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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 2020**

#### **FINANCIAL HIGHLIGHTS**

- Revenue of HK\$1,382 million for the period, decreased by 19.6% as compared to last period.
- Net profit of HK\$156 million for the period, decreased by 61.1% as compared to last period.
- Gross profit margin for the period was 32.1%, net profit margin was 11.3%.
- Basic earnings per share for the period was HK18.9 cents, with declared interim dividend of HK7.5 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 2020 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 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	3&4	1,381,714	1,718,656
Cost of sales		<u>(938,314)</u>	<u>(1,036,563)</u>
Gross profit		443,400	682,093
Other income	5	41,570	85,426
Other gains or losses	6	353	(3,678)
Selling and distribution costs		(91,172)	(106,511)
General and administrative expenses		(98,498)	(83,813)
Research and development cost		(59,409)	(71,302)
Finance costs		(31,863)	(41,027)
Net exchange (losses) gains		(13,048)	1,591
Share of gains of joint ventures		402	212
Share of losses of associates		<u>(288)</u>	<u>(128)</u>
Profit before taxation		191,447	462,863
Income tax expense	7	<u>(35,234)</u>	<u>(61,683)</u>
<b>Profit for the period</b>	8	<u>156,213</u>	<u>401,180</u>
<b>Other comprehensive expenses:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Exchange differences arising on translation		(57,863)	(9,161)
Share of other comprehensive expenses of joint ventures and an associate		<u>(616)</u>	<u>(4)</u>
Other comprehensive expenses for the period		<u>(58,479)</u>	<u>(9,165)</u>
<b>Total comprehensive income for the period</b>		<u>97,734</u>	<u>392,015</u>
Earnings per share:	10		
– Basic (HK cents)		<u>18.9</u>	<u>48.6</u>
– Diluted (HK cents)		<u>18.9</u>	<u>48.6</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		<b>30 June</b>	31 December
		<b>2020</b>	2019
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	<b>4,070,326</b>	4,083,068
Right-of-use assets		<b>138,855</b>	142,998
Intangible assets		<b>92,470</b>	95,405
Deposits paid for the acquisition of property, plant and equipment		<b>64,602</b>	76,644
Interests in joint ventures		<b>16,589</b>	16,462
Interests in associates		<b>20,084</b>	19,619
Loan to a joint venture		<b>97,755</b>	97,755
Deferred tax assets		<b>21,581</b>	22,335
Goodwill		<b>2,579</b>	2,622
		<b>4,524,841</b>	4,556,908
<b>CURRENT ASSETS</b>			
Inventories	12	<b>474,324</b>	550,384
Properties under development for sale		<b>304,749</b>	263,163
Trade and other receivables	13	<b>309,075</b>	290,527
Bills receivable		<b>114,250</b>	156,105
Amount due from a joint venture		<b>13,823</b>	14,120
Amount due from an associate		<b>313</b>	1,199
Amounts due from related companies		<b>15,228</b>	16,138
Bank balances and cash		<b>200,220</b>	246,404
		<b>1,431,982</b>	1,538,040
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	<b>342,755</b>	366,898
Bills payable		<b>48,597</b>	131,763
Contract liabilities		<b>45,577</b>	55,157
Amounts due to related companies		<b>11,368</b>	15,307
Taxation payable		<b>12,381</b>	85,677
Lease liabilities		<b>1,321</b>	1,850
Bank borrowings – due within 1 year		<b>417,637</b>	587,538
		<b>879,636</b>	1,244,190

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(CONTINUED)**  
*At 30 June 2020*

		<b>30 June 2020</b>	31 December 2019
		<b>(Unaudited)</b>	<b>(Audited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NET CURRENT ASSETS</b>		<b>552,346</b>	293,850
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>5,077,187</b>	4,850,758
<b>NON-CURRENT LIABILITIES</b>			
Other payables	14	<b>36,800</b>	40,747
Lease liabilities		<b>276</b>	–
Contract liabilities		<b>8,963</b>	9,877
Deferred tax liabilities		<b>32,289</b>	38,697
Bank borrowings – due after 1 year		<b>1,158,053</b>	910,914
		<b>1,236,381</b>	1,000,235
<b>NET ASSETS</b>		<b>3,840,806</b>	3,850,523
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>82,500</b>	82,500
Reserves		<b>3,758,306</b>	3,768,023
<b>TOTAL EQUITY</b>		<b>3,840,806</b>	3,850,523

*Notes:*

**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 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

**Application of amendments to HKFRSs**

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and 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 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and 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.

**2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”**

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

## 2.2 *Impacts and accounting policies on application of Amendments to HKFRS 3 “Definition of a Business”*

### 2.2.1 *Accounting policies*

#### *Business combinations or asset acquisitions*

##### Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

### 2.2.2 *Transition and summary of effects*

The amendments had no impact on the condensed consolidated financial statements of the Group.

## 3. REVENUE

### (i) Disaggregation of revenue

	<b>Six months ended 30 June</b>	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Types of goods or services</b>		
Manufacture and sale of chemical products		
Caustic soda	<b>532,594</b>	691,484
Chloromethane products	<b>318,856</b>	498,129
Polymers	<b>193,557</b>	212,538
Hydrogen peroxide	<b>154,934</b>	105,861
Fluorochemical products	<b>23,556</b>	85,581
Styrene acrylic latex surface sizing agent	<b>31,456</b>	25,581
Others	<b>126,761</b>	99,482
	<b>1,381,714</b>	1,718,656

(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.

**4. SEGMENT INFORMATION**

(a) **Operating segments**

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), being the Chairman of the Company, in order to allocate resources to segments and to assess their performance. The CODM reviews the Group's profit as a whole, which is generated solely from the manufacture and sale of chemical products and determined in accordance with the Group's accounting policies, for performance assessment. Therefore no separate segment information is prepared by the Group.

(b) **Geographical information**

The Group's operations are 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**

Revenue from customers individually contributing over 10% of the Group's revenue is as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Customer A	<u>N/A*</u>	<u>172,021</u>

\* The corresponding revenue from the customer did not contribute over 10% of the total revenue of the Group for the six months ended 30 June 2020.

## 5. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Government grants	22,693	64,452
Electricity and steam income	8,960	13,295
Scrap sales	5,108	3,453
Bank interest income	3,032	2,455
Rental income	1,026	1,168
Interest income from a joint venture	309	236
Others	442	367
	<u>41,570</u>	<u>85,426</u>

## 6. OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Net gain (loss) on settlement of derivative financial instruments	306	(3,380)
Net gain (loss) on disposal of property, plant and equipment	47	(298)
	<u>353</u>	<u>(3,678)</u>

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax ("EIT")	40,855	70,598
Withholding tax on dividend income	5,805	8,947
Over provision in prior years – EIT	(6,013)	(9,044)
Deferred tax	<u>(5,413)</u>	<u>(8,818)</u>
	<u>35,234</u>	<u>61,683</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%.

For the periods ended 30 June 2019 and 30 June 2020, Jiangsu Lee & Man Chemical Limited ("Jiangsu L&M") and Jiangxi Lee & Man Chemical Limited ("Jiangxi L&M") were entitled to reduced EIT rate of 15% as they have been qualified as a High and New Technology Enterprise.

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 both periods since there is no assessable profit for both periods.

## 8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the period has been arrived at after charging:		
Directors' emoluments	24,305	26,027
Other staff costs:		
Salaries and other benefits (excluding directors)	122,172	119,812
Retirement benefit schemes contributions (excluding directors)	3,516	7,667
Total staff costs	<u>149,993</u>	<u>153,506</u>
Finance costs:		
Interest on bank borrowings wholly repayable within five years	31,558	38,823
Interest on lease liabilities	46	131
Less: amounts capitalised to property, plant and equipment ( <i>note</i> )	<u>(608)</u>	<u>(99)</u>
	<u>30,996</u>	<u>38,855</u>
Cost of inventories recognised as expenses	938,314	1,036,563
Depreciation of property, plant and equipment	167,416	173,748
Depreciation of right-of-use assets	2,636	3,430
Amortisation of intangible assets	<u>1,389</u>	<u>1,621</u>
Total depreciation and amortisation	171,441	178,799
Capitalised in inventories	<u>(147,501)</u>	<u>(159,007)</u>
	<u><u>23,940</u></u>	<u><u>19,792</u></u>

*Note:* During the period ended 30 June 2020, certain borrowing costs capitalised arose from the specific borrowings and were calculated by applying a capitalisation rate of 4.9875% (2019: 4.75%) per annum to expenditures on qualifying assets.

## 9. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Final dividend paid during the period:		
2019 final dividend HK15 cents per share (2019: 2018 final dividend of HK15 cents per share)	<u>123,750</u>	<u>123,750</u>
Interim dividend declared subsequent to period end:		
2020 interim dividend HK7.5 cents per share (2019: 2019 interim dividend of HK18 cents per share)	<u>61,875</u>	<u>148,500</u>

The Board has declared that an interim dividend of HK7.5 cents (2019: HK18 cents) per share for the six months ended 30 June 2020 to shareholders whose names appear in the Register of Members on 24 August 2020.

## 10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit for the year attributable to owners of the Company of HK\$156,213,000 (2019: HK\$401,180,000) and 825,000,000 (2019: 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	
	2020	2019
	'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>N/A</u>	<u>1,402</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>825,000</u>	<u>826,402</u>

The computation of diluted earnings per share for the current period did not assume the exercise of the Company's share options because the adjusted exercise price of those share options was higher than the average market price for shares in that period.

## 11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$223 million on property, plant and equipment to expand its operation.

## 12. INVENTORIES

	<b>30 June 2020 HK\$'000</b>	31 December 2019 HK\$'000
Raw materials and consumables	276,013	394,661
Work in progress	22,190	22,780
Finished goods	176,121	132,943
	<u>474,324</u>	<u>550,384</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\$130,044,000 (31 December 2019: HK\$115,432,000). The aged analysis of trade receivables based on invoice date at the end of the reporting period is as follows:

	<b>30 June 2020 HK\$'000</b>	31 December 2019 HK\$'000
Not exceeding 30 days	118,973	103,929
31 to 60 days	9,017	8,376
61 to 90 days	1,152	2,748
91 to 120 days	–	81
Over 120 days	902	298
Trade receivables	130,044	115,432
Prepayments	110,243	102,014
Deposits to suppliers	24,130	18,983
Value-added tax receivable	39,013	36,950
Other receivables	5,645	17,148
Total trade and other receivables	<u>309,075</u>	<u>290,527</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\$120,686,000 (31 December 2019: HK\$107,160,000). The aged analysis of trade payables based on invoice date at the end of the reporting period is as follows:

	<b>30 June 2020 HK\$'000</b>	31 December 2019 HK\$'000
Not exceeding 30 days	<b>57,410</b>	62,624
31 to 60 days	<b>27,250</b>	16,807
61 to 90 days	<b>6,688</b>	3,692
Over 90 days	<b>29,338</b>	24,037
	<hr/>	<hr/>
Trade payables	<b>120,686</b>	107,160
Construction costs payables and accruals	<b>116,137</b>	137,338
Value-added tax accruals	<b>11,310</b>	16,136
Other payables	<b>90,005</b>	103,872
Other accruals	<b>41,417</b>	43,139
	<hr/>	<hr/>
Total trade and other payables	<b>379,555</b>	407,645
	<hr/> <hr/>	<hr/> <hr/>
Analysed for reporting purposes as:		
Current liabilities	<b>342,755</b>	366,898
Non-current liabilities	<b>36,800</b>	40,747
	<hr/>	<hr/>
	<b>379,555</b>	407,645
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2020, other payables included a non-current deferred income, amounting to HK\$25,325,000 (31 December 2019: HK\$29,080,000) 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 2020 has been reviewed with no disagreement by the Audit Committee of the Company.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK7.5 cents per share for the six months ended 30 June 2020 to shareholders whose names appear on the Register of Members on 24 August 2020. It is expected that the interim dividend will be paid around 3 September 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 19 August 2020 to 24 August 2020, 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, for registration no later than 4:30 p.m. on 18 August 2020.

## **BUSINESS REVIEW**

For the six months ended 30 June 2020, the Group recorded a revenue of approximately HK\$1,382 million, decreased by 19.6% when compared to the corresponding period last year; and a net profit of approximately HK\$156 million for the period, representing a decrease of 61.1% when compared to the corresponding period last year.

The Group's gross profit margin was 32.1%, decreased by 7.6 percentage points when compared to the corresponding period last year and the net profit margin was 11.3%, decreased by 12 percentage points when compared to the corresponding period last year.

During the period under review, China has imposed a large-scale lockdown in early 2020 in response to the novel coronavirus ("COVID-19") pandemic. The supply chain of manufacturing industry was hard hit, which would take time for rectification. Countries around the world are being affected by the pandemic one after another, resulting in drastic slowdown and even contraction of the overall economy. Except for the prices of certain chemical products for epidemic prevention and sterilization had once increased, the overall market prices of chemical products have slid to the low end in recent years after the production was resumed in 2020, imposing tremendous pressure on the Group's profitability.

## **PROSPECTS**

As the pandemic situation remains volatile and the business environment is still full of challenges, the unprecedented widespread influence has created a new normal across different industries that is yet to be adapted to and navigate within. The Group expects the restrictive measures in Mainland China and some European countries to be gradually lifted in the second half of 2020. The domestic chemical industry is expected to bottom out soon, but the operating environment remains extremely challenging. The Group will strive to preserve its competitive edge over cost-effectiveness, and cautiously explore other sources of business growth by handpicking investment opportunities. The Group will also continue to enhance occupational safety measures and to provide all-round training for its employees, so as to attain the 'Grade-A Safe Production Standardization Enterprise Certification' and ensure sustainable development under the conditions of safe production.

The infrastructure construction of the new factory in Gaolan Port, Zhuhai is near completion. Commercial production of the Group's internally-developed lithium battery electrolyte additives is expected to commence by the end of 2020. Furthermore, the Group will still be dedicated to undertaking research and commercialization of specialty polymers, lithium battery chemicals and innovative surface treatment agents, as well as furthering vertical expansion to widen the variety of downstream products.

In view of the further strengthening of industrial safety and environmental protection requirements of the PRC government, the Group will be committed to improving internal control standards, so as to achieve sustainable development. Moreover, the Group will strive to promote the concept of green manufacturing, and to manage with clean, efficient and low-carbon development, in order to fulfill our social responsibility through energy conservation and emission reduction, and deliver sustainable and reasonable returns to shareholders.

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

As at 30 June 2020, the total shareholders' equity of the Group was approximately HK\$3,841 million (31 December 2019: HK\$3,851 million), current assets were approximately HK\$1,432 million (31 December 2019: HK\$1,538 million) and current liabilities approximately HK\$880 million (31 December 2019: HK\$1,244 million). The current ratio was 1.63 as at 30 June 2020 (31 December 2019: 1.24).

The Group generally finances its operations with internally generated cash flow and credit facilities provided by its principal bankers in Hong Kong and the PRC. As at 30 June 2020, the Group had outstanding bank borrowings of approximately HK\$1,576 million (31 December 2019: HK\$1,498 million). These bank loans were secured by corporate guarantees provided by the Company and its certain subsidiaries. As at 30 June 2020, the Group maintained bank balances and cash of approximately HK\$200 million (31 December 2019: HK\$246 million). The Group's net debt-to-equity ratio (total bank borrowings net of cash and cash equivalents over shareholders' equity) was 35.81% as at 30 June 2020 (31 December 2019: 32.52%).

The Group's liquidity position remains strong and the Group possesses sufficient cash and available banking facilities to meet its commitments, working capital requirements and future investments for expansion.

## **CAPITAL AND OTHER COMMITMENTS**

As at 30 June 2020, 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 and land use rights in amount of approximately HK\$297 million.

## **HUMAN RESOURCES**

As at 30 June 2020, the Group had 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 2020.

## **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 2020.

## **AUDIT COMMITTEE**

The Audit Committee, comprising all the independent non-executive directors of the Company, has reviewed the result of the Group for the period ended 30 June 2020 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 extend our sincere gratitude to the Company's shareholders, customers and business partners for their strong support throughout the period. In addition, I would also like to take this opportunity to thank all our colleagues and staff for their persistent efforts and contribution to the Group.

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

Hong Kong, 4 August 2020

*As at the date of this announcement, the Board 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.*