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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS

Profit Attributable to Owners Slightly Increases
Pursuit of High Quality Sales Begins to Bear Fruit

- Profit attributable to owners slightly rose to HK$88 million, driven by the marked improvement of the coatings and inks businesses.
- Revenue dropped 19.7% year-on-year to HK$4.94 billion, mainly due to a fall in solvents unit prices.
- Sales volume slightly decreased 4% year-on-year to 628,000 metric tons.
- The use of working capital improved notably, with gearing ratio decreased substantially by 18.6 percentage points year-on-year to 47.6%.
- The Board resolved to declare an interim dividend of HK7 cents per share, as compared with HK6 cents per share for the same period last year.

	For the six-month period ended 30 June 2019 (unaudited)	For the six-month period ended 30 June 2018 (unaudited)	% change
Revenue	**HK$4,937,746,000**	HK$6,149,526,000	-19.7%
Profit attributable to owners of the Company	**HK$88,388,000**	HK$87,260,000	+1.3%
Earnings per share	**HK15.7 cents**	HK15.5 cents	+1.3%
Interim dividend	**HK7.0 cents**	HK6.0 cents	+16.7%
	As of 30 June 2019 (unaudited)	As of 30 June 2018 (unaudited)	
Gearing ratio*	**47.6%**	66.2%	-18.6% points

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

CHAIRMAN'S STATEMENT — REVIEW & OUTLOOK

Review

It is my pleasure to present to all shareholders of Yip's Chemical Holdings Limited (the "Company") and its subsidiaries (collectively "Yip's Chemical" or the "Group") the business overview of the Group for the first half of 2019.

In the period, the overall operating environment was more challenging than that of last year while uncertainties mounted. The worsening geopolitical shocks in the Middle East and elsewhere, as well as the resurgence of unilateralism, had led to incessant trade conflicts among many countries and a general softening of global economic growth. Yet, a closer-to-home influence was that the Sino-US trade conflict during the period had not eased up, but had instead intensified, resulting in an inevitable downturn pressure on China's economy. It was therefore unlikely for the Group's overall business to remain unaffected. Fortunately, we were committed to respond to changes speedily and take positive actions. As such, we were able to cope with such an unfavourable operating environment and even to reap profits.

In the first half of the year, the Group recorded sales revenue of close to HK$5 billion, which was approximately a 20% drop from the approximately HK$6.1 billion for the same period last year. On one hand, product unit prices were generally lower in the period and the Renminbi ("RMB") depreciated year-on-year. On the other hand, as we were determined to optimise customer quality in respect of our core businesses, we terminated our partnership with some customers throughout last year, which had also affected our sales revenue to a certain extent. Sales volume recorded in the period was approximately 628,000 metric tons, which represented a slight decline of only 4% from the same period last year. Profit attributable to owners of the Company was, similar to that of the same period last year, around HK$88 million. The initial results were pleasing due to the Group's efforts in profit quality optimisation and cost control.

Meanwhile, with an improvement in the operational situation, the Group's gearing ratio decreased from 66.2% in the same period last year to 47.6%. Upon due and careful consideration and our established practice of rewarding shareholders earnestly, the board of directors of the Company (the "Board") resolved to declare an interim dividend of HK7 cents per share to all shareholders, as compared with HK6 cents per share for the same period last year.

Outlook

I take a very prudent and optimistic view of our business prospects in the second half of 2019 even though it is not easy to eliminate the various factors which have been dampening global and domestic economies in recent years. In particular, as the Sino-US conflict exacerbates, and is expected to continue to extend from trade to sectors such as technology and finance, its impacts on China's economy cannot be underestimated. However, I am still convinced that economic globalisation is a trend that will not be reversed. All trade conflicts will eventually fade and subside. It is expected that, in the course of this rapid transformation process, China's consumption level will increase constantly and its consumption structure will keep improving, thus forming the world's largest domestic market that will offset the grim situation. At the beginning of this year, the central government of the People's Republic of China implemented taxes and administrative fees reduction measures to alleviate corporate burden. It is believed that China will spare no effort to boost the economy and stimulate consumption to enlarge the domestic market pie. Concurrently, corresponding adjustments have been quickly made to the Group's business strategies. Thus, while business quality and cost control are still being optimised, we will focus on redoubling efforts in product research and development ("R&D") and marketing in sectors related to domestic demand expansion including construction and automobiles so as to consolidate and increase the Group's market share. Since we are deeply rooted in China and have been developing the mainland market for years, we have sufficient solid strength to capitalise on the stable growth of the Chinese economy. I am confident that, through our "environmentally friendly", "end-user oriented" and "service oriented" strategies, we can achieve steady growth and continuous enhancement of shareholder values and returns. On behalf of the Board, I would like to take this opportunity to express our most sincere gratitude to all staff members for their hard work and dedication, to the Group's Senior Leadership Team for their untiring efforts, to the Board for their leadership, and to our partners from different sectors for their generous support and trust.

Ip Chi Shing
Chairman

23 August 2019

REPORT OF THE CHIEF EXECUTIVE OFFICER

Key aspects of the Group's performance in the first half of 2019 are as follows:

1. Overall sales volume reached 628,000 metric tons, a slight drop of 23,000 metric tons or 4% from the same period last year. Sales revenue was close to HK$5 billion, down HK$1.21 billion or close to 20% over the same period last year.

2. Overall gross profit margin saw a gradual improvement by edging up 1 percentage point to 14%.

3. The RMB exchange rate fluctuated during the period, and the Group recorded an exchange loss of around HK$5 million in profit or loss.

4. A significant fall in raw material prices for the solvents business had led to a decline in profits. Business performance was further dragged down by exchange loss but was boosted by marked improvement in the coatings and inks businesses. Profit attributable to owners of the Company therefore still rose slightly to HK$88 million (detailed review is given below).

5. The use of working capital further improved. The Group's gearing ratio fell to 47.6%, which was a significant drop of 18.6 percentage points when compared with the same period last year.

6. Last year, the Group entered into an agreement for disposal of its former factory premises in Qingpu, Shanghai. The first instalment payment of RMB107 million was duly received in the period, and it is expected that the transaction will be completed within this year. As mentioned in the 2018 annual report of the Company, it is expected that a gain before tax of approximately HK$160 million will be recorded from the disposal.

Review and analysis of the Group's major business segments are given below:

Solvents

In the period, sales volume fell slightly by 3% to 500,000 metric tons. The fall in raw material prices in the period had led to a 22% fall in sales revenue and a 1.2 percentage point decline in gross profit margin for the segment. Operating profit dropped by almost half over the same period last year to around HK$102 million.

The management was of the view that the difficult situation in the first half of 2019 would only be temporary as a result of fluctuation in raw material prices given that the overall operating environment is generally stable. As raw material prices stopped falling and rose slightly since June, coupled with the traditional peak season drawing near, the solvents business is expected to turn around in the second half of 2019, and the operating profit arising therefrom is expected to improve to a certain extent.

The expansion project of 550,000 metric tons capacity at the Taixing plant in Jiangsu Province has been completed, and has been undergoing checks and approval by various government authorities. It is expected the new capacity can be put on stream in the third quarter.

In the second half of 2019, we will focus our work on the following two areas:

1. The host of new challenges brought about by Taixing's additional production capacity, including new material supply, logistics arrangement and sales increases.

2. Problems in market demand and price fluctuations if the Sino-US trade conflict is not properly resolved and a downturn in China's economy emerges.

Coatings and Inks

The performance of both business segments improved substantially during the period. Despite the sales revenue was down by about 15% year-on-year (compared with the same period last year, RMB depreciation alone led to a 6% decline in sales revenue when denominated in Hong Kong Dollars), the gross profit margin grew by 5 percentage points. In terms of operating profit, the coatings business had turned around and delivered a profit of HK$34 million, while the operating profit of the inks business increased to more than HK$50 million.

The improvement in the performance of these two business segments was attributable to the following three factors:

1. The strategy of pursuing "quality sales" — plucking up the courage to cultivate quality customers and let go inferior customers, i.e., quality over quantity — proved to be successful.

2. Operating costs reduced substantially. Operating expenses for the coatings and inks businesses fell 15% and 19% year-on-year respectively.

3. The decline in raw material costs helped alleviate pressure on gross profit.

The management was much delighted with the above improvements. During the half-year review meeting, we encouraged our team to strengthen and scale up the improvements obtained so far. We are also planning to boost quality sales further and to make use of surplus production capacity to create rooms for more revenue.

Lubricants

Sales dropped to nearly HK$110 million. Thanks to the improved gross profit margin and the sharp reduction in operating costs, the lubricants business had reaped initial benefits from the business quality improvement initiatives.

Properties

Revenue of this segment was HK$5.6 million in the period. Operating profit was down considerably to HK$1.5 million, which was mainly because, in the same period last year, the disposal of the resin plant premises generated a gain of HK$28 million; the growth in the fair values of investment properties was lower when compared with the last period; and the disposal of the Qingpu property in Shanghai incurred initial expenses. Rental income from the former headquarters in Fanling, Hong Kong remained stable. Upon restructuring of the Group's R&D Department, the R&D centre in Zhangjiang, Shanghai, was open for leasing. Half of this property has been leased out during the period, and a leasing agreement for the remaining half of the R&D Centre was also entered into in August 2019. It is estimated that rental income will amount to around HK$10 million annually.

Investment in Damai

In recent years, the Group has ventured into the automobile repair and maintenance market. After running the business for some time, the management has agreed that its prospects are promising and so we continued to increase our investment in Damai, a car maintenance chain brand in China. Early this year, the Group injected about RMB30 million to increase its equity interest in Damai to 39%. The Group also sold its self-operated car repair and maintenance shops in Dongguan to its associate company, Damai. We will continue to support the development of this car maintenance business, hoping that it will generate healthy and stable returns in the long run.

Outlook

The Sino-US trade war is still ongoing and the downturn of the Chinese economy is prevailing. The Group had adjusted its strategies mid-to-late last year in advance to better cope with the situation. These strategies include the pursuit of quality sales, prudent investments and further reduction of borrowings. Since the effects of these adjustments have gradually become apparent, the management has decided to enhance them. In the second half of 2019, it is expected that sales revenue might not grow much, but operation quality and profitability will continue to improve. With the traditional peak season approaching, the management is confident that there will be sustained improvement in the overall business performance in the second half of this year.

Yip Tsz Hin
Chief Executive Officer

23 August 2019

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group's gearing ratio (measured by net bank borrowings as a percentage of equity attributable to owners of the Company) was 47.6% (30 June 2018: 66.2%), a significant improvement of 18.6 percentage points year-on-year. The reduction in sales as compared with the same period last year was the result of the drop in unit price and the Group pursuing better quality of sales. That, nevertheless, helped the Group lower the level of working capital. Coupled with the receipt of first instalment payment for the disposal of Qingpu plant in Shanghai during the period, the Group's cash flow position improved substantially and in turn its gearing ratio also improved notably. The RMB exchange rate has continued to fluctuate due to the ongoing Sino-US trade conflict. In the first few months of 2019, the RMB initially saw slight appreciation, however, that was then totally offset by the impact of the increased US tariff, resulting in a depreciation by 0.1% over the first half of 2019. The Group remains prudent in managing foreign exchange risks to minimise the impact of RMB exchange rate fluctuation on its business results. As for operating cash flow, the Group recorded a net cash inflow of HK$94,385,000 (six months ended 30 June 2018: net cash outflow of HK$192,740,000). The improvement in operating cash flow compared with the same period last year was mainly attributable to improved inventories and receivables as well as reduced tax payment.

As at 30 June 2019, gross bank borrowings of the Group amounted to HK$2,442,827,000 (31 December 2018: HK$2,640,377,000). After deduction of short-term bank deposits, bank balances and cash amounting to HK$1,080,534,000 (31 December 2018: HK$1,335,154,000), net bank borrowings amounted to HK$1,362,293,000 (31 December 2018: HK$1,305,223,000). Of the gross bank borrowings, HK$1,192,077,000 (31 December 2018: HK$1,320,977,000) were short-term loans repayable within one year. Such loans were denominated in two currencies, HK$1,117,050,000 in Hong Kong Dollars and HK$75,027,000 in RMB (31 December 2018: HK$1,184,357,000 in Hong Kong Dollars and HK$136,620,000 in RMB). Long-term loans repayable after one year amounted to HK$1,250,750,000 (31 December 2018: HK$1,319,400,000), all denominated in Hong Kong Dollars (31 December 2018: all in Hong Kong Dollars). The short-term bank deposits, bank balances and cash were denominated in the following currencies: HK$21,397,000 in Hong Kong Dollars, HK$957,947,000 in RMB, HK$101,182,000 in US Dollars and HK$8,000 in other currencies (31 December 2018: 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).

To refinance previous mid-to-long-term loans due for repayment, the Group obtained bilateral long-term (three to four years) loans of HK$400,000,000 in the first half of 2019. As at 30 June 2019, mid-to-long-term loans (including portions repayable within one year of HK$727,050,000) accounted for 81% 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 30 June 2019, the Group's loans under fixed rate arrangement made up 32% of its total bank borrowings.

As at 30 June 2019, a total of 19 banks in Hong Kong and Mainland China granted banking facilities of HK$5,920,233,000 to the Group, providing it with sufficient funds to meet present working capital and expansion requirements. Of these banking facilities, 69%, 28% 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 30 June 2019, the Group's RMB revolving loan facilities totalled at RMB730,000,000 (31 December 2018: RMB690,000,000), the utilised revolving loan amounted to RMB49,900,000 (31 December 2018: RMB120,000,000) and bills receivables discounted with recourse amounted to RMB16,076,000 (31 December 2018: nil). 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 Mainland China. 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 Mainland China.

HUMAN RESOURCES

As of 30 June 2019, the Group has a total number of 2,982 employees, among which 75 of them are from Hong Kong while the remaining 2,907 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-makes 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 six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the six months ended 30 June 2019, the Company has complied with "Corporate Governance Code and Corporate Governance Report" (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") except that the Company does not have a nomination committee (CG Code provisions A.5.1 to A.5.4). 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 of the Company (the "Audit Committee") was formed in November 1998. As of 30 June 2019, the Audit Committee comprised three independent non-executive directors and one non-executive director of the Company and is chaired by Mr. Wong Kong Chi. 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 of the relationship between the Group and its external auditors.

An Audit Committee meeting was held on 19 August 2019 to review the Group's unaudited interim financial statements for the six months ended 30 June 2019. Deloitte Touche Tohmatsu, the Group's external auditor, has carried out a review of the Group's unaudited interim financial statements for the six months ended 30 June 2019, which is prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF A LISTED COMPANY

The Company has adopted the Model Code for Securities Transaction 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 six months ended 30 June 2019.

UNAUDITED INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019, together with comparative figures for the corresponding period of last year. The interim financial report has not been audited, but has been reviewed by the Company's auditor and Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
	NOTES	**2019**	2018
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**4,937,746**	6,149,526
Cost of sales		**(4,254,015)**	(5,358,898)
Gross profit		**683,731**	790,628
Other income	*4a*	**30,257**	31,392
Other gains and losses	*4b*	**3,995**	18,882
Selling and distribution expenses		**(208,299)**	(229,775)
General and administrative expenses		**(309,885)**	(393,003)
Finance costs		**(37,808)**	(29,775)
Share of results of associates		**(6,352)**	—
Profit before taxation	*5*	**155,639**	188,349
Taxation	*6*	**(42,525)**	(64,825)
Profit for the period		**113,114**	123,524
Other comprehensive (expenses) income:			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(5,934)**	(61,683)
Fair value changes on equity instruments at fair value through other comprehensive income		**(31)**	(956)
Transfer of property, plant and equipment to investment properties			
— Surplus on revaluation		**4,281**	—
— Deferred taxation		**(1,045)**	—
		(2,729)	(62,639)

	NOTE	Six months ended 30 June	
		2019	2018
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Items that may be reclassified subsequently to profit or loss:			
Fair value change on hedging instruments in cash flow hedge		**(1,610)**	2,570
Exchange differences arising on translation of foreign operations		**(378)**	(3,387)
		(1,988)	(817)
Other comprehensive expenses for the period		**(4,717)**	(63,456)
Total comprehensive income for the period		**108,397**	60,068
Profit for the period attributable to:			
Owners of the Company		**88,388**	87,260
Non-controlling interests		**24,726**	36,264
		113,114	123,524
Total comprehensive income for the period attributable to:			
Owners of the Company		**84,215**	32,170
Non-controlling interests		**24,182**	27,898
		108,397	60,068
Earnings per share	*8*		
— Basic		**HK15.7 cents**	HK15.5 cents
— Diluted		**HK15.7 cents**	HK15.5 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**30.6.2019**	31.12.2018
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	*9*	**1,873,244**	1,558,088
Prepaid lease payments		**—**	232,436
Investment properties	*9*	**314,101**	252,561
Interests in associates		**47,446**	23,289
Equity instruments at fair value through other comprehensive income		**11,719**	11,750
Goodwill		**112,776**	112,776
Intangible assets		**70,181**	71,299
Deposits paid for acquisition of property, plant and equipment		**112,555**	102,328
Derivative financial instruments		**2,400**	3,086
		2,544,422	2,367,613
Current assets			
Inventories		**1,125,796**	831,485
Trade and bills receivables	*10*	**2,698,148**	3,185,746
Other debtors and prepayments	*10*	**369,801**	386,416
Prepaid lease payments		**—**	6,333
Amounts due from associates		**23,303**	—
Derivative financial instruments		**2,911**	3,654
Short-term bank deposits — with original maturity within three months		**231,525**	208,046
Bank balances and cash		**849,009**	1,127,108
		5,300,493	5,748,788
Assets classified as held for sale	*11*	**203,853**	204,309
		5,504,346	5,953,097

	NOTES	**30.6.2019**	31.12.2018
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Current liabilities			
Creditors and accrued charges	*12*	**1,835,410**	2,077,436
Contract liabilities		**30,097**	25,695
Taxation payables		**59,783**	61,446
Dividend payables		**56,403**	—
Lease liabilities		**17,047**	—
Derivative financial instruments		**181**	—
Borrowings — amount due within one year		**1,192,077**	1,320,977
		3,190,998	3,485,554
Liabilities associated with assets classified as held for sale	*11*	**74,141**	70,162
		3,265,139	3,555,716
Net current assets		**2,239,207**	2,397,381
Total assets less current liabilities		**4,783,629**	4,764,994
Non-current liabilities			
Lease liabilities		**48,534**	—
Borrowings — amount due after one year		**1,250,750**	1,319,400
Deferred tax liabilities		**16,120**	11,168
		1,315,404	1,330,568
		3,468,225	3,434,426
Capital and reserves			
Share capital		**56,403**	56,403
Reserves		**2,808,135**	2,780,323
Equity attributable to owners of the Company		**2,864,538**	2,836,726
Non-controlling interests		**603,687**	597,700
		3,468,225	3,434,426

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	Six months ended 30 June 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Net cash from (used in) operating activities		**94,385**	(192,740)
Net cash used in investing activities			
Purchases of property, plant and equipment		**(91,742)**	(50,283)
Deposits paid for acquisition of property, plant and equipment		**(58,310)**	(61,004)
Additional investment for interests in associates		**(34,461)**	—
Advance to associates		**(1,442)**	—
Net (outflow) proceeds from disposal of subsidiaries	*13*	**(547)**	38,281
Deposit received from disposal of assets classified as held for sale		**103,017**	—
Interest received		**12,121**	5,247
Proceeds from disposal of property, plant and equipment		**1,790**	874
Proceeds from disposal of assets classified as non-current assets held for sale		**—**	5,377
Acquisition of business		**(11,154)**	(125,181)
Deposits paid for acquisition of an equity instrument		**—**	(11,773)
Acquisition of equity instruments at fair value through other comprehensive income		**—**	(9,902)
Acquisition of intangible assets		**—**	(1,355)
		(80,728)	(209,719)

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash (used in) from financing activities		
Borrowings raised	**1,058,727**	1,020,189
Repayment of borrowings	**(1,256,277)**	(985,275)
Interest paid	**(36,629)**	(29,775)
Dividends paid to non-controlling shareholders of subsidiaries	**(18,195)**	—
Payment of lease liabilities	**(13,832)**	—
	(266,206)	5,139
Net decrease in cash and cash equivalents	**(252,549)**	(397,320)
Cash and cash equivalents at beginning of the period	**1,335,154**	946,074
Effect of foreign exchange rate changes	**(2,071)**	(1,042)
Cash and cash equivalents at end of the period	**1,080,534**	547,712
Analysis of balances of cash and cash equivalents		
Short-term bank deposits with original maturity within three months	**231,525**	28,655
Bank balances and cash	**849,009**	519,057
	1,080,534	547,712

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 (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments, equity instruments at fair value through other comprehensive income ("FVTOCI") and investment properties, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2018. In addition, the Group has applied the following accounting policy for disposal of its controlling interest in a subsidiary to an existing associate during the current interim period.

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill) and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). When the Group disposes of its interest in a subsidiary to an existing associate, the Group recognises a gain/loss on disposal in respect of the unrelated interest in the subsidiary in profit or loss and the remaining amount as a reduction in its interest in the associate.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and Hong Kong Accounting Standards ("HKASs") and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office and staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;

- any lease payments made at or before the commencement date, less any lease incentives received;

- any initial direct costs incurred by the Group; and

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment properties in "property, plant and equipment" on the condensed consolidated statement of financial position, the same line item as that within which the corresponding underlying assets would be presented if they were owned.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 "Revenue from Contracts with Customers" to allocate consideration in a contract to lease and non-lease components.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong and the People's Republic of China ("PRC") was determined on a portfolio basis; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant entities at the date of initial application. The weighted average incremental borrowing rate applied by relevant entities range from 4.35% to 4.75%.

	At 1 January 2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	84,383
Less: Recognition exemption — short-term leases	(497)
	83,886
Lease liabilities discounted at relevant incremental borrowing rates relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	70,210
Analysed as	
Current	15,827
Non-current	54,383
	70,210

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets
	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	70,210
Reclassified from prepaid lease payments (Note)	238,769
	308,979
By class:	
Leasehold lands	238,769
Land and buildings	70,210
	308,979

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the non-current and current portion of prepaid lease payments amounting to HK$232,436,000 and HK$6,333,000 respectively were reclassified to right-of-use assets.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	**Carrying amounts under HKFRS 16 at 1 January 2019**
	HK$'000	*HK$'000*	***HK$'000***
Non-current assets			
Property, plant and equipment	1,558,088	308,979	**1,867,067**
Prepaid lease payments	232,436	(232,436)	**—**
Current assets			
Prepaid lease payments	6,333	(6,333)	**—**
Current liabilities			
Lease liabilities	—	15,827	**15,827**
Non-current liabilities			
Lease liabilities	—	54,383	**54,383**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

3. REVENUE AND SEGMENT INFORMATION

Revenue

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

Segment information

For management purposes, the Group's reportable operating segments are currently classified under the following business divisions, namely solvents, coatings, inks, lubricants and properties. These divisions are the basis on which the Group reports its operating segment information.

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

Segment results represent the profit earned or loss incurred for the period by each segment without allocation of share of results of associates, interest income, 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 period under review is as follows:

	Solvents *HK$'000*	**Coatings** *HK$'000*	**Inks** *HK$'000*	**Lubricants** *HK$'000*	**Properties** *HK$'000*	**Reportable segment total** *HK$'000*	**Elimination** *HK$'000*	**Consolidated** *HK$'000*
Six months ended 30 June 2019 (unaudited)								
Segment revenue								
Revenue from contracts with customers — recognised at a point in time								
External sales	**3,386,305**	**813,009**	**624,657**	**108,454**	**—**	**4,932,425**	**—**	**4,932,425**
Inter-segment sales	**49,704**	**41**	**263**	**22**	**—**	**50,030**	**(50,030)**	**—**
External rental income	**—**	**—**	**—**	**—**	**5,321**	**5,321**	**—**	**5,321**
Inter-segment rental income	**—**	**—**	**—**	**—**	**240**	**240**	**(240)**	**—**
Total	**3,436,009**	**813,050**	**624,920**	**108,476**	**5,561**	**4,988,016**	**(50,270)**	**4,937,746**
Results								
Segment results	**102,232**	**33,651**	**50,896**	**6,783**	**1,541**	**195,103**	**(94)**	**195,009**
Share of results of associates								**(6,352)**
Unallocated income								**13,930**
Unallocated expenses								**(9,140)**
Finance costs								**(37,808)**
Profit before taxation								**155,639**

	Solvents *HK$'000*	Coatings *HK$'000*	Inks *HK$'000*	Lubricants *HK$'000*	Properties *HK$'000*	Reportable segment total *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Six months ended 30 June 2018 (unaudited)								
Segment revenue								
Revenue from contracts with customers — recognised at a point in time								
External sales	4,323,313	948,547	730,567	139,013	—	6,141,440	—	6,141,440
Inter-segment sales	63,926	24	348	81	—	64,379	(64,379)	—
External rental income	—	—	—	—	8,086	8,086	—	8,086
Inter-segment rental income	—	—	—	—	200	200	(200)	—
Total	4,387,239	948,571	730,915	139,094	8,286	6,214,105	(64,579)	6,149,526
Results								
Segment results	183,753	(4,868)	10,085	(8,367)	39,548	220,151	(81)	220,070
Unallocated income								8,278
Unallocated expenses								(10,224)
Finance costs								(29,775)
Profit before taxation								188,349

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

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(a) The Group's other income mainly comprises:		
Interest income	**12,121**	5,247
Government grants recognised	**8,815**	8,886
(b) The Group's other gains (losses) comprise:		
Gain on disposal of subsidiaries (Note 13)	**5,758**	28,406
Gain on fair value change of investment properties	**5,305**	12,225
Impairment losses reversed (recognised) on trade receivables	**650**	(4,182)
Gain on disposal of assets classified as non-current assets held for sale	**—**	2,727
Loss on disposal of property, plant and equipment	**(2,861)**	(1,729)
Net exchange (loss) gain arising from foreign currency balances and transactions	**(4,857)**	2,368
Written off of property, plant and equipment	**—**	(20,291)
Impairment loss recognised on goodwill	**—**	(642)
	3,995	18,882

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets	**1,118**	1,532
Cost of inventories recognised as an expense	**4,254,015**	5,358,898
Depreciation of property, plant and equipment	**80,492**	95,280
Release of prepaid lease payments	**—**	3,518
Reversal of allowance for slow-moving inventories	**(6,359)**	(65)
Written off of inventories	**7,039**	7,331

6. TAXATION

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The charge comprises:		
Current tax — the PRC		
Current period	**37,897**	48,745
Withholding tax	**726**	12,434
	38,623	61,179
Deferred taxation		
Current period	**3,902**	3,646
	42,525	64,825

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of 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 interest income derived from loans to subsidiaries in the PRC and dividends to be distributed from profits earned by certain subsidiaries in the PRC starting from 1 January 2008. The withholding tax is recognised for interest income derived from the PRC at tax rate of 7% and dividends to be distributed from profits earned by certain subsidiaries in the PRC in accordance with the Implementation Regulation of the EIT Law of the PRC that requires withholding tax with tax rate at 5% or 10% for dividend upon the distribution of such profits to the shareholders.

Deferred taxation has not been recognised in respect of certain undistributed retained profits earned by the subsidiaries in the PRC starting from 1 January 2008 amounting to HK$1,609,562,000 (31 December 2018: HK$1,600,198,000) as the directors of the Company are of the opinion that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

7. DIVIDENDS

During the period, a final dividend of HK10 cents per share totalling HK$56,403,000 in respect of the year ended 31 December 2018 were declared and subsequently paid in July 2019.

During the six months ended 30 June 2018, a final dividend of HK10 cents per share totalling HK$56,389,000 in respect of the year ended 31 December 2017 were declared and subsequently paid in July 2018.

Subsequent to 30 June 2019, the directors of the Company resolved to declare an interim dividend of HK7 cents per share totalling approximately HK$39,482,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: HK6 cents per share totalling HK$33,838,000). The interim dividend will be payable on or about 10 October 2019 to the owners of the Company whose names appear on the Company's register of members on 12 September 2019.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company and earnings for the purposes of calculating basic and diluted earnings per share	**88,388**	87,260
	Number of shares	
	'000	*'000*
Weighted average number of shares for the purpose of calculating basic earnings per share	**564,029**	563,889
Effect of dilutive potential ordinary shares:		
Share options	**—**	44
Weighted average number of shares for the purpose of calculating diluted earnings per share	**564,029**	563,933

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND RIGHT-OF-USE ASSETS

During the period ended 30 June 2019, the Group incurred approximately HK$139,387,000 (six months ended 30 June 2018: HK$95,627,000) mainly for additions to a manufacturing plant in the PRC to expand its manufacturing capacity.

During the period ended 30 June 2019, two properties with aggregate fair value at the date of transfer of HK$56,235,000 (six months ended 30 June 2018: nil) was transferred to investment properties due to change of use as a result of commencement of relevant leases. The fair value at the date of transfer was determined by an independent valuer and the excess over the carrying amount was recognised in other comprehensive income and increased property revaluation reserve at the date of transfer.

During the period ended 30 June 2019, a net increase in fair value of investment properties of HK$5,305,000 (six months ended 30 June 2018: HK$12,225,000) has been recognised directly in profit or loss. The valuations are carried out by an independent qualified professional valuer, which is not connected with the Group. The valuations by the independent qualified professional valuer are arrived by direct comparison approach with reference to recent market prices for similar properties in similar locations and conditions and investment approach with reference to market rent in Hong Kong and the PRC.

During the period ended 30 June 2019, the Group entered into new lease agreements for the use of offices and warehouses for the periods arranging from 1 to 5 years. On lease commencement, the Group recognised HK$33,009,000 of right-of-use assets, including in property, plant and equipment, and HK$33,009,000 of lease liabilities.

10. TRADE AND BILLS RECEIVABLES, OTHER DEBTORS AND PREPAYMENTS

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**1,581,171**	1,657,543
Less: Allowance for credit losses	**(58,688)**	(65,162)
	1,522,483	1,592,381
Bills receivables	**1,175,665**	1,593,365
	2,698,148	3,185,746

Other debtors and prepayments mainly consist of payments in advance to suppliers, commission receivable from suppliers and value-added tax receivable.

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:

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 3 months	**1,273,988**	1,332,750
4 – 6 months	**174,748**	209,019
Over 6 months	**73,747**	50,612
	1,522,483	1,592,381

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.

Bills receivables represent 銀行承兑匯票 ("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 PRC banks on a case by case basis.

These banker's acceptances are issued to or endorsed to the Group and with due 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 mainly state-owned banks or commercial banks in the PRC, on the due date of such banker's acceptances.

11. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 5 December 2018, the directors resolved to dispose of the entire interest in an indirect wholly-owned subsidiary of the Company, Bauhinia Paints Manufacturing (Shanghai) Company Limited ("Bauhinia Paints"), in the PRC. The assets and liabilities, which were expected to be sold within twelve months, had been classified as a disposal group held for sale and were presented separately in the condensed consolidated statement of financial position (see below). The net proceeds of disposal were expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss had been recognised. The disposal was completed subsequent to the date of the reporting period.

The assets and liabilities of Bauhinia Paints classified as held for sale are as follows:

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**5,780**	2,334
Investment properties	**192,187**	192,407
Prepaid lease payments	**—**	3,701
Other receivables	**5,709**	5,732
Bank balances and cash	**177**	135
Total assets classified as held for sale	**203,853**	204,309
Other payables	**(6,357)**	(2,301)
Taxation payables	**(2,930)**	(2,933)
Deferred tax liabilities	**(64,854)**	(64,928)
Total liabilities associated with assets classified as held for sale	**(74,141)**	(70,162)

12. CREDITORS AND ACCRUED CHARGES

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade creditors	**1,374,478**	1,697,230
Other creditors and accrued charges	**460,932**	380,206
	1,835,410	2,077,436

Other creditors and accrued charges 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:

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 3 months	**1,115,331**	1,357,137
4 – 6 months	**245,328**	324,770
Over 6 months	**13,819**	15,323
	1,374,478	1,697,230

13. DISPOSAL OF SUBSIDIARIES

(a) On 29 January 2019, the Group entered into an agreement to dispose of the entire equity interest in 東莞市大嘍趣車汽車服務有限公司 ("東莞趣車") and its subsidiaries, to an existing associate at a total cash consideration of RMB1,000,000 (equivalent to approximately HK$1,167,000).

The net assets of 東莞趣車 and its subsidiaries at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	28,704
Inventories	2,338
Trade and other receivables	10,715
Bank balances and cash	1,714
Amount due to a fellow subsidiary	(22,376)
Lease liabilities	(25,049)
Trade and other payables	(4,253)
Net liabilities disposed of	(8,207)
Gain on disposal of subsidiaries:	
Consideration received	1,167
Less:	
Net liabilities disposed of	(8,207)
Gain on disposal relating to the Group's interest in the associate	3,616
Gain on disposal	5,758
Net cash outflow arising on disposal:	
Cash consideration received	1,167
Bank balances and cash disposed of	(1,714)
	(547)

(b) 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
Less:	
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

INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of HK7 cents per share for the six months ended 30 June 2019 (six months ended 30 June 2018: HK6 cents per share). The interim dividend will be payable on or about 10 October 2019 to shareholders whose names appear on the register of members of the Company on 12 September 2019.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from 10 September 2019 to 12 September 2019 (both dates inclusive) for the purpose of determining the entitlements of the members of the Company to the interim dividend. No transfer of shares may be registered during the said period. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates, should be lodged with the Company's Share Registrars in Hong Kong, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 9 September 2019.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited ("HKEx") (http://www.hkex.com.hk) and the Company (http://www.yipschemical.com). The 2019 interim report containing all the information required by the Listing Rules will be published on the HKEx 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, 23 August 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*