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LEE & MAN CHEMICAL COMPANY LIMITED

理文化化工有限公司

(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 2025

FINANCIAL HIGHLIGHTS

- Revenue broadly stays at HK\$1,932 million
- Profit increased by 36.0% to HK\$327 million contributed by a significant reduction in energy costs and decline in raw material prices
- Gross profit margin increased by 7.4 p.p. to 36.3%
- Proposed interim dividend of HK19.5 cents per share (six months ended 30 June 2024: HK14 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 2025 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 2025

		Six months ended 30 June	
		2025	2024
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue		1,931,959	1,989,690
Cost of sales		(1,230,588)	(1,414,476)
Gross profit		701,371	575,214
Other income and expenses	5	22,505	32,705
Other gains or losses	6	(2,547)	(1,178)
Selling and distribution costs		(98,677)	(107,703)
General and administrative expenses		(131,239)	(135,001)
Research and development cost		(82,994)	(54,529)
Finance costs		(9,508)	(13,154)
Net exchange loss		(7,145)	(480)
Share of gains of joint ventures		1,003	1,246
Share of gains of associates		2,154	656
Profit before taxation		394,923	297,776
Income tax expense	7	(68,296)	(57,691)
Profit for the period	8	326,627	240,085

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

For the six months ended 30 June 2025

		Six months ended 30 June	
		2025	2024
		(Unaudited)	(Unaudited)
<i>Notes</i>		HK\$'000	HK\$'000
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation		92,349	615
Share of other comprehensive income (expense) of joint ventures and associates		762	(332)
Other comprehensive income for the period		93,111	283
Total comprehensive income for the period		419,738	240,368
Earnings per share:			
– Basic (<i>HK cents</i>)	10	39.6	29.1
– Diluted (<i>HK cents</i>)		39.5	29.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025

		30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	11	5,230,437	5,134,140
Investment properties		221,974	212,903
Right-of-use assets		193,737	194,051
Intangible assets		79,432	79,461
Deposits paid for the acquisition of property, plant and equipment		35,620	41,900
Interests in joint ventures		101,219	99,881
Interests in associates		27,760	25,180
Deferred tax assets		19,036	18,980
Goodwill		2,579	2,537
		<u>5,911,794</u>	<u>5,809,033</u>
CURRENT ASSETS			
Inventories	12	658,556	600,940
Properties held for sale		8,403	8,267
Trade, bills and other receivables	13	432,907	467,907
Tax recoverable		1,688	3,463
Amounts due from joint ventures		243	139
Amount due from an associate		2,699	2,329
Amounts due from related companies		16,320	12,616
Derivative financial instruments		–	1,089
Short-term bank deposits with original maturity more than three months		79,318	67,879
Bank balances and cash		203,434	222,781
		<u>1,403,568</u>	<u>1,387,410</u>
CURRENT LIABILITIES			
Trade, bills and other payables	14	480,374	493,417
Contract liabilities		39,465	41,446
Amount due to a joint venture		1,396	514
Amount due to an associate		164	–
Amounts due to related companies		9,965	9,310
Derivative financial instruments		1,390	–
Taxation payable		20,925	11,244
Lease liabilities		2,381	2,308
Bank borrowings		418,601	587,937
		<u>974,661</u>	<u>1,146,176</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)
At 30 June 2025

		30 June 2025 (Unaudited) <i>HK\$'000</i>	31 December 2024 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NET CURRENT ASSETS		428,907	241,234
TOTAL ASSETS LESS CURRENT LIABILITIES		6,340,701	6,050,267
NON-CURRENT LIABILITIES			
Other payables	14	22,766	21,798
Lease liabilities		1,218	2,378
Deferred tax liabilities		19,218	29,680
Bank borrowings		65,541	60,441
		108,743	114,297
NET ASSETS		6,231,958	5,935,970
CAPITAL AND RESERVES			
Share capital		82,500	82,500
Reserves		6,149,458	5,853,470
TOTAL EQUITY		6,231,958	5,935,970

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 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. 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2025 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2024.

Application of amendments to HKFRS Accounting Standards

In the current interim period, the Group has applied the following amendments to a HKFRS Accounting Standard, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2025 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 21

Lack of Exchangeability

The application of the amendments to a HKFRS Accounting Standard 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	
	2025	2024
	HK\$'000	HK\$'000
Caustic soda	882,965	798,288
Chloromethane products	414,123	457,431
Fluorochemical products	164,912	133,091
Hydrogen peroxide	128,494	188,876
Liquified chlorine	1,830	8,010
Polymers	193,629	230,974
Styrene acrylic latex surface sizing agent	31,728	49,657
Lithium-ion battery additives	10,334	1,190
Others	102,255	101,337
	<hr/>	<hr/>
Manufacture and sale of chemical products	1,930,270	1,968,854
Sale of properties	–	18,994
	<hr/>	<hr/>
Revenue from contracts with customers	1,930,270	1,987,848
Rental income	1,689	1,842
	<hr/>	<hr/>
Total revenue	<u>1,931,959</u>	<u>1,989,690</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 90 days upon delivery, except for those sales settled by bills which mature within 180 days.

Sale of properties

Revenue from sale of properties is recognised at a point in time when the customer obtained control of the completed property, being at the point that the completed properties are transferred to the customer.

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. The deposits and advance payment schemes result in contract liabilities being recognised 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 2025:

- Chemical: manufacture and sale of chemical products
- Property: development and sale of properties, properties held for rental, and supply of related properties services

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 and losses, finance costs, 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 2025

	Chemical <i>HK\$'000</i>	Property <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue from external customers	<u>1,930,270</u>	<u>1,689</u>	<u>1,931,959</u>
Segment results	<u>418,108</u>	<u>(495)</u>	417,613
Unallocated head office and corporate expenses			(29,152)
Other income and expenses			22,505
Other gains or losses			(2,547)
Finance costs			(9,508)
Net exchange loss			(7,145)
Share of results of joint ventures and associates			<u>3,157</u>
Profit before taxation			<u>394,923</u>

For the six months ended 30 June 2024

	Chemical HK\$'000	Property HK\$'000	Consolidated HK\$'000
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>

(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 2025 and 30 June 2024.

(d) Other segment information

Amounts included in the measure of segment profit or loss:

	Chemical		Property	
	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	54,249	34,150	559	839
Amortisation	<u>1,313</u>	<u>1,337</u>	<u>–</u>	<u>–</u>

5. OTHER INCOME AND EXPENSES

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Government grants	11,375	21,834
Electricity and steam income, net	4,284	2,295
Bank interest income	3,234	3,056
Rental income	1,742	1,774
Others	1,870	3,193
Scrap sales	–	384
Interest income from a joint venture	–	169
	<u>22,505</u>	<u>32,705</u>

6. OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Net fair value changes on derivative financial instruments	(1,311)	–
Net loss on disposal of property, plant and equipment	(1,236)	(1,178)
	<u>(2,547)</u>	<u>(1,178)</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
PRC Enterprise Income Tax (“EIT”)	71,860	69,356
PRC Land Appreciation Tax (“LAT”)	–	420
Withholding tax on dividend income	8,982	7,096
Hong Kong Profits Tax	–	64
Over provision in prior years – EIT	(2,063)	(12,070)
Deferred tax	<u>(10,483)</u>	<u>(7,175)</u>
	<u>68,296</u>	<u>57,691</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 2025 and 30 June 2024.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments	8,428	7,635
Other staff costs (excluding directors):		
Salaries and other benefits	166,262	170,915
Retirement benefit schemes contributions	8,738	9,068
	<u>183,428</u>	<u>187,618</u>
Total staff costs		
Finance costs:		
Interest on bank borrowings	9,445	13,055
Interest on lease liabilities	63	99
	<u>9,508</u>	<u>13,154</u>
Cost of inventories recognised as expenses (including write-down of inventories of HK\$9,369,000 (2024: HK\$3,684,000))	1,230,588	1,414,476
Depreciation of property, plant and equipment	200,823	194,695
Depreciation of right-of-use assets	3,445	3,559
Amortisation of intangible assets	1,313	1,337
	<u>205,581</u>	<u>199,591</u>
Total depreciation and amortisation		
Capitalised in inventories	(162,136)	(163,265)
	<u>43,445</u>	<u>36,326</u>
Gross rental income from investment properties	(1,689)	(1,842)
Less: direct operating expenses incurred for investment properties that generate rental income during the period	1,011	1,079
	<u>(678)</u>	<u>(763)</u>

9. DIVIDENDS

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Final dividend paid during the period:		
2024 final dividend HK15 cents per share (2024: 2023 final dividend of HK14 cents per share)	<u>123,750</u>	<u>115,500</u>
Interim dividend declared subsequent to period end:		
2025 interim dividend HK19.5 cents per share (2024: 2024 interim dividend of HK14 cents per share)	<u>160,875</u>	<u>115,500</u>

The Board has declared that an interim dividend of HK19.5 cents (2024: HK14 cents) per share for the six months ended 30 June 2025 to shareholders whose names appear in the Register of Members on 25 August 2025.

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\$326,627,000 (2024: HK\$240,085,000) and 825,000,000 (2024: 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	
	2025	2024
	'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>1,508</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>826,508</u>	<u>825,000</u>

For the six months ended 30 June 2025, 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\$214 million on property, plant and equipment to expand its operation.

12. INVENTORIES

	30 June 2025 HK\$'000	31 December 2024 HK\$'000
Raw materials and consumables	431,691	428,461
Work in progress	21,407	25,647
Finished goods	205,458	146,832
	<u>658,556</u>	<u>600,940</u>

13. TRADE, BILLS AND OTHER RECEIVABLES

The Group generally allows its trade customers a credit period ranged from 7 to 90 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 2025 HK\$'000	31 December 2024 HK\$'000
Not exceeding 30 days	106,772	121,035
31–60 days	39,922	23,790
61–90 days	13,523	8,893
91–120 days	13,006	8,434
Over 120 days	32,462	47,469
Trade receivables, at amortised cost	<u>205,685</u>	<u>209,621</u>
Not exceeding 30 days	86,393	123,944
31–60 days	3,915	12,635
61–90 days	7,031	6,130
91–120 days	2,163	1,571
Over 120 days	8,998	2,205
Bills receivable, at FVTOCI	<u>108,500</u>	<u>146,485</u>
Prepayments and deposits to suppliers	57,587	43,034
Value-added tax receivables	42,694	56,529
Other receivables	18,441	12,238
Total trade, bills and other receivables	<u>432,907</u>	<u>467,907</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 2025 HK\$'000	31 December 2024 HK\$'000
Not exceeding 30 days	101,511	101,822
31 to 60 days	17,419	20,842
61 to 90 days	7,723	9,386
Over 90 days	28,403	25,536
	<hr/>	<hr/>
Trade payables	155,056	157,586
	<hr/>	<hr/>
61 to 90 days	4,551	–
Over 90 days	34,006	–
	<hr/>	<hr/>
Bills payable	38,557	–
	<hr/>	<hr/>
Construction costs payables and accruals	127,172	185,835
Other payables	125,932	126,370
Value-added tax accruals	14,117	13,773
Other accruals	42,306	31,651
	<hr/>	<hr/>
Total trade and other payables	503,140	515,215
	<hr/> <hr/>	<hr/> <hr/>
Analysed for reporting purposes as:		
Non-current liabilities	22,766	21,798
Current liabilities	480,374	493,417
	<hr/>	<hr/>
	503,140	515,215
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2025, other payables included a non-current deferred income, amounting to HK\$15,512,000 (31 December 2024: HK\$17,289,000) 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 2025 has been reviewed with no disagreement by the Audit Committee of the Company.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK19.5 cents per share for the six months ended 30 June 2025 to shareholders whose names appear on the Register of Members on 25 August 2025. It is expected that the interim dividend will be paid on or around 9 September 2025.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 21 August 2025 to 25 August 2025, 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 Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on 20 August 2025.

BUSINESS REVIEW

For the six months ended 30 June 2025, the Group made revenue and profit of HK\$1,932 million and HK\$327 million respectively, down by 2.9% and increased by 36.0%, against HK\$1,990 million and HK\$240 million in the same period last year.

The Group's gross profit margin was 36.3%, increased by 7.4 percentage points when compared with the corresponding period last year, and net profit margin was 16.9%, up 4.8 percentage points year-on-year.

Regarding the Group's **Chemical operations**, although uncertain geopolitical situations continued to affect the manufacturing industry in mainland China and market sentiment remained cautious, the Group's chemical product prices showed divergent trends compared with the last corresponding period. Thanks to a significant drop in energy costs and decline in raw material prices, a growth in gross profit was achieved. As for **Property operations**, 11 residential units at *RIVERDALE* remained for sale. During the period, leasing revenue amounted to approximately HK\$1.7 million.

After the Group raised dividend payout ratio to 49.6% last year, its financial position remained robust, with an interim net gearing ratio of 3.2%.

PROSPECTS

Facing an uncertain global economy and a challenging operating environment in 2025, the Group will steadfastly respond with strategic initiatives. We will accelerate automation at our three factories to improve cost-effectiveness and production efficiency, thereby ensure we remain competitive in the volatile market. At the drive of national policies, technological innovation and market demand, the chemical industry is gradually developing and moving towards high-end, green and intelligent production.

The Group is actively developing a high-end fluoropolymer production line at the new site in Jiangxi, and has continued to expand overseas sales channels to support future sales growth.

To seize these opportunities, we will continue to invest resources in developing diversified high-value-added chemical products, strengthen our product portfolio, and achieve vertical integration of our production chain. At the same time, we will uphold our commitment to high-quality products, which we regard as the foundation of our brand value, and strive to maintain reasonable profitability.

The Group will also actively implement a range of sustainable development plans, including initiatives to optimize energy efficiency, conserve water resources, expand the use of green energy, significantly reduce carbon emissions, and establish green factories, to achieve sustainable development while delivering robust, long-term returns to shareholders.

RESULTS OF OPERATION

For the six months ended 30 June 2025, the Group's revenue and net profit were approximately HK\$1,932 million and HK\$327 million respectively, representing a decrease of 2.9% and a growth of 36.0% respectively, as compared to approximately HK\$1,990 million and HK\$240 million respectively for the corresponding period in the last year. The basic earnings per share was HK39.6 cents for the six months ended 30 June 2025 and HK29.1 cents for the last corresponding period.

Revenue

Chemical operations

For the six months ended 30 June 2025, the Group recorded a revenue from Chemical operations of approximately HK\$1,930 million, representing a slight decrease of HK\$39 million or 2.0% 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 RMB2,500, remaining stable and decreased by approximately 7%. Caustic soda was at about RMB1,000, increased by approximately 11%. Polytetrafluoroethylene ("PTFE") was at about RMB45,000, remaining stable, while hydrogen peroxide was at about RMB700, decreased by approximately 22%.

The actual production output of the main products for the period (including self-consumption) was approximately 211,000 tons for CMS products, approximately 310,000 tons for 100% dry basis caustic soda, approximately 5,000 tons for PTFE, while for 27.5% hydrogen peroxide was approximately 198,000 tons.

Property operations

For the six months ended 30 June 2025, the Group recorded a revenue from rental operations of approximately HK\$1.7 million. The unsold residential units of *RIVERDALE* was 11 at the period end.

Selling and distribution expenses

Selling and distribution expenses incurred for the six months ended 30 June 2025 was approximately HK\$99 million, representing a decrease of approximately HK\$9 million as compared to approximately HK\$108 million for last corresponding period. The decrease in selling and distribution expenses during the period was mainly contributed by a reduction in commission expenses related to property sales in corresponding period. Selling and distribution expenses represented approximately 5.1% of the total revenue for the period, compared to 5.4% in corresponding period.

General and administrative expenses

General and administrative expenses incurred for the six months ended 30 June 2025 was approximately HK\$131 million, which decreased by approximately HK\$4 million as compared to HK\$135 million for last corresponding period. The decrease in general and administrative expenses during the period under review was mainly due to a reduction in carbon emission costs following the implementation of carbon reduction measures. General and administrative expenses represented approximately 6.8% of the total revenue for the period, same as corresponding period.

Research and development cost

Research and development costs for the six months ended 30 June 2025 were approximately HK\$83 million, increased by approximately HK\$28 million as compared to approximately HK\$55 million for last corresponding period. During the period under review, the Group focuses on optimization of technical processes over the main products and further enhancing their quality. Additionally, the Group will develop new chemical products to strengthen its market competitiveness, so as to maintain our competitiveness in the market.

Finance costs

The interest expenses incurred for the six months ended 30 June 2025 was approximately HK\$10 million, decreased by approximately HK\$3 million as compared to approximately HK\$13 million for last corresponding period. The decrease was mainly due to reduction in average outstanding loan balances during the period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group as at 30 June 2025 was HK\$6,232 million (31 December 2024: HK\$5,936 million). As at 30 June 2025, the Group had current assets of HK\$1,404 million (31 December 2024: HK\$1,387 million) and current liabilities of HK\$975 million (31 December 2024: HK\$1,146 million). The current ratio was 1.44 as at 30 June 2025 as compared to 1.21 at 31 December 2024.

The financial resources of the Group remain healthy. As at 30 June 2025, the Group's bank balances and cash was HK\$283 million (31 December 2024: HK\$291 million) and the net debt amounted to HK\$201 million (31 December 2024: HK\$358 million). The net debt to equity ratio of the Group as at 30 June 2025 was 3.23% (31 December 2024: 6.03%).

During the period under review, in light of moderately declining interest rates, the Group actively optimized the cost structure of financing across different currencies. 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 2025, the Group has a workforce of around 1,900 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 2025.

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 2025.

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 2025 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, 7 August 2025

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.