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Yip's Chemical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 408)

DISCLOSEABLE TRANSACTIONS DISPOSALS OF CERTAIN INDIRECT EQUITY INTEREST IN BAUHINIA VARIEGATA ZHEJIANG

The Board is pleased to announce that after the Stock Exchange trading hours on 10 June 2020, Yip's Ink Group (an indirect wholly-owned subsidiary of the Company and the holding company of Bauhinia Variegata Zhejiang) entered into the Agreements to dispose of an aggregate of approximately 3.23% indirect equity interest in Bauhinia Variegata Zhejiang to the Purchasers for an aggregate consideration of approximately RMB25.8 million (equivalent to approximately HK\$28.0 million).

The Disposals, on a standalone basis, do not constitute notifiable transactions of the Company as all applicable percentage ratios are below 5%. However, as one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposals, when aggregated with the Previous Disposals, exceeds 5% but all applicable percentage ratios are less than 25%, the Disposals constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Board is pleased to announce that after trading hours of the Stock Exchange on 10 June 2020, Yip's Ink Group (an indirect wholly-owned subsidiary of the Company and the holding company of Bauhinia Variegata Zhejiang) entered into the Agreements to dispose of an aggregate of approximately 3.23% indirect equity interest in Bauhinia Variegata Zhejiang. Except for the subject asset to be disposed of and the consideration involved, all the other terms of the Agreements are identical. Details of the Agreements are set out below.

THE AGREEMENTS (AS SUPPLEMENTED)

Date

10 June 2020

Parties

- (i) Yip's Ink Group (as one of the vendors);
- (ii) Ms. Lin (as one of the vendors and a nominee for Yip's Ink Group);
- (iii) Purchaser I (as one of the purchasers); and
- (iv) Purchaser II (as one of the purchasers).

Yip's Ink Group is an indirect wholly-owned subsidiary of the Company and a limited partner of each of the Partnerships holding 99.99% interest in each of the Partnerships, while Ms. Lin is an employee of the Group and a general partner of each of the Partnerships holding 0.01% interest in each of the Partnerships as a nominee for Yip's Ink Group.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries:

- (i) Purchaser I is 常州博潤君遠生物醫藥創業投資中心(有限合夥) (Changzhou Broadresources Junyuan Biomedical Venture Capital Center (Limited Partnership)#), a private equity fund established in the PRC, the majority shareholder of which is 上海唐君遠教育基金會 (Shanghai Tangjunyuan Education Foundation#), a charitable organisation focusing on provision of supports, awards and donations in the education sector;

- (ii) Purchaser II is 上海君遠企業發展有限公司 (Shanghai Junyuan Corporate Development Company Limited[#]), a limited liability company established in the PRC which is primarily engaged in, among others, corporate management consulting and business communication consulting and is wholly owned by 無錫翔英創投有限公司 (Wuxi Xiangying Venture Capital Company Limited[#]), a limited liability company established in the PRC which is principally engaged in venture capital, investment management and equity investment; and
- (iii) the Purchasers and their respective ultimate beneficial owners are Independent Third Parties.

Assets being disposed of

Yip's Ink Group agreed to sell 99.99% interest in each of the Partnerships to Purchaser I and Ms. Lin agreed to sell the 0.01% interest in each of the Partnerships to Purchaser II as follows:

	Interest in the Partnerships to be sold	Equity interest in Bauhinia Variegata Zhejiang held by the Partnerships
Agreement A	Partnership A	2.00%
Agreement B	Partnership B	1.00%
Agreement C	Partnership C	0.23%
		<hr/>
Total:		<u><u>3.23%</u></u>

Consideration

The aggregate consideration for the 100% interest in Partnership A, Partnership B and Partnership C is RMB15,987,130.64 (equivalent to approximately HK\$17.34 million), RMB7,996,001.66 (equivalent to approximately HK\$8.67 million) and RMB1,811,761.05 (equivalent to approximately HK\$1.96 million) respectively and shall be payable in cash by Purchaser I and Purchaser II in proportion to the percentage of interest in the respective Partnerships acquired within 10 days after the fulfillment of conditions in the respective Agreements (as described in the paragraph headed "Conditions" below) as follows:

Payable by	Agreement A RMB	Agreement B RMB	Agreement C RMB
Purchaser I	15,985,531.93	7,995,202.05	1,811,579.88
Purchaser II	1,598.71	799.61	181.17
	<hr/>	<hr/>	<hr/>
Total:	<u><u>15,987,130.64</u></u>	<u><u>7,996,001.66</u></u>	<u><u>1,811,761.05</u></u>

The consideration was determined after arm's length negotiations among parties with reference to the unaudited net asset value of the Bauhinia Variegata Zhejiang Group as at 31 March 2020 attributable to the equity interest in Bauhinia Variegata Zhejiang held by the respective Partnerships and is on the same basis that the consideration for the disposals of the indirect equity interest in Bauhinia Variegata Zhejiang to the Investor, the Employees and the Senior Management under the Previous Disposals was determined.

Completion of the Disposals under the Agreements shall take place following the due registration of the change in owners of the Partnerships with the relevant administration for market regulation in the PRC.

Conditions

Payment of the consideration by the Purchasers for the respective Disposals is conditional upon fulfillment of all of the following conditions:

- (i) the Purchasers having obtained the undertakings from Yip's Ink Group, Ms. Lin and Bauhinia Variegata Zhejiang that the representations and warranties provided by Bauhinia Variegata Zhejiang are complete, true and valid, do not contain material omissions and are not misleading in all material respects;
- (ii) there are no material adverse changes in relation to the business and conditions of Bauhinia Variegata Zhejiang;
- (iii) the key personnel of Bauhinia Variegata Zhejiang having entered into service contracts and confidentiality agreements with Bauhinia Variegata Zhejiang or its subsidiaries;
- (iv) the required approvals from government authorities or third parties (if required) in respect of the respective Disposals having been obtained;
- (v) the respective Agreements having been duly executed and become effective;
- (vi) the registration procedures in respect of the transfer contemplated under the Agreements with the relevant administration for market regulation in the PRC having been completed; and
- (vii) the relevant tax payment and bank payment procedures in relation to the Disposals having been made and relevant tax payment certificate having been obtained.

Undertakings

Yip's Ink Group, as the vendor under the Agreements and the controlling shareholder of Bauhinia Variegata Zhejiang, has provided certain undertakings to the Purchasers which include, among other things, that prior to the Date of Listing Application:

- (i) Yip's Ink Group shall not dispose of its direct or indirect equity interests in Bauhinia Variegata Zhejiang without the Purchasers' and the Partnerships' written consents;
- (ii) in the event that Bauhinia Variegata Zhejiang wishes to bring in new investors, (a) Bauhinia Variegata Zhejiang shall obtain the Purchasers' written consents; and (b) any terms granted to such new investors which are more favourable than those in the Agreements shall be automatically applicable to the Purchasers;
- (iii) if Bauhinia Variegata Zhejiang receives any additional capital injection from any shareholder or any third party (the "New Issue"), (a) Bauhinia Variegata Zhejiang shall obtain the Purchasers' written consents; (b) the Purchasers shall have the right to subscribe for such amount of capital to maintain their direct or indirect shareholding percentages in Bauhinia Variegata Zhejiang; and (c) Yip's Ink Group shall ensure that the terms of the New Issue (including the pricing) are not more favourable than those on which the Purchasers acquired their interest in Bauhinia Variegata Zhejiang, otherwise Yip's Ink Group shall compensate the Purchasers for the excess amount paid by the Purchasers;
- (iv) if Bauhinia Variegata Zhejiang increases its registered capital or issues new shares, the Purchasers shall have the first right to subscribe for the new registered capital or new shares at the same terms and conditions;
- (v) if Yip's Ink Group proposes to transfer all or part of its equity interests/shares in Bauhinia Variegata Zhejiang to any third party(ies), Yip's Ink Group shall obtain the Purchasers' written consent and the Purchasers are entitled to elect any of the following: (a) the first right to purchase such equity interests/shares in Bauhinia Variegata Zhejiang from Yip's Ink Group on the same terms and conditions; (b) the right to sell the Purchasers' equity interests/shares in Bauhinia Variegata Zhejiang based on the pro rata shareholding between Yip's Ink Group and the Purchasers in Bauhinia Variegata Zhejiang on the same terms and conditions to such third party(ies); and (c) the first right to sell all or part of the Purchasers' equity interests/shares in Bauhinia Variegata Zhejiang to such third party(ies) in priority to Yip's Ink Group if Yip's Ink Group shall cease to be the controlling shareholder of Bauhinia Variegata Zhejiang after such transfer; and

- (vi) in the event of liquidation of Bauhinia Variegata Zhejiang (including liquidation, dissolution or any merger and acquisition which will result in a change of controlling shareholder), the Partnerships shall have priority in the distribution of assets of Bauhinia Variegata Zhejiang.

The Purchasers agreed that the above undertakings do not apply to shareholding changes of Bauhinia Variegata Zhejiang (including but not limited to Yip's Ink Group's transfer(s) of its indirect interests in Bauhinia Variegata Zhejiang) arising from the implementation of any employee incentive scheme of Bauhinia Variegata Zhejiang.

INFORMATION OF THE PARTNERSHIPS AND BAUHINIA VARIEGATA ZHEJIANG

The Partnerships are limited partnerships established in the PRC in April 2020 for the sole purpose of holding equity interests in Bauhinia Variegata Zhejiang. Partnership A, Partnership B and Partnership C respectively holds an approximately 2.00%, 1.00% and 0.23% direct equity interest in Bauhinia Variegata Zhejiang. Other than the equity interest in Bauhinia Variegata Zhejiang and nominal amount of petty cash, the Partnerships do not have any other material assets or liabilities and have not carried on any business or operation since establishment and up to the date of this announcement.

The Bauhinia Variegata Zhejiang Group is the largest ink manufacturer in the PRC and one of the top 20 ink manufacturers internationally in terms of annual sales in 2019. The principal products of the Bauhinia Variegata Zhejiang Group are plastic printing inks and paper printing inks sold under its proprietary brand name "Bauhinia Variegata" which are mainly used in food and drinks packaging, gift packaging and paper printing. The Bauhinia Variegata Zhejiang Group also supplies post-printing materials such as thinner, water-based varnish and buffing oil as part of its business integration initiative. Products of the Bauhinia Variegata Zhejiang Group are mainly sold within the PRC, with a small portion being sold to overseas markets including, among others, the Philippines and Vietnam. The production facilities of the Bauhinia Variegata Zhejiang Group are located in Zhongshan in Guangdong Province and Tongxiang in Zhejiang Province, the PRC.

Apart from the Agreements, the Group had previously entered into separate agreements for the Previous Disposals to dispose of (i) an approximately 2.00% indirect equity interest in Bauhinia Variegata Zhejiang to the Investor for a consideration of approximately RMB16.0 million (equivalent to approximately HK\$17.3 million); (ii) an aggregate of approximately 2.14% indirect equity interest in Bauhinia Variegata Zhejiang to the Employees for an aggregate consideration of approximately RMB17.1 million (equivalent to approximately HK\$18.6 million); and (iii) an aggregate of approximately 0.87% indirect equity interest in Bauhinia Variegata Zhejiang to the Senior Management for an aggregate consideration of approximately RMB7.0 million (equivalent to approximately HK\$7.6 million). Bauhinia Variegata Zhejiang was a wholly-owned subsidiary of the Company immediately prior to the Previous Disposals. Following completion of the Previous Disposals and immediately before the Disposals, Bauhinia Variegata Zhejiang would be held as to approximately 94.99% by Yip's Ink Group (of which approximately 2.00%, 1.00% and 0.23% were held through Partnership A, Partnership B and Partnership C respectively), approximately 2.00% by a partnership beneficially owned by the Investor, approximately 2.14% by two partnerships beneficially owned by the Employees and approximately 0.87% by two partnerships beneficially owned by the Senior Management.

The following table summarises the unaudited combined financial information of the Bauhinia Variegata Zhejiang Group (as if the group structure had been in existence throughout the two financial years ended 31 December 2018 and 2019) extracted from its management accounts included in the audited financial information of the Group for each of the two financial years ended 31 December 2018 and 2019:

	Year ended 31 December	
	2018	2019
	<i>HK\$' million</i>	<i>HK\$' million</i>
Profit before taxation	69.8	128.9
Profit for the year	<u>58.1</u>	<u>110.7</u>

As at 30 April 2020, the unaudited consolidated net asset value of the Bauhinia Variegata Zhejiang Group was approximately HK\$857.7 million.

FINANCIAL EFFECTS OF THE DISPOSALS

Following completion of the Previous Disposals and the Disposals, the Group remains to hold an approximately 91.76% equity interest in Bauhinia Variegata Zhejiang and Bauhinia Variegata Zhejiang shall continue to be accounted for as a subsidiary in the financial statements of the Group.

It is estimated that, upon completion of the Disposals, the difference between the aggregate consideration for the Disposals and the unaudited consolidated net asset value of the Bauhinia Variegata Zhejiang Group as at 30 April 2020 attributable to the aggregate 3.23% equity interest in Bauhinia Variegata Zhejiang held by the Partnerships of approximately HK\$0.1 million will be recognised in other comprehensive income and accumulated in equity. The exact financial impact of the Disposals is subject to the finalisation of net asset value of the Bauhinia Variegata Zhejiang Group at the date of completion of the Disposals.

REASONS FOR AND BENEFITS OF THE DISPOSALS

The Group is principally engaged in the manufacture of and trading in solvents, coatings, inks and lubricants as well as property investment.

As disclosed in the announcement of the Company dated 28 May 2020, the Company is currently undertaking a group reorganisation and intends to make an application for a listing of Bauhinia Variegata Zhejiang on the Shenzhen Stock Exchange. The Partnerships were established solely for the purpose of holding the equity interest in Bauhinia Variegata Zhejiang to facilitate the Disposals. The Previous Disposals and the Disposals were contemplated for the preparation of the separate listing of Bauhinia Variegata Zhejiang. In particular, the Disposals aim at broadening the shareholders base of Bauhinia Variegata Zhejiang by bringing in institutional investors. The equity interest in Bauhinia Variegata Zhejiang indirectly held by the Investor, the Employees, the Senior Management as well as the Purchasers shall be subject to certain lock-up in compliance with the relevant requirements of the Shenzhen Stock Exchange if the Spin-off proceeds.

The proceeds from the Disposals, net of expenses directly attributable thereto, are estimated to amount to approximately RMB25.8 million (equivalent to approximately HK\$28.0 million) and will be used as general working capital of the Group.

Taking into account that the consideration for the Disposals is at a slight premium over the underlying net asset value of the Bauhinia Variegata Zhejiang Group and is determined on the same basis as that for the Previous Disposals involving the Investor who is also an Independent Third Party, the Directors are of the view that the Disposals are on normal commercial terms and incidental to the ordinary and usual course of business of the Group, and the terms of the Agreements are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Disposals, on a standalone basis, do not constitute notifiable transactions of the Company as all applicable percentage ratios are below 5%. However, as one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposals, when aggregated with the Previous Disposals, exceeds 5% but all applicable percentage ratios are less than 25%, the Disposals constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meanings:

“Agreement A”	the agreement dated 10 June 2020 (as supplemented) entered into among Yip’s Ink Group and Ms. Lin (together as vendors) and the Purchasers in relation to the sale and purchase of interest in Partnership A
“Agreement B”	the agreement dated 10 June 2020 (as supplemented) entered into among Yip’s Ink Group and Ms. Lin (together as vendors) and the Purchasers in relation to the sale and purchase of interest in Partnership B
“Agreement C”	the agreement dated 10 June 2020 (as supplemented) entered into among Yip’s Ink Group and Ms. Lin (together as vendors) and the Purchasers in relation to the sale and purchase of interest in Partnership C
“Agreements”	together, the Agreement A, the Agreement B and the Agreement C
“Bauhinia Variegata Zhejiang”	洋紫荆油墨（浙江）有限公司 (Bauhinia Variegata Ink & Chemicals (Zhejiang) Limited [#]), an approximately 94.99%-owned subsidiary of Yip’s Ink Group after completion of the Previous Disposals but immediately before the Disposals
“Bauhinia Variegata Zhejiang Group”	Bauhinia Variegata Zhejiang and its subsidiaries
“Board”	the board of Directors

“Company”	Yip’s Chemical Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 408)
“Date of Listing Application”	the date of application for listing of Bauhinia Variegata Zhejiang on the Shenzhen Stock Exchange (excluding National Equities Exchange and Quotations) as confirmed by the acknowledgement issued by the China Securities Regulatory Commission or the Shenzhen Stock Exchange
“Director(s)”	director(s) of the Company
“Disposals”	collectively, the disposals by the Group of interests in the Partnerships pursuant to the terms and conditions of the Agreements
“Employees”	collectively, certain senior management and employees of the Bauhinia Variegata Zhejiang Group who together would hold an approximately 2.14% indirect equity interest in Bauhinia Variegata Zhejiang following completion of the Previous Disposals
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who is/are independent of the Company and its connected persons (as defined in the Listing Rules)
“Investor”	an individual investor who is an Independent Third Party and would hold an approximately 2.00% indirect equity interest in Bauhinia Variegata Zhejiang following completion of the Previous Disposals
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Lin”	Ms. Lin Mei Ju
“Partnership A”	中山市創好投資諮詢合夥企業(有限合夥) (Zhongshan Chuangho Investment Advisory Partnership (Limited Partnership)#), a limited partnership established in the PRC

“Partnership B”	中山市超浚投資諮詢合夥企業(有限合夥)(Zhongshan Chaojun Investment Advisory Partnership (Limited Partnership) [#]), a limited partnership established in the PRC
“Partnership C”	中山市卓迅投資諮詢合夥企業(有限合夥)(Zhongshan Zhuoxun Investment Advisory Partnership (Limited Partnership) [#]), a limited partnership established in the PRC
“Partnerships”	together, Partnership A, Partnership B and Partnership C
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macao Special Administrative Region and Taiwan for the purposes of this announcement
“Previous Disposals”	collectively, the disposals by the Group of an aggregate of approximately 5.01% indirect equity interest in Bauhinia Variegata Zhejiang to the Investor, the Employees and the Senior Management which are expected to be completed before end of June 2020
“Purchaser I”	常州博潤君遠生物醫藥創業投資中心(有限合夥)(Changzhou Broadresources Junyuan Biomedical Venture Capital Center (Limited Partnership) [#]), a limited partnership established in the PRC
“Purchaser II”	上海君遠企業發展有限公司(Shanghai Junyuan Corporate Development Company Limited [#]), a limited liability company established in the PRC
“Purchasers”	together, Purchaser I and Purchaser II
“Senior Management”	collectively, certain senior management of the Group (including certain directors of the Company and its subsidiaries) who together would hold an approximately 0.87% indirect equity interest in Bauhinia Variegata Zhejiang following completion of the Previous Disposals
“Spin-off”	the proposed spin-off of the business of manufacturing and trading of inks and related products by the Company for a separate listing on the Shenzhen Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “subsidiaries” shall be construed accordingly
“Yip’s Ink Group”	Yip’s Ink & Chemicals (Group) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

By Order of the Board
Yip’s Chemical Holdings Limited
Ip Chi Shing
Chairman

Hong Kong, 10 June 2020

The English translation/transliteration of the Chinese names denoted in this announcement is for illustration purposes only. Should there be any inconsistencies, the Chinese names shall prevail.

For the purpose of illustration only, amounts denominated in RMB in this announcement have been converted into HK\$ at the rate of RMB1=HK\$1.0844. Such translations should not be construed as a representation that the amounts have been, could have been or could be converted at such rate or at all.

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*