葉氏化工
YIP'S CHEMICAL

Yip's Chemical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 408)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

Revenue and Sales Volume Both Hit Historical Highs
Total Dividend of HK16 Cents per Share

- Revenue rose 20.5% year-on-year to HK$12.4 billion with continuous strong revenue growth for solvents segment.
- Sales volume also reached a historical high, up 9% year-on-year to 1.39 million metric tons.
- Profit attributable to owners increased 8.4% to HK$185 million.
- The Group continued to be prudent with financial management. The gearing ratio dropped to 46.0%, decreased by 5.1 percentage points year-on-year.
- The Board recommended payment of a final dividend of HK10 cents per share. Total dividend payment for the year amounted to HK16 cents per share.

	For the year ended 31 December 2018 (audited)	For the year ended 31 December 2017 (audited)	% change
Revenue	**HK$12,388,283,000**	HK$10,280,001,000	+21%
Profit attributable to owners of the Company	**HK$184,805,000**	HK$170,560,000	+8%
Earnings per share	**HK32.8 cents**	HK30.2 cents	+9%
Final dividend	**HK10.0 cents**	HK10.0 cents	–
Dividend for the year	**HK16.0 cents**	HK15.0 cents	+7%
	As of 31 December 2018	As of 31 December 2017	
Gearing ratio*	**46.0%**	51.1%	-5.1% points

* Measured by net bank borrowings as a percentage of equity attributable to owners of the Company

CHAIRMAN'S STATEMENT – REVIEW AND OUTLOOK

It is my pleasure to present this Annual Results for the year 2018 to all shareholders of the Company and its subsidiaries (the "Group"). In the period under review, buoyed by strong growth in the solvents business that was brought about by a sustained manifestation of scale effect, the Group set yet again a new record in sales revenue at HK$12.4 billion, a growth of 20.5% from last year. Sales volume also registered a record of 1.39 million metric tons, up 9% from last year. Profit attributable to owners of the Company, however, was quite disappointing. In the period, the business environment was one of the poorest in recent years. This was particularly so in the second half, during which the escalating tensions in the Sino-US trade row and the intensifying geopolitical shocks in various regions led to depressing global economic sentiments. Faced with such dramatic changes in the business environment, the Group was not sufficiently prepared and not working hard enough. As a result, all core businesses were not able to maintain the good starting momentum in the first half, so much so that profit for the whole year was only HK$185 million, which showed a slight increase of 8.4% from last year. In financial performance management, the Group continued to uphold the principle of prudence and consistency in developing its businesses. Though business environment was challenging in the period, we had not let down our guard in carrying out strict and effective credit controls, and as a result, the overall account receivables ageing days were reduced and the bad debt rate was still controlled at a normal level. Meanwhile, the Group continued to achieve results from its plant consolidating initiatives and fixed asset revitalising efforts, thereby generating profit outside of the Group's core businesses. Consequently, the Group's gearing ratio in the period end was 46.0%, which was an improvement from 51.1% in the previous year. After considering the Group's assessment of business prospects and the ongoing commitment of rewarding shareholders, the board of directors of the Company (the "Board") proposed to declare a final dividend of HK10 cents per share, the same as in the previous year. Together with the interim dividend that had been paid out, total dividend for the full year was HK16 cents per share, as compared to HK15 cents per share in the last year.

Review

The overall business environment last year can best be characterised as extremely grim. Interest rates continued to rise; Renminbi depreciated by nearly 5%; geopolitical turmoil emanated from various regions and, on top of that, the re-emergence of unilateralism had led to incessant conflicts in international trade and a slowdown in the growth of the global economy. In the Mainland, with the downturn in both the real estate market and the equity market, enterprises were generally suffering from a tightening in money supply and had little desire to expand their businesses. In the second half, as the Sino-US trade conflict heated up, import-export figures slid markedly and economic vitality turned sluggish. In the chemical industry, profit margin had fallen across the board as raw material prices rose continuously and competition among industry players became ferocious because demand was weak and overcapacity could not be dwindled down. At the same time, in response to ever-tightening regulations imposed on the chemical industry by various government authorities, large enterprises had to make greater capital investments in areas related to plant upgrading and the monitoring of the release of volatile organic compounds, and thus operating costs rose. In view of the drastically worsening business environment, the Group acted determinedly and conducted a comprehensive, exhaustive review of all core businesses in the second half of the year. The aim was to quicken and deepen the ongoing business restructuring so that businesses with poor profitability and uncertain prospects could be disposed of in an orderly manner. As a result, a number of plants had ceased production totally or partially, incurring tens of millions in severance payments, asset write-offs as well as provision for bad debts and non-moving goods. Obviously, these measures to improve business quality had a negative impact on the Group's performance in the second half or even for the whole year. Meanwhile, we had decided to treat the strategic investment in Damai, a car maintenance chain in China, as an attempt to speed up the Group's effort in diversifying into new businesses. Since investment is necessary at the beginning of such diversification, there will be impact on the Group's profits in the short term.

Outlook

Looking forward to 2019, I am taking a very prudent view of our businesses. It is expected that all the factors that had a deleterious effect on the business environment last year will not be eliminated easily in the coming year. In particular, the Sino-US trade conflict has gradually turned into clashes in fundamental tenets in multiple areas. This has compounded the problem and constitutes a serious challenge to China's national revitalisation. To deal with such a development, the Central Government had, during the year, rolled out measures to stabilise the employment situation and to ensure steady growth of the economy. The Group, in particular, is looking forward to and pinning high hopes on the institution and implementation of policies to expand domestic demand and to develop the Greater Bay Area. We are convinced that, thanks to our strong business capabilities and our penetration of the Mainland market over the years, we have a firm foundation to make pre-emptive attempts in seeking out business opportunities. Concurrently, the Group will continue to work hard on consolidating its core businesses with an emphasis on strengthening them and enhancing profitability. We will also increase investments in making these core businesses more eco-friendly, more end-user aligned and more service oriented while expanding into new related businesses. We hope that, by delivering high quality packaged services to end-user customer groups, we can open up new and potent income stream and fundamentally improve the profitability of the Group. I am fully confident that, under the concerted efforts of all our employees, the benefits of these efforts will be apparent in the short term. On behalf of the Board, I would like to take this opportunity to convey our gratitude to all employees for their efforts and contributions, to all stakeholders for their unfailing support and guidance, to the Board for its leadership and to our senior leadership team for rising to challenges and being ever ready for innovations.

Retirement and Appointment of Directors

Mr. Tong Wui Tung, an experienced Non-executive Director of the Company, and Mr. Ng Siu Ping, an Independent Non-executive Director of the Company, retired respectively on 5 June 2018 and 1 January 2019. On behalf of the Board, I would like to convey our sincere gratefulness to them for their contributions over the years.

Senior executive Mr. Ho Pak Chuen, Patrick was appointed on 5 June 2018 as an Independent Non-executive Director of the Company. Mr. Wong Yuk, former Co-Chief Executive Officer and Executive Director of the Company and Mr. Ip Kwan, former Chief Corporate Development Officer, were appointed respectively as a Non-executive Director and an Executive Director of the Company on 1 January 2019. On behalf of the Board, I would like to welcome them for joining us.

Ip Chi Shing
Chairman
20 March 2019

REPORT OF THE CHIEF EXECUTIVE OFFICER

Key aspects of the Group's performance for the year ended 31 December 2018 are as follows:

1. Total sales revenue once again set a new record, reaching HK$12.4 billion. This is attributable mainly to a substantial growth in the solvents business;

2. The operating results of the four main business segments were as follows: solvents segment remained buoyant; inks segment slipped slightly; losses recorded for coatings and lubricants segments;

3. Operating profit from properties segment was around HK$139 million, which came mainly from a rise in the fair values of former factory premises at Qingpu, Shanghai and former headquarters at Fanling, Hong Kong, as well as from the earnings derived from selling the lot formerly occupied by the resins plant in Huizhou;

4. Business restructuring and plant replanning entailed a total of approximately HK$94 million in special expenses such as employee compensation and provision for equipment obsolescence;

5. As a result of all the above factors, the Group's profit attributable to owners was HK$185 million, representing a growth of 8.4% year-on-year;

6. The use of working capital improved markedly; as at 31 December 2018, the working capital used by the four manufacturing businesses amounted to around HK$2.6 billion, down almost HK$600 million from the previous period;

7. Gearing ratio fell continuously to 46.0%, representing a drop of 5.1 percentage points year-on-year.

Review and outlook of the Group's five major business segments are as follows:

Solvents

Thanks to a double-digit growth in sales both domestically and overseas, sales in the year rose considerably. As our sales teams developed their territories intensively and conscientiously, and as they kept to the proven practice of selling directly to users and providing services with heart, there was a sustained increase in both the number and the usage volume of local clients. Also, export volume reached 240,000 metric tons, with the export business being minimally affected by the Sino-US trade war.

The operating profit in the year was down 12% from the last year, and it was the constant rise in raw material prices that pushed up inventory gain last year. Operating profit in the year at about HK$345 million was nevertheless one of the highest in recent years.

In view of the increasingly stringent safety and environmental regulations in the Mainland, two major projects were carried out in the year: one was the voluntary winding up of ethanol production, and the other was to accelerate the construction of new acetate production line in the Taixing plant in Jiangsu Province.

The provisions made for the ethanol production line and the Southern China plant brought about approximately HK$53 million in special expenses.

The focus of this business segment in the coming year includes:

1. Construction of the new Taixing production line might well be completed and operational by June 2019, allaying the current situation of insufficient supply and the incessant demand of sales teams for volume growth.

2. Use natural gas instead of coal to generate steam comprehensively to achieve a more eco-friendly production environment.

3. Step up research and development to explore expansion into upstream and downstream products. The management is fully confident of the sustained growth of the business and the steady profit coming out of it.

Coatings

Because of the sustained high raw material prices and the ferociously competitive situation, despite a slight growth in sales revenue (exclusive of the newly acquired “Camel” paint), an operating loss of about HK$6.5 million was recorded. Relevant factors included exchange loss and employee compensation.

Since the middle of last year, the management has been adjusting priorities by switching from seeking sharp increases in sales to seeking good quality sales. It began with a drastic reduction in internal expenses in the hope that the overall competitiveness of this business segment can be substantially raised. The management has already conveyed to the Board that it has the confidence and determination to turn around the loss-making position of the coatings segment in the new financial year.

Now that the “Camel” paint business had undergone a year of adaptation and consolidation after it was acquired at the beginning of the year, the transition was successful while its whole-year performance was in line with expectation.

Inks

The operating condition of this business was quite similar to that of the coatings segment - sales grew moderately but gross profit did not improve. Nevertheless, with all types of expenses under appropriate control, the business was still able to register an operating profit of HK$40 million, which showed a decline of 28% from the same period last year.

In the budget plan of the new financial year, the decision to pursue good quality sales may lead to a slight drop in sales volume. But this decision should help towards the sustained improvement of the business. In particular, the merging of three existing plants into two should allow a fuller utilisation of the remaining Zhongshan and Tongxiang plants, leading to a continuous fall in production and operating costs, thus further improving the return on capital.

Despite the fact that the contribution from eco-friendly gravure water-based inks is inconsequential while investment is relatively high, it is pleasing to see initial success through persistent selling. The management is convinced that water-based and alcohol soluble inks would be the name of the game in the future, and that the investments and efforts made today would yield appropriate returns in the future.

Lubricants

Sales revenue dropped HK$23 million and gross profit was down HK$11 million from the previous year, as a result operating loss widened to HK$39 million, which included a total of around HK$11 million in exchange loss and provisions made for slow-moving goods and equipment, as well as an initial loss of around HK$8 million sustained by the new car maintenance business operation of Damai.

With the substantial downsizing of the industrial lubricants business, we will mainly focus on the automotive lubricants business in future, particularly through well-developed sales channels and networks, with the goal to turn around the loss-making position.

In the current year, we will continue to invest, grow and expand the Damai car maintenance business. We believe in the prospects of this business and that it can create synergies with our lubricants business. We fully understand that this business requires investment at the initial stage and that it takes time for the new stores to cultivate their clientele, so we may have to sustain a loss in the short term. Yet, the management is convinced that, in expanding, entrenching and speeding up this business, the Damai brand will be built up and the requisite scale effect will eventually bring about considerable earnings to the Group.

Properties

Contribution from the properties segment soared to about HK$139 million, attributable mainly to the increase in the values of the former Qingpu plant in Shanghai and the former headquarters building in Fanling, as well as to the earnings derived from selling the former resins plant in Huizhou. The Group has been consolidating plants and office buildings in response to changes in the market and in safety and environmental regulations. As the properties subsequently vacated are successively let or sold, it is expected that the Group will benefit from a steady stream of profits in future. For instance, the Group announced in January 2019 that it has sold the shareholdings of the company holding the Qingpu plant in Shanghai. It is expected that a gain before tax of approximately HK$160 million will be recorded upon completion of the transaction.

Outlook

Based on the following considerations, the management is very confident that the quality of our businesses will improve continuously in the coming year:

1. The solvents business is growing steadily and is expected to contribute significant earnings;

2. Raw material costs for coatings and inks are expected to stabilise or may even decrease slightly, thus improving gross profit. The benefits of the deep reforms instituted last year by the Group should gradually become apparent;

3. With the completion of the sale of the lot taken up by the former Qingpu plant in Shanghai, there will be receipts of close to HK$300 million, which will further fortify the Group's cash flow situation;

4. The management will monitor the market situation closely to effectively allocate idle properties on hand so that the high potentials of these properties can be released and bring in the best returns to the Group;

5. The function of the Corporate Development Department will be further strengthened for identifying new business opportunities. The objective is to take a two-pronged approach of maintaining existing key business segments while watching out for new opportunities, new investments and new development.

Yip Tsz Hin
Chief Executive Officer
20 March 2019

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group's gearing ratio (measured by net bank borrowings as a percentage of equity attributable to owners of the Company) was 46.0% (31 December 2017: 51.1%). Compared with last year, equity attributable to owners of the Company decreased mainly due to exchange loss stemming from translation of presentation currency as a result of the 5% depreciation of the Renminbi ("RMB"). However, because of improved working capital control, the Group's net bank borrowings declined and, after netting off the effect of RMB depreciation as mentioned above, gearing ratio of the Group decreased by 5.1 percentage points. Meanwhile, the Group will remain prudent in managing foreign exchange exposure, so as to minimise the impact of RMB fluctuation on its results. As for operating cash flow, the Group recorded a net cash inflow of HK$741,234,000 (2017: net cash inflow of HK$65,583,000). The substantial increase in operating cash inflow was mainly attributable to the increased payables and accruals as well as satisfactory receipt of trade and bills receivables.

As at 31 December 2018, gross bank borrowings of the Group amounted to HK$2,640,377,000 (31 December 2017: HK$2,468,405,000). After the deduction of short-term bank deposits, bank balances and cash amounting to HK$1,335,154,000 (31 December 2017: HK$946,074,000), net bank borrowings amounted to HK$1,305,223,000 (31 December 2017: HK$1,522,331,000). Of the gross bank borrowings, HK$1,320,977,000 (31 December 2017: HK$1,208,148,000) were short-term loans repayable within one year. Such loans were denominated in two currencies, HK$1,184,357,000 in Hong Kong Dollars and HK136,620,000 in RMB (31 December 2017: HK$1,136,214,000 in Hong Kong Dollars and HK$71,934,000 in RMB). Long-term loans repayable after one year amounted to HK$1,319,400,000 (31 December 2017: HK$1,260,257,000), and they were all denominated in Hong Kong Dollars (31 December 2017: all in Hong Kong Dollars). The short-term bank deposits, bank balances and cash were denominated in the following currencies: HK$32,278,000 in Hong Kong Dollars, HK$978,478,000 in RMB, HK$324,383,000 in US Dollars and HK$15,000 in other currencies (31 December 2017: HK$72,706,000 in Hong Kong Dollars, HK$720,158,000 in RMB, HK$152,734,000 in US Dollars and HK$476,000 in other currencies).

To refinance previous mid-to-long-term loans due for repayment, the Group obtained bilateral long-term (three to four years) loans of HK$810,000,000 in 2018. As at 31 December 2018, mid-to-long-term loans (including portions repayable within one year of HK$750,857,000) accounted for 78% of the total bank loans. Since some of the borrowings of the Group carry interest at floating rates, borrowing costs are subject to interest rate fluctuation. To mitigate the impact of interest rate fluctuations on its financing costs, the Group, from time to time, makes arrangements such as interest rate swaps to fix the interest rates of some of its bilateral mid-to-long-term loans with banks to hedge against the risk of such fluctuations. As at 31 December 2018, the Group's loans under fixed rate arrangement made up 37% and 41% of its total and non-current bank borrowings respectively.

As at 31 December 2018, a total of 20 banks in Hong Kong and Mainland China granted banking facilities of HK$6,105,736,000 to the Group, providing it with sufficient funds to meet its present working capital and expansion requirements. Of these banking facilities, 64%, 33% and 3% were denominated in Hong Kong Dollars, RMB and US Dollars respectively. As explained in previous reports, the Group has been expanding its RMB loan portfolio to address exposure to potential RMB exchange rate fluctuation and impact from interest rate rises in Hong Kong. As at 31 December 2018, the Group's RMB revolving loan facilities totalled at RMB690,000,000 (31 December 2017: RMB620,000,000) and several drawdowns in the total amount of RMB120,000,000 had been made (31 December 2017: RMB60,000,000). The Group has also set up a cross-border RMB cash pool with its major banks to facilitate management of capital flow between Hong Kong and the mainland. The Group will continue to strike an optimal balance between lowering borrowing costs and minimising currency exposure by structuring a favourable combination of Hong Kong Dollars, US Dollars, RMB or other foreign currency bank loans in Hong Kong and the mainland.

HUMAN RESOURCES

As of 31 December 2018, the Group has total number of 3,003 employees. 81 employees are from Hong Kong while 2,922 are from different provinces in China.

The Group places great emphasis on the management and development of human capital. The employees are encouraged to strive for improvement through internal and external training program, job rotation and participation in the Group's educational subsidy programmes, allowing for self-development in knowledge and skills and to maximize their potential in their work. We offer suitable platform for development of highly committed and capable employees, regardless of their background, geographical region or educational levels. The Group regularly identifies talented employees and tailor-made career plan to support their continuous development. Through versatile experience in challenging roles, the current management team of the Group has come through the ranks to advance to positions of management. Besides the focus of developing employees internally, the Group seeks not only to attract talent from outside but also recruit top graduates from the best tertiary institutions in Hong Kong, Mainland China, and abroad as well as provide them with training and development opportunities.

The Group offers a challenging work environment, sets up different programs for motivating employees to strive for improvement and to upgrade their skills in order to strive for the development of business. From time to time, the Group will make reference to market trends for reviewing its remuneration policy so as to ensure reasonable and competitive compensation and benefits for its employees. These include basic salary and results and individual performance-based bonus to attract and retain talents.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance so as to achieve the Group's objectives of maximising values for its employees, customers, suppliers, business partners and shareholders, and safeguarding their interests. The Company has complied with "Corporate Governance Code and Corporate Governance Report" contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2018 except that the Company does not have a nomination committee. The Company considers it is more beneficial and efficient for the full Board to perform the functions of the nomination committee.

AUDIT COMMITTEE

The Audit Committee was formed in November 1998. Major duties of the Audit Committee include reviewing financial information of the Group, overseeing the Group's financial reporting system and internal control procedures and monitoring the relationship between the Group and its external auditors. An Audit Committee meeting was held on 14 March 2019 to review the Group's audited consolidated financial statements for the year ended 31 December 2018. As at the date of this announcement, the Audit Committee comprises a non-executive Director, Mr. Wong Yuk, and three independent non-executive Directors, namely Mr. Wong Kong Chi, who is the chairman of the Audit Committee, Mr. Ku Yuen Fun and Mr. Ho Pak Chuen, Patrick.

REMUNERATION COMMITTEE

The Remuneration Committee was formed in June 2005. Major roles and functions of the Remuneration Committee include establishing a formal and transparent procedure for developing remuneration policy, making recommendation to the Board on the Group's policy and structure for the remuneration of Directors and senior management and determining the remuneration packages of all executive Directors and senior management. As at the date of this announcement, the Remuneration Committee comprises a non-executive Director, Mr. Wong Yuk, and three independent non-executive Directors, namely Mr. Ho Pak Chuen, Patrick, who is the chairman of the Remuneration Committee, Mr. Wong Kong Chi and Mr. Ku Yuen Fun.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

The Health, Safety and Environment ("HSE") Committee was formed in January 2012 in order to enhance the awareness of the importance of the HSE protection works to the Group. Major duties of the HSE Committee include the adoption of and review of the Group's HSE policies, reviewing the Group's appetite for HSE risk and monitoring the Group's environment for HSE matters, including organisation structure, reward and punishment systems, resource inputs, operation culture, etc. As at the date of this announcement, the HSE Committee comprises a non-executive Director, Mr. Wong Yuk, and three independent non-executive Directors, namely Mr. Ku Yuen Fun, who is also the chairman of the HSE Committee, Mr. Wong Kong Chi and Mr. Ho Pak Chuen, Patrick.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. After making specific enquiries, all Directors have confirmed that they have fully complied with the required standard as set out in the Model Code during the year ended 31 December 2018.

The Board of Directors of Yip's Chemical Holdings Limited ("the Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018, together with comparative figures of last year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	2	**12,388,283**	10,280,001
Cost of sales		**(10,855,134)**	(8,739,490)
Gross profit		**1,533,149**	1,540,511
Other income		**55,622**	55,316
Other gains and losses	3	**104,593**	18,218
Selling and distribution expenses		**(449,763)**	(422,161)
General and administrative expenses		**(762,576)**	(744,660)
Finance costs		**(67,512)**	(56,269)
Share of result of an associate		**(1,199)**	–
Profit before taxation	4	**412,314**	390,955
Taxation	5	**(157,849)**	(136,269)
Profit for the year		**254,465**	254,686
Other comprehensive (expense) income:			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(252,290)**	350,697
Fair value changes on equity instruments at fair value through other comprehensive income		**(4,187)**	–
Surplus on revaluation of property, plant and equipment upon transfer to investment property		**–**	31,702
		(256,477)	382,399
Items that may be reclassified subsequently to profit or loss:			
Fair value changes on hedging instruments in cash flow hedge			
– Interest rate swap contracts		**(231)**	(1,379)
– Forward contracts		**–**	88
Exchange differences arising on translation of foreign operations		**(13,226)**	24,443
		(13,457)	23,152
Other comprehensive (expense) income for the year		**(269,934)**	405,551
Total comprehensive (expense) income for the year		**(15,469)**	660,237

	NOTE	2018 HK$'000	2017 HK$'000
Profit for the year attributable to:			
Owners of the Company		**184,805**	170,560
Non-controlling interests		**69,660**	84,126
		254,465	254,686
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(52,236)**	534,100
Non-controlling interests		**36,767**	126,137
		(15,469)	660,237
Earnings per share	7		
– Basic		**HK32.8 cents**	HK30.2 cents
– Diluted		**HK32.8 cents**	HK30.2 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	NOTE	**2018** **HK$'000**	2017 HK$'000
Non-current assets			
Property, plant and equipment		**1,558,088**	1,688,920
Prepaid lease payments		**232,436**	261,017
Investment properties		**252,561**	332,771
Interest in an associate		**23,289**	–
Available-for-sale investment		**–**	3,992
Equity instruments at fair value through other comprehensive income		**11,750**	–
Goodwill		**112,776**	69,574
Intangible assets		**71,299**	488
Deposits paid for acquisition of property, plant and equipment		**102,328**	31,865
Other non-current asset		**–**	4,600
Derivative financial instruments		**3,086**	3,449
		2,367,613	2,396,676
Current assets			
Inventories		**831,485**	914,032
Trade and bills receivables	8	**3,185,746**	3,444,933
Other debtors and prepayments		**386,416**	352,994
Prepaid lease payments		**6,333**	7,179
Derivative financial instruments		**3,654**	3,592
Short-term bank deposits – with original maturity within three months		**208,046**	57,723
Bank balances and cash		**1,127,108**	888,351
		5,748,788	5,668,804
Assets classified as held for sale		**204,309**	2,666
		5,953,097	5,671,470

	NOTE	2018 HK$'000	2017 HK$'000
Current liabilities			
Creditors and accrued charges	9	**2,077,436**	1,917,464
Contract liabilities		**25,695**	–
Taxation payables		**61,446**	88,720
Derivative financial instruments		**–**	68
Borrowings – amount due within one year		**1,320,977**	1,208,148
		3,485,554	3,214,400
Liabilities associated with assets classified as held for sale		**70,162**	–
		3,555,716	3,214,400
Net current assets		**2,397,381**	2,457,070
Total assets less current liabilities		**4,764,994**	4,853,746
Non-current liabilities			
Derivative financial instruments		**–**	2
Borrowings – amount due after one year		**1,319,400**	1,260,257
Deferred tax liabilities		**11,168**	42,309
		1,330,568	1,302,568
		3,434,426	3,551,178
Capital and reserves			
Share capital		**56,403**	56,389
Reserves		**2,780,323**	2,922,528
Equity attributable to owners of the Company		**2,836,726**	2,978,917
Non-controlling interests		**597,700**	572,261
		3,434,426	3,551,178

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 HK$'000	2017 HK$'000
Net cash from operating activities		**741,234**	65,583
Net cash flows used in investing activities			
Deposits paid for acquisition of property, plant and equipment		**(170,928)**	(35,522)
Net cash outflow of acquisition of business	10	**(125,181)**	–
Purchase of property, plant and equipment		**(65,216)**	(145,383)
Acquisition of interest in an associate		**(24,501)**	–
Acquisition of equity instruments at fair value through other comprehensive income		**(11,750)**	–
Addition to prepaid lease payments		**(3,196)**	–
Acquisition of intangible assets		**(1,386)**	–
Net proceeds from disposal of a subsidiary	11	**38,281**	–
Interest received		**11,408**	9,478
Proceeds from disposal of other non-current asset		**11,060**	–
Proceeds from disposal of assets classified as non-current assets held for sale		**5,377**	–
Proceeds from disposal of property, plant and equipment		**2,016**	1,003
Purchase of investment properties		**–**	(17,961)
Acquisition of available-for-sale investment		**–**	(5,753)
		(334,016)	(194,138)
Net cash flows from financing activities			
Borrowings raised		**1,870,704**	1,380,188
Proceeds from issue of shares		**273**	152
Repayment of borrowings		**(1,698,732)**	(1,158,102)
Dividends paid		**(90,227)**	(84,583)
Interest paid		**(67,512)**	(56,269)
Dividends paid to non-controlling shareholders of subsidiaries		**(11,328)**	(29,615)
Share issue cost paid		**(1)**	(1)
		3,177	51,770

	2018	2017
	HK$'000	*HK$'000*
Net increase (decrease) in cash and cash equivalents	**410,395**	(76,785)
Cash and cash equivalents at beginning of the year	**946,074**	971,103
Cash transferred to assets classified as held for sale	**(135)**	–
Effect of foreign exchange rate changes	**(21,180)**	51,756
Cash and cash equivalents at end of the year	**1,335,154**	946,074
Analysis of balances of cash and cash equivalents		
Short-term bank deposits with original maturity within three months	**208,046**	57,723
Bank balances and cash	**1,127,108**	888,351
	1,335,154	946,074

1. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

1.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sales of solvents
- Sales of coatings
- Sales of inks
- Sales of lubricants
- Rental income from properties

Information about the Group's performance obligations is disclosed in note 2.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	**Carrying amounts under HKFRS 15 at 1 January 2018***
	HK$'000	*HK$'000*	***HK$'000***
Current liabilities			
Creditors and accrued charges	1,917,464	(54,428)	**1,863,036**
Contract liabilities	–	54,428	**54,428**

As at 1 January 2018, advances from customers of HK$54,428,000 in respect of sales contracts previously included in creditors and accrued charges were reclassified to contract liabilities.

* The amounts in this column are before the adjustments from the application of HKFRS 9.

The application of HKFRS 15 has had no material impact on the Group's retained profits as at 1 January 2018.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statements of cash flows for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Creditors and accrued charges	2,077,436	25,695	2,103,131
Contract liabilities	25,695	(25,695)	–
	2,103,131	–	2,103,131

1.2 HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are not material to the opening retained profits and other components of equity and no restatement was made for comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

In addition, the Group applied the hedge accounting prospectively.

__Summary of effects arising from initial application of HKFRS 9__

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale ("AFS") investment	Equity instruments at fair value through other comprehensive income ("FVTOCI")
	HK$'000	*HK$'000*
Closing balance at 31 December 2017 – HKAS 39	3,992	–
Effect arising from initial application of HKFRS 9		
Reclassification from AFS investment	(3,992)	3,992
Opening balance at 1 January 2018	–	3,992

__From AFS investment to equity instruments at FVTOCI__

The Group elected to present in other comprehensive income ("OCI") for the fair value changes of all its equity investments previously classified as AFS investment. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$3,992,000 were reclassified from AFS investment to equity instruments at FVTOCI, of which HK$3,992,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. No fair value adjustment relating to this unquoted equity investment previously carried at cost less impairment was adjusted to equity instruments at FVTOCI and investment revaluation reserve as at 1 January 2018 because carrying value under HKAS 39 was materially equal to the fair value as at 1 January 2018.

Impairment under ECL model

In relation to the impairment of financial assets, HKFRS 9 requires an ECL model, as opposed to an incurred credit loss model under HKAS 39. The ECL model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current period, the Group applied the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. Except for those which had been determined as credit impaired under HKAS 39 and trade receivables with outstanding significant balances which have been assessed individually, the remaining balances are grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of other debtors, short-term bank deposits and bank balances, and are measured on 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition.

The directors of the Company considered the additional ECL allowance as at 1 January 2018 measured under the ECL model is insignificant.

Hedge accounting

The Group applies the hedge accounting requirements of HKFRS 9 prospectively. At the date of the initial application, hedging relationships that qualified for hedge accounting in accordance with HKAS 39 are regarded as continuing hedging relationship if all qualifying criteria under HKFRS 9 are met, after taking into account any rebalancing of the hedging relationship on transition.

The initial application of HKFRS 9 in the current year has had no material effect on the amounts reported and/or disclosures relating to the Group's hedging instruments on the consolidated financial statements.

Except as described above, the application of amendments to HKFRSs in the current year has had no material effect on the amounts reported and/or disclosures on the consolidated financial statements.

1.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	31 December 2017 *HK$'000*	HKFRS 15 *HK$'000*	HKFRS 9 *HK$'000*	**1 January 2018** ***HK$'000*** **(Restated)**
AFS investment	3,992	–	(3,992)	**–**
Equity instruments at FVTOCI	–	–	3,992	**3,992**
Creditors and accrued charges	1,917,464	(54,428)	–	**1,863,036**
Contract liabilities	–	54,428	–	**54,428**

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as operating cash flows by the Group.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 will result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$84,383,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$2,202,000 and refundable rental deposits received of HK$2,393,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements will result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

2. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the amount received and receivable for goods sold to customers during the year, net of discounts and sales related taxes, and rental income received and receivable from tenants during the year.

Segment information

For management purposes, the Group's reportable operating segments under HKFRS 8 included five business divisions, namely (i) solvents, (ii) coatings, (iii) inks, (iv) lubricants and (v) properties.

During the current year, in view of the continuing significance of the operation of the properties segment, the Group revised the organisation of segments that are used to allocate resources and assess performance, and considered to include a new segment, namely properties. The basis of measurement of segment results has been changed by including the segment results attributable to these properties.

Principal activities of the Group's reportable segments are as follows:

Solvents	–	manufacture of and trading in raw solvents and related products
Coatings	–	manufacture of and trading in coatings and related products
Inks	–	manufacture of and trading in inks and related products
Lubricants	–	manufacture of and trading in lubricants products
Properties	–	property investment and holding of the Group's properties not used for production plants, research and development, central administration office, and not used for other operating segments, including but not limited to properties for rental

No operating segments have been aggregated in arriving at the reporting segments of the Group.

Segment profit or loss represents the profit earned or loss incurred for the year by each segment without allocation of interest income, fair value change on derivative financial instruments, central administration costs, finance costs and unallocated other income. This is the information reported to the Chief Executive Officer of the Company, the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

Segment revenue and results

An analysis of the Group's revenue and results by reportable and operating segments for the year under review is as follows:

	Solvents	Coatings	Inks	Lubricants	Properties	Reportable segment total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2018								
Segment revenue								
Revenue from contracts with customers – recognised at a point in time								
External sales	**8,806,956**	**1,826,136**	**1,474,084**	**270,499**	**–**	**12,377,675**	**–**	**12,377,675**
Inter-segment sales	**140,668**	**94**	**659**	**70**	**–**	**141,491**	**(141,491)**	**–**
External rental income	**–**	**–**	**–**	**–**	**10,608**	**10,608**	**–**	**10,608**
Inter-segment rental income	**–**	**–**	**–**	**–**	**440**	**440**	**(440)**	**–**
Total	**8,947,624**	**1,826,230**	**1,474,743**	**270,569**	**11,048**	**12,530,214**	**(141,931)**	**12,388,283**
Results								
Segment results	**344,689**	**(6,497)**	**39,569**	**(38,660)**	**138,697**	**477,798**	**278**	**478,076**
Unallocated income								**21,784**
Unallocated expenses								**(20,034)**
Finance costs								**(67,512)**
Profit before taxation								**412,314**
Year ended 31 December 2017								
Segment revenue								
External sales	6,935,222	1,642,351	1,409,261	293,167	–	10,280,001	–	10,280,001
Inter-segment sales	111,656	7,275	477	60	–	119,468	(119,468)	–
Total	7,046,878	1,649,626	1,409,738	293,227	–	10,399,469	(119,468)	10,280,001
Results								
Segment results	393,338	8,291	54,984	(8,405)	39,641	487,849	(197)	487,652
Unallocated income								9,897
Unallocated expenses								(50,325)
Finance costs								(56,269)
Profit before taxation								390,955

Note: During the year ended 31 December 2018, the Group revised the organisation of segment and properties segment as shown. Rental income of HK$11,048,000 was now presented as segment revenue for the year ended 31 December 2018. Rental income of HK$13,838,000 for the year ended 31 December 2017 was not restated as segment revenue for that year as the amount was not significant.

Inter-segment sales/rental income are charged at the similar terms as external sales/ rental income.

3. OTHER GAINS AND LOSSES

The Group's other gains (losses) comprise of:

	2018	2017
	HK$'000	*HK$'000*
Net exchange (loss) gain arising from other foreign currency balances and transactions	**(8,219)**	2,193
Net impairment losses recognised on trade receivables	**(9,017)**	(17,596)
Impairment loss on goodwill	**(642)**	–
Impairment loss on AFS investment	**–**	(1,971)
Net loss on disposal/written off of property, plant and equipment	**(30,893)**	(8,487)
Gain on disposal of assets held for sale	**2,727**	–
Gain on disposal of a subsidiary (note 11)	**28,406**	–
Gain on fair value change of investment properties	**115,771**	44,079
Gain on disposal of other non-current asset	**6,460**	–
	104,593	18,218

4. PROFIT BEFORE TAXATION

	2018	2017
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**181,158**	198,615
Less: capitalised in inventories	**(105,844)**	(100,215)
	75,314	98,400
Staff costs, including directors' remuneration	**659,473**	629,518
Less: capitalised in inventories	**(209,324)**	(214,530)
	450,149	414,988
Operating lease payments in respect of rented premises	**19,518**	19,881
Release of prepaid lease payments	**6,744**	6,903
Amortisation of intangible assets	**2,061**	740
Auditor's remuneration	**3,100**	3,830
Allowance for slow moving inventories	**5,801**	–
Cost of inventories recognised as an expense	**10,855,134**	8,739,490
Written off of inventories	**16,807**	12,310
and after crediting:		
Reversal of allowance for slow moving inventories	**–**	1,249
Interest income	**11,408**	9,478
Government grants recognised	**13,600**	15,794

5. TAXATION

	2018	2017
	HK$'000	*HK$'000*
Current tax – the Peoples' Republic of China ("PRC")		
Current year	**96,987**	108,724
Withholding tax	**25,229**	29,273
	122,216	137,997
Deferred taxation		
Hong Kong	**1,573**	(1,060)
PRC	**34,060**	(668)
	35,633	(1,728)
	157,849	136,269

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in the PRC is 25% from 1 January 2008 onwards.

Certain of the Group's subsidiaries operating in the PRC are either eligible as High and New Technology Enterprise or operating in encouraged industries in Western Region of China, and are entitled to an income tax rate of 15%. EIT of the PRC has been provided for after taking these tax incentives into account.

The withholding tax represented taxation recognised in respect of the dividends to be distributed from profits earned by certain subsidiaries in the PRC starting from 1 January 2008 under the Implementation Regulation of the EIT Law of the PRC that requires withholding tax with tax rate ranging from 5% to 10% upon the distribution of such profits to the shareholders. During the year ended 31 December 2018, the Group recognised the withholding tax of approximately HK$1,498,000 (2017: HK$18,625,000) in respect of the gain on transfer of a subsidiary in the PRC with tax rate of 10% under the EIT Law.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Interim dividend for 2018 of HK6.0 cents (2017: HK5.0 cents) per share	**33,838**	28,194
Final dividend for 2017 of HK10.0 cents (2016: HK10.0 cents) per share	**56,389**	56,389
	90,227	84,583

Final dividend equivalent to HK10 cents per share totalling not less than HK$56,402,000, in respect of the year ended 31 December 2018 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2018	2017
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company and earnings for the purposes of calculating basic and diluted earnings per share	**184,805**	170,560
	Number of shares	
	'000	*'000*
Weighted average number of shares for the purpose of calculating basic earnings per share	**563,933**	563,874
Effect of dilutive potential ordinary shares:		
Share options	**30**	59
Weighted average number of shares for the purpose of calculating diluted earnings per share	**563,963**	563,933

The computation of diluted earnings per share does not assume the exercise of the Company's options of exercise prices of HK$4.050, HK$4.536 and HK$5.942 because the exercise prices of those options were higher than the average market price for shares for both 2018 and 2017.

8. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**1,657,543**	1,859,588
Less: Allowance for credit losses	**(65,162)**	(73,564)
	1,592,381	1,786,024
Bills receivables	**1,593,365**	1,658,909
	3,185,746	3,444,933

Trade receivables

An aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
0–3 months	**1,332,750**	1,479,359
4–6 months	**209,019**	241,779
Over 6 months	**50,612**	64,886
	1,592,381	1,786,024

The Group allows a credit period ranging from 30 to 90 days to its trade customers. A longer credit period may be granted to large or long established customers with good payment history.

Before accepting any new customers, the Group has an internal credit control system to assess the potential customers' credit quality and the board of directors has delegated the management to be responsible for determination of credit limits and credit approvals for customers. Limits attributed to customers are reviewed periodically.

As at 31 December 2018, approximately 77% (2017: 78%) of the trade receivables are neither past due nor impaired as they were assessed to be of good credit rating attributable under the credit control system used by the Group.

Bills receivables

Bills receivables represent 銀行承兑滙票 ("banker's acceptances"), i.e. time drafts accepted and guaranteed for payment by the PRC banks. The Group accepts the settlement of trade receivables by customers using banker's acceptances accepted by the PRC banks on a case by case basis.

These banker's acceptances are issued to or endorsed to the Group and with maturity date in general not longer than twelve months from the date of issuance. The banker's acceptances will be settled by the banks, which are state-owned banks or commercial banks or financial institutions in the PRC, on the maturity date of such banker's acceptances.

9. CREDITORS AND ACCRUED CHARGES

At the end of the reporting period, the balance of creditors and accrued charges included trade creditors of HK$1,697,230,000 (2017: HK$1,483,112,000). Remaining balances mainly consist of payables of staff salaries and benefits, sales commission, payable of storage and transportation and other payables.

An aged analysis of trade creditors at the end of the reporting period based on the invoice date is as follows:

	2018	2017
	HK$'000	*HK$'000*
0–3 months	**1,357,137**	1,171,286
4–6 months	**324,770**	295,793
Over 6 months	**15,323**	16,033
	1,697,230	1,483,112

10. ACQUISITION OF BUSINESS

On 2 January 2018, two indirect wholly-owned subsidiaries of the Company, entered into an agreement with certain independent third parties, of which principal business activities are manufacture, sale, distribution and marketing of coatings, to acquire the business ("Camel") at a cash consideration of RMB111,741,000 (equivalent to HK$136,813,000) ("Camel Acquisition"). The acquisition of business was completed on 1 February 2018 and has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was HK$43,844,000.

Acquisition-related costs amounting to HK$817,000 have been excluded from the cost of Camel Acquisition and have been recognised as an expense in the current year, and included in the "general and administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	993
Intangible assets	71,479
Inventories	7,191
Trade receivables	13,306
	92,969

Consideration transferred:

	HK$'000
Purchase consideration paid	125,181
Contingent consideration arrangement (note)	11,632
	136,813

Note: At the date of acquisition, the directors consider that the contingent consideration payable to the vendors of Camel is estimated to be probably at approximately RMB9,500,000 (equivalent to approximately HK$11,632,000) with reference to the estimated sales performance forecast of Camel and possible settlement of the outstanding contractual obligations. The contingent consideration arrangement requires the Group to pay the vendors of Camel by reference to the operating performance of Camel, and if the vendors have fulfilled their outstanding contractual obligation to customers accrued prior to the completion date.

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	136,813
Less: net assets acquired	(92,969)
Goodwill arising on acquisition	43,844

The fair value of the identified net assets acquired was estimated by applying an income approach. The key model inputs used in determining the fair value were assumed discount rate of 13.1% and assumed long-term sustainable growth rates of 1.36% and 3.0% for the businesses in Hong Kong and the PRC, respectively.

The fair value of trade receivables at the date of acquisition amounted to HK$13,306,000. The gross contractual amount of those trade receivables acquired amounted to HK$33,263,000 at the date of acquisition. The directors of the Company considered the best estimate at acquisition date of the contractual cash flows not expected to be recoverable amounted to HK$19,957,000.

Goodwill arose in the acquisition because the cost of the combination includes a control premium. In addition, the consideration paid for the combination effectively included an amount in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Camel. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

11. DISPOSAL OF A SUBSIDIARY

On 1 March 2018, the Group disposed of the entire equity interest of its indirect wholly-owned subsidiary, Base Rich Development Limited ("Base Rich"), to an independent third party at a total cash consideration of approximately USD4,911,000 (equivalent to approximately HK$38,305,000). Base Rich held the prepaid lease payments of a land located in the PRC.

The net assets of Base Rich at the date of disposal were as follows:

	HK$'000
Prepaid lease payments	9,451
Property, plant and equipment	414
Bank balances and cash	24
Other payables	(24)
Net assets disposed of	9,865
Gain on disposal of a subsidiary:	
Consideration received	38,305
Net assets disposed of	(9,865)
Transaction cost for disposal	(34)
Gain on disposal	28,406
Net cash inflow arising on disposal:	
Cash consideration received	38,305
Bank balances and cash disposed of	(24)
	38,281

12. EVENTS AFTER THE REPORTING PERIOD

a) On 18 January 2019, the Group entered into a share purchase agreement with an independent third party, pursuant to which, the Group will dispose of the entire interest in an indirect wholly-owned subsidiary of the Company, Bauhinia Paints Manufacturing (Shanghai) Company Limited ("Bauhinia Paints"), at a cash consideration amounting approximately RMB269,947,000 (equivalent to approximately HK$307,335,000). Bauhinia Paints is holding a land and an industrial property located in the PRC. The transaction was not completed at the date of this announcement.

b) On 25 January 2019, the Group entered into an agreement to acquire additional equity interest of 河北大麥汽車維修服務有限公司, being a 27.75% associate of the Group, at cash consideration amounting approximately RMB29,987,000 (equivalent to approximately HK$34,140,000). The equity interest of the associate held by the Group was then increased to 38.58% upon completion of the transaction. The transaction was completed before the date of this announcement.

FINAL DIVIDEND

The Board recommended a final dividend of HK10 cents in cash per share, payable to shareholders whose names appear on the register of members of the Company on Friday, 14 June 2019. The recommended final dividend for the year ended 31 December 2018, which will be payable on or around Friday, 19 July 2019, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting to be held on Tuesday, 4 June 2019.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Thursday, 30 May 2019 to Tuesday, 4 June 2019 (both dates inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming annual general meeting. No transfer of shares may be registered on those dates. In order to qualify for the shareholders' entitlement to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's Branch Registrar in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 29 May 2019.

The Hong Kong branch register of members of the Company will be closed from Thursday, 13 June 2019 to Friday, 14 June 2019 (both dates inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. No transfer of shares may be registered on those dates. In order to qualify for the shareholders' entitlement to the proposed final dividend, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's Branch Registrar in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 12 June 2019.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the Stock Exchange website (http://www.hkex.com.hk) and the Company's website (http://www.yipschemical.com). The 2018 annual report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Company's website in due course.

By order of the Board
Yip's Chemical Holdings Limited
Ip Chi Shing
Chairman

Hong Kong, 20 March 2019

As at the date of this announcement, the Board comprises the following:

Non-executive Directors:
Mr. Ip Chi Shing *(Chairman)*
Mr. Wong Yuk
Mr. Wong Kong Chi*
Mr. Ku Yuen Fun*
Mr. Ho Pak Chuen, Patrick*

Executive Directors:
Mr. Yip Tsz Hin *(Deputy Chairman and Chief Executive Officer)*
Mr. Ip Kwan *(Deputy Chief Executive Officer)*
Mr. Ho Sai Hou *(Chief Financial Officer)*

* *Independent non-executive Directors*