/>	<hr/> <hr/>

9. DIVIDENDS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Final dividend paid during the period:		
2022 final dividend HK17 cents per share (2022: 2021 final dividend of HK32 cents per share)	<u>140,250</u>	<u>264,000</u>
Interim dividend declared subsequent to period end:		
2023 interim dividend HK5 cents per share (2022: 2022 interim dividend of HK38 cents per share)	<u>41,250</u>	<u>313,500</u>

The Board has declared that an interim dividend of HK5 cents (2022: HK38 cents) per share for the six months ended 30 June 2023 to shareholders whose names appear in the Register of Members on 18 August 2023.

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\$104,611,000 (2022: HK\$891,329,000) and 825,000,000 (2022: 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	
	2023	2022
	'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>26,911</u>	<u>38,188</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>851,911</u>	<u>863,188</u>

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$171 million on property, plant and equipment to expand its operation.

12. INVENTORIES

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Raw materials and consumables	481,341	521,950
Work in progress	41,973	47,226
Finished goods	300,734	274,961
	<u>824,048</u>	<u>844,137</u>

13. TRADE, BILLS AND OTHER RECEIVABLES

The Group generally allows its trade customers a credit period ranged from 7 to 60 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 2023 HK\$'000	31 December 2022 HK\$'000
Not exceeding 30 days	118,558	111,019
31–60 days	23,264	7,450
61–90 days	6,322	4,627
91–120 days	158	2,221
Over 120 days	–	4,113
Trade receivables, at amortised cost	<u>148,302</u>	<u>129,430</u>
Not exceeding 30 days	59,172	61,538
31–60 days	3,103	9,745
61–90 days	5,864	3,313
91–120 days	4,094	2,810
Over 120 days	8,792	5,732
Bills receivable, at FVTOCI	<u>81,025</u>	<u>83,138</u>
Prepayments	73,966	43,171
Deposits to suppliers	28,382	42,177
Value-added tax receivables	21,872	28,855
Other receivables	12,561	11,621
Total trade, bills and other receivables	<u>366,108</u>	<u>338,392</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.

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

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Not exceeding 30 days	91,939	116,709
31 to 60 days	23,989	24,610
61 to 90 days	12,049	14,327
Over 90 days	26,246	28,165
	<hr/>	<hr/>
Trade payables	154,223	183,811
Construction costs payables and accruals	132,667	165,754
Other payables	82,949	115,749
Value-added tax accruals	1,188	7,771
Other accruals	40,280	49,851
	<hr/>	<hr/>
Total trade and other payables	411,307	522,936
	<hr/> <hr/>	<hr/> <hr/>
Analysed for reporting purposes as:		
Non-current liabilities	29,457	30,415
Current liabilities	381,850	492,521
	<hr/>	<hr/>
	411,307	522,936
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2023, other payables included a non-current deferred income, amounting to HK\$24,192,000 (31 December 2022: HK\$27,304,000) 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 2023 has been reviewed with no disagreement by the Audit Committee of the Company.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK5 cents per share for the six months ended 30 June 2023 to shareholders whose names appear on the Register of Members on 18 August 2023. It is expected that the interim dividend will be paid on or around 5 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 15 August 2023 to 18 August 2023, 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 14 August 2023.

BUSINESS REVIEW

For the six months ended 30 June 2023, the Group's revenue and net profit were HK\$1,996 million and HK\$105 million, down by 38.6% and 88.3%, respectively, as compared with HK\$3,251 million and HK\$891 million for the corresponding period last year.

The Group's gross profit margin was 22.1%, down by 22.2 percentage points when compared with the corresponding period last year, and the net profit margin was 5.2%, a decrease of 22.2 percentage points when compared with the corresponding period last year.

Regarding the **chemical operations**, the relaxation of pandemic control measures in China has released previously suppressed supply capacity. However, pandemic-related stockpiling of the manufacturing industry has kept the inventory level generally high, and resulted in weak downstream demand in the short term. The prices of industrial raw materials, including chemical products, are in their low tide due to the unfavourable market conditions. Although raw material prices have dropped significantly in recent months, the Group's revenue and gross profit remained under pressure during the period under review as it also took time to digest the inventory of raw materials purchased earlier. For the **property operations**, the Group sold and delivered 39 more *RIVERDALE* residential units during the period under review, generating sales revenue of approximately HK\$58 million.

PROSPECTS

The market remains challenging in the second half of the year as the overall economic recovery remains uncertain. To further strengthen the Group's competitiveness in the industry, the Group has gradually implemented Automated Production Control to improve production efficiency and enhance cost-savings. In the second half of the year, the Group expects to gradually benefit from the decline in the price of raw materials, with the gross profit margin also expected to pick up. Separately, the Group is maintaining momentum in marketing the remaining 36 *RIVERDALE* units, with over 85% of the units sold. The delivery of *RIVERDALE* Shangjia Residences talent apartments has started, and is expected to enhance the leasing attractiveness of the remaining commercial part of the development.

In view of the challenging macro environment, the Group will continue to invest resources in the research and development of new specialty chemical products that cater to market developments and create future competitive edges while strengthening its existing business foundation. The Group plans to invest in the production of vinylene carbonate ("VC"), another common additive for lithium battery electrolyte, at the Changshu factory. The Zhuhai factory is also gradually expanding the production capacity of fluoroethylene carbonate ("FEC") as planned. The Group firmly believes that with products of stable quality, it can further strengthen the foundation of its brand and build a moat to safeguard its profitability in the long run.

The new energy automobile industry is maintaining its rapid growth, and supply chain-related industries are also on the rise. Going forward, we will continue to invest in the development of polymers and new energy-related products, drawing on the scientific research experience and positive reputation the Group has accumulated over the years, and strive to increase its market share in these fields.

The Group will also continue to implement various energy efficiency improvement and water conservation programs, so as to reduce carbon emissions from its factory operations and achieve sustainable development while bringing satisfactory returns to shareholders.

RESULTS OF OPERATION

For the six months ended 30 June 2023, the Group's revenue and net profit were approximately HK\$1,996 million and HK\$105 million respectively, representing a decrease of 38.6% and a reduction of 88.3% respectively, as compared to approximately HK\$3,251 million and HK\$891 million respectively for the corresponding period in the last year. The basic earnings per share was HK12.7 cents for the six months ended 30 June 2023 and HK108.0 cents for the last corresponding period in the last year.

Revenue

Chemical operations

For the six months ended 30 June 2023, the Group recorded a revenue from Chemical operations of approximately HK\$1,938 million, representing a decrease of HK\$1,286 million or 39.9% as compared to last corresponding period. The decrease in revenue was mainly attributable to the decrease in unit selling price across most of primary products during the period under review.

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 (methyl chloride, methylene chloride and chloroform) was about RMB2,500, RMB2,700 and RMB2,600, decreased by approximately 53%, 44% and 47% respectively. Caustic soda was at about RMB970, decreased by approximately 23%. Polytetrafluoroethylene ("PTFE") was at about RMB50,000, decreased by approximately 11%, while hydrogen peroxide was at about RMB800, decreased by approximately 16%.

The actual production output of the main products for the period (including self-consumption) was approximately 200,000 tons for CMS products, approximately 270,000 tons for 100% dry basis caustic soda, approximately 4,500 tons for PTFE, while for 27.5% hydrogen peroxide was approximately 193,000 tons.

Property operations

For the six months ended 30 June 2023, the Group recorded a revenue from Property operations of approximately HK\$58 million, arising from the sale and delivery a total of 39 residential units of *RIVERDALE*. The unsold residential units of *RIVERDALE* was 36 at the period end.

Selling and distribution expenses

Selling and distribution expenses incurred for the six months ended 30 June 2023 was approximately HK\$109 million, representing a decrease of approximately HK\$13 million as compared to approximately HK\$122 million for last corresponding period. The change was mainly due to the decrease in packaging and delivery costs in alignment with the decrease in sales volume of the Chemical operations. The selling and distribution expenses represented about 5.5% of the total revenue for the period, representing an increase as compared to 3.8% of last corresponding period.

General and administrative expenses

General and administrative expenses incurred for the six months ended 30 June 2023 was approximately HK\$128 million, which decreased by approximately HK\$27 million as compared to HK\$155 million for last corresponding period. The decrease in general and administrative expenses during the period under review was mainly due to the decrease in turnover taxes and other tax and surcharges as driven by the lowered revenue. General and administrative expenses represented approximately 6.4% of the total revenue for the period, representing an increase as compared to 4.8% in corresponding period last year.

Research and development cost

Research and development costs for the year ended 30 June 2023 were approximately HK\$72 million, decreased by approximately HK\$48 million as compared to approximately HK\$120 million for last corresponding period. During the period under review, continuous investments are being made to research and development of new products and optimization of technical processes, maintaining a strong team of senior scientists and chemical professionals, procurement of equipment and testing materials, so as to maintain the sustainable development of the Group.

Finance costs

The net interest expenses incurred for the six months ended 30 June 2023 was approximately HK\$22 million, increased by approximately HK\$1 million as compared to approximately HK\$21 million for last corresponding period. The increase was mainly because the favourable impact from reduction in outstanding loan balances was offset by the hiking interest rate in Hong Kong.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group as at 30 June 2023 was HK\$5,595 million (31 December 2022: HK\$5,633 million). As at 30 June 2023, the Group had current assets of HK\$1,419 million (31 December 2022: HK\$1,709 million) and current liabilities of HK\$1,069 million (31 December 2022: HK\$1,134 million). The current ratio was 1.33 as at 30 June 2023 as compared to 1.51 at 31 December 2022.

The financial resources of the Group remain healthy. As at 30 June 2023, the Group's bank balances and cash was HK\$165 million (31 December 2022: HK\$422 million) and the net debt amounted to HK\$546 million (31 December 2022: HK\$322 million). The net debt to equity ratio of the Group as at 30 June 2023 was 9.76% (31 December 2022: 5.72%).

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 available banking facilities to meet its capital commitments, working capital requirements and future investments for expansion.

HUMAN RESOURCES

As at 30 June 2023, the Group has a workforce of around 2,150 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 2023.

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 2023.

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 2023 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 2023

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 four independent non-executive directors, namely Mr. Wong Kai Tung, Tony, Mr. Wan Chi Keung, Aaron BBS JP, Mr. Heng Victor Ja Wei and Mr. Wong King Wai, Kirk.