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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 2021**

#### **FINANCIAL HIGHLIGHTS**

- Revenue of HK\$2,272 million for the period, increased by 64.4% as compared to last period.
- Net profit of HK\$587 million for the period, increased by 275.8% as compared to last period.
- Gross profit margin for the period was 44.8%, net profit margin was 25.8%.
- Basic earnings per share for the period was HK71.2 cents, with declared interim dividend of HK26.0 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 2021 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 2021

	Notes	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	3&4	2,271,500	1,381,714
Cost of sales		(1,253,416)	(938,314)
Gross profit		1,018,084	443,400
Other income	5	40,486	41,570
Other gains or losses	6	(2,807)	353
Selling and distribution costs		(114,444)	(91,172)
General and administrative expenses		(136,070)	(98,498)
Research and development cost		(94,137)	(59,409)
Finance costs		(23,000)	(31,863)
Net exchange gains (losses)		15,973	(13,048)
Share of gains of joint ventures		166	402
Share of losses of associates		(457)	(288)
Profit before taxation		703,794	191,447
Income tax expense	7	(116,766)	(35,234)
<b>Profit for the period</b>	8	<b>587,028</b>	<b>156,213</b>
<b>Other comprehensive income (expenses):</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Exchange differences arising on translation		102,484	(57,863)
Share of other comprehensive income (expenses) of joint ventures and associates		965	(616)
Other comprehensive income (expenses) for the period		103,449	(58,479)
<b>Total comprehensive income for the period</b>		<b>690,477</b>	<b>97,734</b>
Earnings per share:	10		
– Basic (HK cents)		71.2	18.9
– Diluted (HK cents)		71.1	18.9

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	<b>4,769,463</b>	4,537,826
Right-of-use assets		<b>154,233</b>	153,547
Intangible assets		<b>99,555</b>	98,661
Deposits paid for the acquisition of property, plant and equipment		<b>112,368</b>	55,053
Interests in joint ventures		<b>108,332</b>	105,602
Interests in associates		<b>21,920</b>	21,849
Deferred tax assets		<b>23,370</b>	23,093
Goodwill		<b>2,860</b>	2,793
		<b>5,292,101</b>	4,998,424
<b>CURRENT ASSETS</b>			
Inventories	12	<b>703,565</b>	504,455
Properties under development		<b>357,980</b>	390,804
Trade and other receivables	13	<b>313,695</b>	296,074
Bills receivable		<b>136,055</b>	134,289
Amount due from a joint venture		<b>15,328</b>	14,966
Amount due from an associate		<b>757</b>	620
Amounts due from related companies		<b>19,386</b>	16,492
Bank balances with restricted use		<b>21,763</b>	36,038
Bank balances and cash		<b>387,077</b>	386,645
		<b>1,955,606</b>	1,780,383
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	<b>538,774</b>	398,727
Bills payable		<b>29,696</b>	116,577
Contract liabilities		<b>72,231</b>	135,171
Amount due to a joint venture		<b>788</b>	–
Amounts due to related companies		<b>12,352</b>	13,227
Taxation payable		<b>57,000</b>	49,423
Lease liabilities		<b>2,337</b>	2,384
Bank borrowings		<b>824,790</b>	458,663
		<b>1,537,968</b>	1,174,172

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(CONTINUED)**  
*At 30 June 2021*

		<b>30 June</b>	31 December
		<b>2021</b>	2020
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NET CURRENT ASSETS</b>		<b>417,638</b>	606,211
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>5,709,739</b>	5,604,635
<b>NON-CURRENT LIABILITIES</b>			
Other payables	14	<b>27,534</b>	33,344
Lease liabilities		<b>3,212</b>	4,213
Deferred tax liabilities		<b>31,840</b>	50,021
Bank borrowings		<b>633,029</b>	1,073,493
		<b>695,615</b>	1,161,071
<b>NET ASSETS</b>		<b>5,014,124</b>	4,443,564
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>82,500</b>	82,500
Reserves		<b>4,931,624</b>	4,361,064
<b>TOTAL EQUITY</b>		<b>5,014,124</b>	4,443,564

*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 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

**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 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16

*COVID-19-Related Rent Concessions*

Amendments to HKFRS 9, HKAS 39, HKFRS 7,  
HKFRS 4 and HKFRS 16

*Interest Rate Benchmark Reform – Phase 2*

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	
	2021 HK\$'000	2020 HK\$'000
Caustic soda	568,112	532,594
Chloromethane products	594,627	318,856
Polymers	336,911	193,557
Hydrogen peroxide	242,970	154,934
Fluorochemical products	80,950	23,556
Styrene acrylic latex surface sizing agent	35,241	31,456
Liquified hydrogen	78,164	32,355
Others	174,008	94,406
	<hr/>	<hr/>
Manufacture and sale of chemical products	2,110,983	1,381,714
Sale of properties	160,517	–
	<hr/>	<hr/>
	<b>2,271,500</b>	<b>1,381,714</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. At 31 December 2020, the Group had only one reportable segment, which is the Group's strategic business unit and principally engaged in manufacture and sale of chemical products.

During the six months ended 30 June 2021, the Group established a new business unit in response to the completion and delivery of the residential units in the property development project in Changshu City. 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 2021:

- 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

###### *Six months ended 30 June 2021*

	<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>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>

No segmental information for the six months ended 30 June 2020 was presented as the Group's revenue and trading results for that period were generated solely from its Chemical operations.

**(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 2021 and 2020.

**(d) Other segment information**

	<b>Chemical 2021 HK\$'000</b>	<b>Property 2021 HK\$'000</b>
Depreciation	186,734	2,184
Amortisation	1,483	–
	<u>188,217</u>	<u>2,184</u>

**5. OTHER INCOME**

	<b>Six months ended 30 June</b>	
	<b>2021 HK\$'000</b>	<b>2020 HK\$'000</b>
Government grants	8,868	22,693
Electricity and steam income	13,678	8,960
Scrap sales	6,763	5,108
Bank interest income	2,157	3,032
Rental income	1,332	1,026
Interest income from a joint venture	324	309
Others	7,364	442
	<u>40,486</u>	<u>41,570</u>

## 6. OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Net (loss) gain on settlement of derivative financial instruments	(2,628)	306
Net (loss) gain on disposal of property, plant and equipment	(179)	47
	<u>(2,807)</u>	<u>353</u>

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax ("EIT")	110,707	40,855
PRC Land Appreciation Tax ("LAT")	20,506	–
Withholding tax on dividend income	19,248	5,805
Other jurisdictions	138	–
Over provision in prior years – EIT	(14,864)	(6,013)
Deferred tax	<u>(18,969)</u>	<u>(5,413)</u>
	<u>116,766</u>	<u>35,234</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 six months ended 30 June 2021 and 2020, Jiangsu Lee & Man Chemical Limited ("Jiangsu L&M") and Jiangxi Lee & Man Chemical Limited ("Jiangxi L&M") are entitled to a favourable EIT rate of 15% to 2021 and 2023 respectively, as they have been qualified as High and New Technology Enterprise, which is subject to renewal for every three years.

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

## 8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after charging:		
Directors' emoluments	28,966	24,305
Other staff costs:		
Salaries and other benefits (excluding directors)	141,630	122,172
Retirement benefit schemes contributions (excluding directors)	7,219	3,516
Total staff costs	<u>177,815</u>	<u>149,993</u>
Finance costs:		
Interest on bank borrowings	24,828	31,558
Interest on lease liabilities	130	46
Less: amounts capitalised to property, plant and equipment ( <i>note</i> )	<u>(1,958)</u>	<u>(608)</u>
	<u>23,000</u>	<u>30,996</u>
Cost of inventories recognised as expenses	1,253,416	938,314
Depreciation of property, plant and equipment	185,912	167,416
Depreciation of right-of-use assets	3,006	2,636
Amortisation of intangible assets	<u>1,483</u>	<u>1,389</u>
Total depreciation and amortisation	190,401	171,441
Capitalised in inventories	<u>(162,555)</u>	<u>(147,501)</u>
	<u><u>27,846</u></u>	<u><u>23,940</u></u>

*Note:* During the six months ended 30 June 2021, certain borrowing costs capitalised arose from the specific borrowings and were calculated by applying a capitalisation rate of 4.9875% (2020: 4.9875%) per annum to expenditures on qualifying assets.

## 9. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Final dividend paid during the period:		
2020 final dividend HK16.5 cents per share (2020: 2019 final dividend of HK15 cents per share)	<u>136,125</u>	<u>123,750</u>
Interim dividend declared subsequent to period end:		
2021 interim dividend HK26.0 cents per share (2020: 2020 interim dividend of HK7.5 cents per share)	<u>214,500</u>	<u>61,875</u>

The Board has declared that an interim dividend of HK26.0 cents (2020: HK7.5 cents) per share for the six months ended 30 June 2021 to shareholders whose names appear in the Register of Members on 24 August 2021.

## 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\$587,028,000 (2020: HK\$156,213,000) and 825,000,000 (2020: 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	
	2021	2020
	'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>861</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>825,861</u>	<u>825,000</u>

The computation of diluted earnings per share for the six months ended 30 June 2020 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\$302 million on property, plant and equipment to expand its operation.

## 12. INVENTORIES

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
<b>Chemical operations</b>		
Raw materials and consumables	<b>385,212</b>	374,140
Work in progress	<b>34,073</b>	31,943
Finished goods	<b>138,572</b>	98,372
	<b>557,857</b>	504,455
<b>Property operations</b>		
Properties for sale	<b>145,708</b>	–
	<b>703,565</b>	504,455

## 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\$152,555,000 (31 December 2020: HK\$105,170,000). The aged analysis of trade receivables based on invoice date at the end of the reporting period is as follows:

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Not exceeding 30 days	<b>135,059</b>	95,533
31 to 60 days	<b>15,623</b>	9,342
61 to 90 days	<b>1,837</b>	178
91 to 120 days	–	60
Over 120 days	<b>36</b>	57
Trade receivables	<b>152,555</b>	105,170
Prepayments	<b>50,571</b>	103,366
Deposits to suppliers	<b>69,642</b>	50,359
Value-added tax recoverable	<b>32,643</b>	34,081
Other receivables	<b>8,284</b>	3,098
Total trade and other receivables	<b>313,695</b>	296,074

#### 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\$178,676,000 (31 December 2020: HK\$107,256,000). The aged analysis of trade payables based on invoice date at the end of the reporting period is as follows:

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Not exceeding 30 days	<b>118,030</b>	66,847
31 to 60 days	<b>23,989</b>	13,823
61 to 90 days	<b>8,277</b>	6,338
Over 90 days	<b>28,380</b>	20,248
Trade payables	<b>178,676</b>	107,256
Construction costs payables and accruals	<b>241,273</b>	164,345
Other payables	<b>83,912</b>	101,028
Value-added tax accruals	<b>17,025</b>	14,538
Other accruals	<b>45,422</b>	44,904
Total trade and other payables	<b>566,308</b>	432,071
Analysed for reporting purposes as:		
Current liabilities	<b>538,774</b>	398,727
Non-current liabilities	<b>27,534</b>	33,344
	<b>566,308</b>	432,071

As at 30 June 2021, other payables included a non-current deferred income, amounting to HK\$19,638,000 (31 December 2020: HK\$23,877,000) 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 2021 has been reviewed with no disagreement by the Audit Committee of the Company.

## INTERIM DIVIDEND

The Board has declared an interim dividend of HK26.0 cents per share for the six months ended 30 June 2021 to shareholders whose names appear on the Register of Members on 24 August 2021. It is expected that the interim dividend will be paid around 3 September 2021.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 19 August 2021 to 24 August 2021, 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 2021.

## BUSINESS REVIEW

For the six months ended 30 June 2021, the Group recorded revenue of approximately HK\$2,272 million, up by 64.4% when compared with the corresponding period last year and net profit of approximately HK\$587 million, a leap of 275.8% when compared with the corresponding period last year.

The Group's gross profit margin for the period was 44.8%, 12.7 percentage points more against the corresponding period last year and net profit margin was 25.8%, 14.5 percentage points higher when compared with the corresponding period last year.

During the period under review, for **Chemical operations**, with the rates of vaccination against the novel coronavirus ("COVID-19") gradually picking up across the world, market demand for different products also progressively resumed and correspondingly the demand for chemical products of the manufacturing industry also rebounded notably. However, abiding with preventive measures against the pandemic, it was not easy for factories to increase production capacity, and at tight supply, the prices of chemical products climbed. Thanks to that, the Group's profitability improved markedly. For **Property operations**, RIVERDALE, a commercial-residential complex of the Group in the Economic Development Zone of Changshu, had 129 residential units sold and revenue from sale of properties of the Group for the period amounted to approximately HK\$161 million.

## PROSPECTS

With more and more people receiving COVID-19 vaccination across the world, restrictions associated with the pandemic are expected to be gradually relaxed and governments have started to re-vitalise their economy. Thus the Group remains cautiously optimistic about the outlook of its business. With highly-automated operations, the Group can expect to see its competitive edge in cost-effectiveness consolidate, allowing it to enjoy the dividend from price movements. The Group will also actively enhance occupational safety measures as well as do its best in pandemic prevention, provide all-round training to employees to ensure safe production that can brace the sustainable development of its business. Also, the Group will maintain the strategy of selling property units at opportune time heeding market conditions.

The highly effective specialty polymers of the Group are heat resistant and boast excellent insulation thus can ensure smooth high-speed data transmission, ideal for use by telecom operators in building new 5G cell-site stations to upgrade their network service. The Group will continue to expand its specialty polymer mix that agrees with market development to meet its customers' unique demand.

The new factory in Gaolan Port, Zhuhai, for producing lithium-ion battery electrolyte additives has recently begun commercial production with the first batch of products delivered. The research and development team is working closely with customers downstream and the Group expects lithium-ion battery related products to begin contributing revenue in the second half of 2021. The Group will actively grasp opportunities to gain industry recognition and enlarge market share, and keep expanding the footprint of its lithium-ion battery-related products business in the future.

The Group will strive to promote green manufacturing and embrace clean, highly-efficient and low-carbon development management, aiming to realize the long-term goal of obtaining "Grade-A Safe Production Standardization Enterprise Certification" and delivering satisfactory and sustainable returns to shareholders.

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

As at 30 June 2021, the total shareholders' equity of the Group was approximately HK\$5,014 million (31 December 2020: HK\$4,444 million), current assets were approximately HK\$1,956 million (31 December 2020: HK\$1,780 million) and current liabilities approximately HK\$1,538 million (31 December 2020: HK\$1,174 million). The current ratio was 1.27 as at 30 June 2021 (31 December 2020: 1.52).

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 2021, the Group had outstanding bank borrowings of approximately HK\$1,458 million (31 December 2020: HK\$1,532 million). These bank loans were secured by corporate guarantees provided by the Company and its certain subsidiaries. As at 30 June 2021, the Group maintained bank balances and cash of approximately HK\$409 million (31 December 2020: HK\$423 million). The Group's net debt-to-equity ratio (total bank borrowings net of cash and cash equivalents over shareholders' equity) was 20.92% as at 30 June 2021 (31 December 2020: 24.97%).

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 2021, 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\$253 million.

## **HUMAN RESOURCES**

As at 30 June 2021, 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 2021.

## **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 2021.

## **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 2021 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 2021

*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.*