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 2020

HIGHLIGHTS

Sales Revenue Amounted to HK$4.47 billion
Interim Dividend Payout of HK6 cents per share

- The Group's businesses were affected by Coronavirus Disease 2019 ("COVID-19") to various extent during the period under review, leading to a drop in sales revenue year-on-year;
- Profit attributable to owners of the Company excluding the one-off expenses arising from the proposed spin-off and separate listing of the inks business declined slightly when compared with the same period in the preceding year;
- The Group's working capital utilization continued to improve and gearing ratio reduced to 29.2%;
- The board resolved to declare payment of interim dividend of HK6 cents per share to reward shareholders;
- The Group will continue to focus on the Chinese domestic market, and keep track with the market pulse in order to deal with the challenges and pick up on opportunities in the second half of the year.

	For the six-month period ended 30 June 2020 (unaudited)	**For the six-month period ended 30 June 2019** (unaudited)	% change
Revenue	**HK$4,465,680,000**	HK$4,937,746,000	-9.6%
Sales volume	**662,000 metric tons**	628,000 metric tons	+5.4%
Profit attributable to owners of the Company	**HK$58,803,000**	HK$88,388,000	-33.5%
Earnings per share	**HK10.4 cents**	HK15.7 cents	-33.8%
Interim dividend	**HK6.0 cents**	HK7.0 cents	-14.3%
	As of 30 June 2020 (unaudited)	As of 30 June 2019 (unaudited)	
Gearing ratio*	**29.2%**	47.6%	-18.4% points

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

CHAIRMAN'S STATEMENT — REVIEW AND OUTLOOK

Review

I am pleased to present to all shareholders of Yip's Chemical Holdings Limited (the "Company") the business overview of the Company and its subsidiaries (collectively "Yip's Chemical" or the "Group") for the six months ended 30 June 2020 ("period under review").

Last year, all core businesses of the Group achieved good results in optimising customer quality. Riding on this favourable momentum, the Group this year has drawn up ambitious business expansion plans and strategies in a cautiously optimistic manner. Unfortunately, the sudden outbreak of COVID-19 that swept through the world quickly has brought significant damage to the Chinese and global economy. In the period under review, COVID-19 led to the lockdown of multiple areas of Mainland China for almost two months and economic activities were suspended. The Group's businesses in Mainland China, whether in terms of domestic sales or exports, have suffered to one degree or another. Though in the past two months, when the pandemic subsided, the Group quickly implemented various remedial measures, it is unlikely we can achieve the planned targets. In the first half of the year, the Group recorded sales revenue of HK$4.47 billion, which dropped 9.6% as compared to that for the corresponding period in the preceding year. Sales volume increased 5.4% year-on-year to 662,000 metric tons. Profit attributable to owners of the Company for the period under review was HK$58.8 million, representing a drop of 33.5% year-on-year. The drop in profit was partly due to the decrease in sales revenue and the depreciation of Renminbi ("RMB") of almost 2% that resulted in an exchange loss. It was also because of the corporate restructuring in preparation for the spin-off and separate listing of the Group's inks business on the Shenzhen Stock Exchange. The above factors led to a one-off expenditure of HK$21 million comprising exchange loss, taxes and various professional fees.

During the COVID-19 outbreak, the Group reported zero infection cases which was attributable to the strict adherence by the entire staff in pandemic prevention and control measures decreed by various local governments and we managed to fully resume production safely and orderly. In the period under review, the Group demonstrated its caring spirit in getting through the hard times with all our Mainland China compatriots. Various subsidiaries of the Company donated a total of over 230 metric tons of antiseptic alcohol valued at approximately RMB1.8 million to various local governments and institutions. Meanwhile, though the Group endured an extremely harsh business environment in the first half of 2020, its overall credit condition remained solid while bad debts were maintained at a normal and controllable level. The Group's gearing ratio in the first half of the year was 29.2%, which was a continual improvement from 47.6% of the corresponding period of the preceding year. Upon careful consideration and in view of our established practice of rewarding shareholders earnestly, the Company's Board of Directors (the "Board") resolved to declare an interim dividend of HK6 cents per share as compared with HK7 cents per share for the same period in the preceding year.

Outlook

I am not optimistic about the business prospects of the Group in the second half of 2020. One reason is that the COVID-19 pandemic, which has proliferated for almost half a year, is still inflicting enormous damage to the global economy. Restoration will therefore take time. What is more, the pandemic until now has not come under control and is resurging in many places. The time of recovery of the global economy is therefore hard to predict. Besides, the US government has been confronting and containing China on multiple fronts including the pandemic and other incidents. As these actions may well evolve into a national policy of the US, their negative impacts on China are expected to be far more long-term and serious than those posed by the pandemic. In such a turbulent time, we need to be more vigilant of the uncertainties ahead, continue to uphold our undivided focus on our core businesses, keep track with the market pulse and make all necessary risk prevention and management efforts so as to stay strong enough to deal with more severe challenges and pick up on opportunities that may come along. In the meantime, the Group will continue to seek to spin off its subsidiaries whose businesses are mature enough for a separate listing in the Mainland China market. We will also consider buying back a suitable amount of shares in the market at an appropriate time in order to maximise shareholders' investment values. At this juncture, on behalf of the Board, I would like to convey sincere thanks to all our employees for their dedication and contribution, to the Senior Leadership Team for their relentless hard work, to the Board for their leadership, and to all our business partners for their support and trust.

Retirement and Appointment of Independent Non-executive Director

Mr. Ku Yuen Fun ("Mr. Ku"), one of the Company's senior independent non-executive directors, retired on 1 July this year. Throughout his tenure of more than a decade, he served the Group with immense dedication, making outstanding contributions in many areas including guiding and nurturing future leaders, formulating business strategies and overseeing corporate governance. I would like to express my deepest gratitude to Mr. Ku on behalf of the Group and wish him a happy and healthy retirement.

Mr. Ku Yee Dao, Lawrence ("Mr. Lawrence Ku"), has been invited to join the Group as an independent non-executive director of the Company. Mr. Lawrence Ku is a certified accountant with strong professional qualifications and extensive finance management experience. He is currently working in a senior management position in a publicly listed European company. I believe that Mr. Lawrence Ku's joining the Board will be beneficial to the steady and healthy growth of the Group in the long-run. On behalf of the Board, I would like to welcome Mr. Lawrence Ku to the Yip's Chemical family.

Ip Chi Shing
Chairman

21 August 2020

REPORT OF THE CHIEF EXECUTIVE OFFICER

Key aspects of the Group's performance in the first half of 2020 are as follows:

1. Overall sales volume of 662,000 metric tons was a growth of 5.4% as compared to that for the corresponding period in the preceding year. Sales revenue fell 9.6% year-on-year to approximately HK$4.47 billion mainly due to a concurrent drop in raw material prices and product selling prices of solvents. Impacted by the COVID-19 pandemic, sales of other business segments were also down to various extent;

2. Overall gross profit margin edged up 0.8 percentage point to 14.6% year-on-year;

3. The Group's four core business segments performed as follows: Solvents results were promising; Inks results declined slightly; Coatings and Lubricants were negatively affected by the pandemic. After excluding the one-off exchange loss, special tax items and professional costs arising from the proposed spin-off and separate listing of the inks business, the Group's overall profit declined slightly when compared with the preceding year (detailed review of the individual business segments is given below); and

4. The utilization of working capital continued to improve as the Group's gearing ratio dropped further by 18.4 percentage points year-on-year to 29.2%.

Review and analysis of the major business segments are as below:

Solvents

In the period under review, sales volume grew 7.5% to approximately 540,000 metric tons while sales revenue dropped 6.1% to about HK$3.2 billion. Because of the increased sourcing of overseas raw materials in the period under review, gross profit margin rose and operating profit thus grew 47.3% year-on-year to approximately HK$151 million.

Beginning from the second quarter of this year, export volume fell 30% because of the ongoing pandemic. Leveraging on the production capacity of the second phase of the Taixing plant, the sales team was active in developing the Eastern China market and venturing the northern part. As domestic demand in Mainland China is still growing, there is no obvious change in the overall market landscape.

The management was of the view that as the operation of the marketing department of the solvents segment becomes more mature, it plays an important role in analysing and judging the fluctuations in raw material prices, and contributing positively in grasping the market prices. In addition, as technology advances, it creates more room for energy saving and consumption reduction, hence the management is fully confident that this business segment will remain stable.

Our plan to build a new plant in Southern China is progressing well. The purchase procedure of land in Gaolan Port of Zhuhai has been completed. The government of Zhuhai has listed the project as one under its close supervision this year. As all applications for approval, designs and construction work are now proceeding as planned, it is believed that the new plant should be completed for use by the end of next year. By then, we will be able to have a seamless transition with the existing plant in Jiangmen.

Coatings

Sales revenue in the period under review dropped 22.7% as compared to that for the corresponding period in the preceding year to approximately HK$629 million. In the first half of 2020, the coatings business was impacted by the pandemic to a larger extent. As the pandemic was ravaging through China, all construction projects large and small came to a halt while the coatings stores of Bauhinia and Camel across Mainland China could not operate normally in the first quarter. As a result, the sales of coatings seriously lagged behind. Meanwhile, since the global economy is getting crushed by the pandemic outbreak, orders of some furniture and toy customers who are reliant on export fell through and thus the use of related industrial coatings declined.

Though the gross profit margin of 29.3% achieved was comparable to that of the preceding year, the slip in sales revenue failed to fully spread out fixed costs. Consequently, operating profit was recorded at approximately HK$1.9 million, representing a drop of approximately HK$31.8 million from that of the corresponding period in the preceding year.

For the second half of 2020, it is expected that, as the pandemic is gradually contained in Mainland China, the revival of the Chinese economy will drive the consumption of architectural coatings for household uses and construction projects. However, prospects for industrial coatings that hinge on export customers will continue to be under pressure. The management will step up measures to boost sales, and is cautiously optimistic about the growth of sales revenue in the second half.

Inks

The inks business comprises two main types of inks, namely, inks for food packaging (for gravure printing; mostly for the domestic market) and paper inks (for offset printing; mostly for export markets). They account for 80% and 20% respectively of the overall sales volume of the inks business. While the food packaging inks business was relatively less affected by the pandemic outbreak and recorded a mild drop of 2% in sales volume during the period under review, sales volume for paper inks dropped 15% due to the pandemic. Summing up, sales revenue in the period under review was approximately HK$525 million or a year-on-year decline of 12.0%, while sales volume was approximately 25,000 metric tons, representing a 5.0% decrease from that of the corresponding period in the preceding year. The operating profit decreased by 61.3% to approximately HK$17 million. The decline in profit was mainly attributable to the corporate restructuring in preparation for the proposed spin-off and separate listing, which resulted in one-off exchange loss, special tax items and professional costs totalling about HK$21 million. Excluding the one-off expenses (tax items excluded), the operating profit was actually down by about 27%.

The inks business was impacted by the pandemic in the first quarter of 2020. In the second quarter of 2020, the business was catching up gradually as production resumed in Mainland China. Given that the gross profit margin only declined slightly by 1.7 percentage points and that various expenses were scaled back continuously, the business operation is considered normal. With the traditional peak season coming up in the second half, it is expected that the annual target will more likely be achieved.

The Group has already announced that its proposed spin-off of the inks business has been approved by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the inks business will apply for a separate listing on the Shenzhen Stock Exchange in due course. Various business restructuring has basically been completed, and the professional team responsible for the project is working towards the target of submitting the listing application to the Shenzhen Stock Exchange in early 2021.

If the spin-off is successful, it will provide considerable capital for the operations of the inks business and will propel the business to new heights. The management is currently studying different plans and may adopt an even more ambitious approach in order to promote the long-term sustainable growth of this business.

Lubricants

Sales revenue of the lubricants business in the period under review was down 25.0% year-on-year to approximately HK$81.4 million. In the first half of 2020, because of the pandemic outbreak, car owners across the country diminished demand for car maintenance. The use of automobile lubricants was also reduced because the operations of auto repair shops were hampered in the first quarter of 2020. The prices of the key raw materials of lubricants hovered at a relatively low level, hence gross profit margin was able to be maintained at 26.5%, which is similar to that of the preceding year. Meanwhile, since a few major clients delayed payments for pandemic reasons in the period under review, the business had to make bad debt provisions of over HK$7.3 million. Despite the above negative factors, the management went all out in raising plant efficiency and controlling costs. Consequently, an operating loss of approximately HK$9.3 million was recorded in the period under review, a drop as compared to the operating profit of HK$6.8 million for the same period in the preceding year.

It is expected that, with the economic recovery in Mainland China in the second half of 2020, the use of automobile lubricants will climb up gradually. Meanwhile, the management will focus on opening up more distributorship channels to accelerate the expansion of sales network. We will also seize market shares by leveraging the price advantage of certain individual products.

Other Businesses

The Group has been striving to develop towards being "environmentally friendly", "end-user oriented" and "service oriented", and is actively venturing into "home" and "car" related business opportunities. In early 2020, the Group completed its newly increase of investment in Damai, further increasing its stake to 61% and becoming the single largest controlling shareholder of Damai. The Group will continue to support Damai in opening up service points across the country to offer professional, convenient and cost-effective car maintenance experience to the huge group of car owners in China.

The pace of setting up new stores in the period under review was hindered by the pandemic. As of June 2020, there are 92 Damai service points located in Shandong, Guangdong, Hebei, Hunan and Jiangsu.

It is expected that in the second half of 2020, the revival of economic activities in Mainland China will boost the demand for car maintenance services. In the provinces where it has presence, Damai will continue to expand its store network via direct operations and franchising.

For the properties segment, rental income in the period under review came mainly from the leasing of the R&D building in Zhangjiang, Shanghai. The Group has been actively soliciting tenants for the former headquarters building of Yip's Chemical in Fanling and is planning to renovate several floors for own use in order to raise the return of the property asset.

Outlook

Notwithstanding the adverse operating environment shaped by the volatility of the COVID-19 outbreak and the escalating Sino-US trade war, the Group is fully confident of its prospects. With overall growth maintained in China, and with over 85% of the Group's businesses relying on domestic demand, it is expected that we can maintain stable or slight growth in sales. In particular, as we had succeeded in suppressing expenses significantly and lowering gearing ratio in the preceding year, the Group's fundamentals have become more robust. The management will adhere to pursuing quality growth, and adopting ambitious and yet prudent strategies in creating greater value for the Group and its shareholders.

Yip Tsz Hin
Chief Executive Officer

21 August 2020

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group's gearing ratio (measured by net bank borrowings as a percentage of equity attributable to owners of the Company) was 29.2% (30 June 2019: 47.6%), representing a substantial improvement of 18.4 percentage points. Amid the ongoing Sino-US trade conflict and the global economy being severely hit by COVID-19, the Group was cautious in spending its capital expenditure during the period under review. Coupled with the healthy operating cashflow as explained below, the Group's gearing ratio was further improved from 33.0% as at 31 December 2019.

The RMB exchange rate recorded a depreciation of 1.9% over the first half of 2020. The Group will remain prudent in managing foreign exchange risks so as to minimise the impact of RMB fluctuation on its business results. Over the past few years, the Group arranged to repatriate funds from Mainland China by ways of dividends, in order to reduce its foreign exchange exposure. The bank borrowings in Hong Kong and net interest expenses were thus substantially reduced. The net interest expenses during the period under review were HK$20,131,000 (six months ended 30 June 2019: HK$25,687,000).

As for operating cash flow, the Group recorded a net cash inflow of HK$251,760,000 for the period under review (six months ended 30 June 2019: HK$94,385,000). Operating cash inflow was higher compared with the corresponding period in the preceding year, which was mainly driven by the decrease in inventories, although the effect was partly offset by the lesser decrease in the balance of receivables.

As at 30 June 2020, gross bank borrowings of the Group amounted to HK$1,695,525,000 (31 December 2019: HK$1,979,400,000). After the deduction of short-term bank deposits, bank balances and cash amounting to HK$863,524,000 (31 December 2019: HK$1,009,542,000), net bank borrowings amounted to HK$832,001,000 (31 December 2019: HK$969,858,000). Of the gross bank borrowings, HK$692,375,000 (31 December 2019: HK$805,700,000) were short-term loans repayable within one year. Such loans were denominated in two currencies, HK$637,600,000 in Hong Kong Dollars and HK$54,775,000 in RMB (31 December 2019: all in Hong Kong Dollars). Long-term loans repayable after one year amounted to HK$1,003,150,000 (31 December 2019: HK$1,173,700,000), and they were all denominated in Hong Kong Dollars (31 December 2019: all in Hong Kong Dollars). The short-term bank deposits, bank balances and cash were denominated in the following currencies: HK$115,180,000 in Hong Kong Dollars, HK$677,755,000 in RMB and HK$70,589,000 in US Dollars (31 December 2019: HK$270,831,000 in Hong Kong Dollars, HK$623,555,000 in RMB, HK$114,963,000 in US Dollars and HK$193,000 in other currencies).

To refinance the previous mid-to-long-term loans due for repayment, the Group obtained bilateral long-term (three to four years) loans of HK$300,000,000 in the first half of 2020. As at 30 June 2020, mid-to-long-term loans (including portions repayable within one year of HK$627,600,000) accounted for 96% 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, in order to hedge against the risk of such fluctuations. As at 30 June 2020, the Group's loans under fixed rate arrangement made up 40% of its total bank borrowings.

As at 30 June 2020, a total of 22 banks in Hong Kong and the Mainland granted banking facilities of HK$6,371,588,000 to the Group, providing it with sufficient funds to meet present working capital and expansion requirements. Of these banking facilities, 56%, 42% and 2% were denominated in Hong Kong Dollars, RMB and US Dollars respectively. As at 30 June 2020, the Group's RMB revolving loan facilities totalled at RMB950,000,000 (31 December 2019: RMB630,000,000). As the interest borrowing rate in Mainland China continued to decline in the past few years, the Group has increased its RMB loan portfolio to address the revolving funding needs in Mainland China as well as to mitigate the exposure to potential RMB exchange rate fluctuation. 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 30 June 2020, the Group has a total number of 2,954 employees, among which 77 of them are from Hong Kong while the remaining 2,877 are from different provinces in the Mainland.

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 location 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. In addition to the focus of developing employees internally, the Group seeks to attract talent from outside.

The Group offers a challenging work environment, sets up different programs for motivating employees to strive for improvement and to advance 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 and reward policy so as to ensure reasonable and competitive compensation and benefits for its employees. These include basic salary as well as 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 2020, 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 2020, 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 2020, 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. Mr. Ku Yuen Fun resigned as an Audit Committee member and Mr. Ku Yee Dao, Lawrence was appointed as an Audit Committee member with effect from 1 July 2020. 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 18 August 2020 to review the Group's unaudited interim financial statements for the six months ended 30 June 2020 and the 2020 interim report. 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 2020, 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 2020.

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 2020, 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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
	NOTES	**2020**	2019
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**4,465,680**	4,937,746
Cost of sales		**(3,814,826)**	(4,254,015)
Gross profit		**650,854**	683,731
Other income	*5a*	**38,010**	30,257
Other gains and losses	*5b*	**(49,291)**	3,995
Selling and distribution expenses		**(196,550)**	(208,299)
General and administrative expenses		**(281,330)**	(309,885)
Finance costs		**(27,880)**	(37,808)
Share of results of associates		**(925)**	(6,352)
Profit before taxation	*6*	**132,888**	155,639
Taxation	*7*	**(43,476)**	(42,525)
Profit for the period		**89,412**	113,114
Other comprehensive (expenses) income:			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(84,014)**	(5,934)
Fair value changes on equity instruments at fair value through other comprehensive income		**(102)**	(31)
Transfer of property, plant and equipment to investment properties			
— Surplus on revaluation		**—**	4,281
— Deferred taxation		**—**	(1,045)
		(84,116)	(2,729)

	NOTE	Six months ended 30 June 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Items that may be reclassified subsequently to profit or loss:			
Fair value change on hedging instruments in cash flow hedge		**(12,757)**	(1,610)
Exchange differences arising on translation of foreign operations		**8,565**	(378)
		(4,192)	(1,988)
Other comprehensive expenses for the period		**(88,308)**	(4,717)
Total comprehensive income for the period		**1,104**	108,397
Profit for the period attributable to:			
Owners of the Company		**58,803**	88,388
Non-controlling interests		**30,609**	24,726
		89,412	113,114
Total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		**(17,409)**	84,215
Non-controlling interests		**18,513**	24,182
		1,104	108,397
Earnings per share	*9*		
— Basic		**HK10.4 cents**	HK15.7 cents
— Diluted		**HK10.4 cents**	HK15.7 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	NOTES	**30.6.2020**	31.12.2019
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	*10*	**1,906,800**	1,956,629
Investment properties	*10*	**340,281**	344,001
Interests in associates		**—**	25,133
Equity instruments at fair value through other comprehensive income		**21,578**	21,680
Goodwill		**146,074**	112,776
Intangible assets		**82,873**	69,044
Deposits paid for acquisition of property, plant and equipment		**23,741**	17,736
Derivative financial instruments		**—**	1,144
Deferred tax assets		**9,875**	—
		2,531,222	2,548,143
Current assets			
Inventories		**838,337**	947,003
Trade and bills receivables	*11*	**2,481,066**	2,794,945
Other debtors and prepayments	*11*	**354,299**	372,812
Amounts due from associates		**—**	22,661
Derivative financial instruments		**—**	2,261
Debt instrument at fair value through profit or loss		**54,994**	55,292
Short-term bank deposits			
— with original maturity within three months		**241,451**	349,292
Bank balances and cash		**622,073**	660,250
		4,592,220	5,204,516

	NOTE	30.6.2020	31.12.2019
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Current liabilities			
Creditors and accrued charges	*12*	**1,555,973**	2,028,678
Contract liabilities		**51,908**	34,423
Taxation payables		**65,822**	70,737
Dividend payables		**73,324**	—
Lease liabilities		**26,592**	19,271
Derivative financial instruments		**5,115**	35
Borrowings — amount due within one year		**692,375**	805,700
		2,471,109	2,958,844
Net current assets		**2,121,111**	2,245,672
Total assets less current liabilities		**4,652,333**	4,793,815
Non-current liabilities			
Derivative financial instruments		**4,357**	85
Lease liabilities		**62,017**	41,979
Borrowings — amount due after one year		**1,003,150**	1,173,700
Deferred tax liabilities		**23,435**	15,854
		1,092,959	1,231,618
		3,559,374	3,562,197
Capital and reserves			
Share capital		**56,403**	56,403
Reserves		**2,797,605**	2,885,076
Equity attributable to owners of the Company		**2,854,008**	2,941,479
Non-controlling interests		**705,366**	620,718
		3,559,374	3,562,197

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTES	Six months ended 30 June 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Net cash from operating activities		**251,760**	94,385
Net cash used in investing activities			
Purchases of property, plant and equipment		**(37,090)**	(91,742)
Deposits paid for acquisition of property, plant and equipment		**(27,679)**	(58,310)
Additional investment for interests in associates		**—**	(34,461)
Advance to associates		**—**	(1,442)
Net cash outflow from disposal of subsidiaries	*14*	**—**	(547)
Deposit received from disposal of net assets classified as held for sale		**—**	103,017
Interest received		**7,749**	12,121
Proceeds from disposal of property, plant and equipment		**5,938**	1,790
Net cash outflow on acquisition of subsidiaries	*13*	**(20,514)**	—
Net cash outflow on acquisition of business		**—**	(11,154)
		(71,596)	(80,728)

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash used in financing activities		
Borrowings raised	**507,775**	1,058,727
Repayment of borrowings	**(791,650)**	(1,256,277)
Interest paid	**(27,880)**	(36,629)
Dividends paid to non-controlling shareholders of subsidiaries	**(11,326)**	(18,195)
Payment of lease liabilities	**(18,304)**	(13,832)
Proceeds from partial disposal of a subsidiary	**29,415**	—
	(311,970)	(266,206)
Net decrease in cash and cash equivalents	**(131,806)**	(252,549)
Cash and cash equivalents at beginning of the period	**1,009,542**	1,335,154
Effect of foreign exchange rate changes	**(14,212)**	(2,071)
Cash and cash equivalents at end of the period	**863,524**	1,080,534
Analysis of balances of cash and cash equivalents		
Short-term bank deposits with original maturity within three months	**241,451**	231,525
Bank balances and cash	**622,073**	849,009
	863,524	1,080,534

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

(a) On 2 January 2020, the Group entered into two agreements to subscribe for 1,800,000 new shares of 河北大麥汽車維修服務有限公司("河北大麥") at RMB12,130,000 (equivalent to approximately HK$13,500,000) and to acquire additional interest in 河北大麥 at a consideration of RMB10,000,000 (equivalent to approximately HK$11,130,000) respectively. The equity interest in 河北大麥 held by the Group increased from 38.58% to 61.0% upon completion of the transactions following which 河北大麥 and its subsidiaries became indirect non-wholly owned subsidiaries of the Company.

(b) The Group entered into agreements with several buyers to dispose of an aggregate 8.24% equity interest in its wholly owned subsidiary, Bauhinia Ink Company Limited ("Bauhinia Ink") during the six months ended 30 June 2020 at an aggregate consideration of RMB65,883,000, of which RMB27,010,000 (equivalent to approximately HK$29,415,000) was received during current interim period and RMB38,873,000 (equivalent to approximately HK$42,585,000) was included in other debtors as at 30 June 2020. Such disposal included a sale of 0.87% equity interest in Bauhinia Ink to certain directors of the Company and senior management of the Group at RMB6,956,000 (equivalent to approximately HK$7,505,000).

3. 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"), debt instruments at fair value through profit or loss ("FVTPL") and investment properties, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and application of an accounting policy which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2019.

Accounting policy newly applied by the Group

Changes in the Group's interests in existing subsidiaries

Changes in Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures.

3.1 Impacts of application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3.2 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 "Interest Rate Benchmark Reform"

Hedge accounting

For the purpose of determining whether a forecast transaction (or a component thereof) in a cash flow hedge is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

Cash flow hedges

For the purpose of reclassifying the amount accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group as the Group's designated hedged items/assessment of hedge effectiveness is not affected by the interest rate benchmark reform.

4. 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 and operating segments under HKFRS 8 "Operating Segments" included five business divisions, namely (i) solvents, (ii) coatings, (iii) inks, (iv) lubricants and (v) properties during the year ended 31 December 2019.

During the current interim period, in view of the additional investment in car maintenance operation and the proposed separate listing of the manufacturing and trading of inks and related products on a stock exchange in the People's Republic of China ("PRC") as further detailed in the circular dated 17 August 2020, the Group revised the organisation of segments that are used to allocate resources and assess performance, and considered to include a new segment. The basis of measurement of segment results has been changed by including the segment results attributable to car maintenance and other chemical products. The corresponding segment revenue and results for the six months ended 30 June 2019 has been restated.

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
Others	—	provision of car maintenance service and manufacturing of and trading in chemical products other than products of other reporting segments of the Group

These divisions are the basis on which the Group reports its operating segment information.

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$'000*	Others *HK$'000*	Reportable segment total *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Six months ended 30 June 2020 (unaudited)									
Segment revenue									
Revenue from contracts with customers — recognised at a point in time									
External sales	3,187,851	628,603	524,949	81,152	—	39,017	4,461,572	—	4,461,572
Inter-segment sales	37,707	13	85	217	—	11,662	49,684	(49,684)	—
External rental income	—	—	—	—	4,108	—	4,108	—	4,108
Inter-segment rental income	—	—	—	—	222	—	222	(222)	—
Total	3,225,558	628,616	525,034	81,369	4,330	50,679	4,515,586	(49,906)	4,465,680
Results									
Segment results	150,562	1,892	17,022	(9,311)	2,218	(6,089)	156,294	(70)	156,224
Share of results of associates									(925)
Unallocated other income									10,625
Unallocated expenses									(5,156)
Finance costs									(27,880)
Profit before taxation									132,888

	Solvents HK$'000	Coatings HK$'000	Inks HK$'000	Lubricants HK$'000	Properties HK$'000	Others HK$'000	Reportable segment total HK$'000	Elimination HK$'000	Consolidated HK$'000
Six months ended 30 June 2019 (unaudited and restated)									
Segment revenue									
Revenue from contracts with customers — recognised at a point in time									
External sales	3,386,305	813,009	596,127	108,454	—	28,530	4,932,425	—	4,932,425
Inter-segment sales	49,704	41	263	22	—	24,277	74,307	(74,307)	—
External rental income	—	—	—	—	5,321	—	5,321	—	5,321
Inter-segment rental income	—	—	—	—	240	—	240	(240)	—
Total	3,436,009	813,050	596,390	108,476	5,561	52,807	5,012,293	(74,547)	4,937,746
Results									
Segment results	102,232	33,651	43,944	6,783	1,541	6,952	195,103	(94)	195,009
Share of results of associates									(6,352)
Unallocated other income									13,930
Unallocated expenses									(9,140)
Finance costs									(37,808)
Profit before taxation									155,639

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

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(a) The Group's other income mainly comprises:		
Interest income	**7,749**	12,121
Government grants recognised	**14,072**	8,815

During the current interim period, the Group recognised government grants of HK$3,320,000 in respect of COVID-19-related subsidies, of which HK$2,050,000 is related to Employment Support Scheme provided by the government in Hong Kong.

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(b) The Group's other (losses) gains comprise of:		
Gain on disposal of subsidiaries (note 14)	**—**	5,758
(Loss) gain on fair value change of investment properties	**(1,703)**	5,305
Gain on fair value change on debt instrument at FVTPL	**757**	—
(Recognition of impairment losses) reversal of impairment losses on trade receivables under expected credit loss ("ECL") model	**(14,339)**	650
Net loss on disposal/written off of property, plant and equipment (note)	**(10,763)**	(2,861)
Net exchange loss arising from foreign currency balances and transactions	**(12,424)**	(4,857)
Impairment loss on deposit paid for acquisition of property, plant and equipment	**(10,819)**	—
	(49,291)	3,995

Note: The written off of property, plant and equipment amounting to RMB9,010,000 (equivalent to approximately HK$9,748,000) was recognised to profit or loss in relation to a plant of Taixing Jinjiang Chemical Industry Company Limited for manufacturing of solvents products.

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets	**1,114**	1,118
Cost of inventories recognised as an expense	**3,814,826**	4,254,015
Depreciation of property, plant and equipment	**90,226**	80,492
Reversal of allowance for slow-moving inventories (note)	**(2,652)**	(6,359)
Written off of inventories	**2,490**	7,039

Note: The reversal of allowance recognised on inventories during the period as certain slow-moving raw materials were utilised for production.

7. TAXATION

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The charge comprises:		
Current tax — the PRC		
Current period	**35,046**	37,897
Withholding Tax	**10,105**	726
	45,151	38,623
Deferred tax (credit) charge	**(1,675)**	3,902
	43,476	42,525

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% for dividend upon the distribution of such profits to the shareholders. During the current interim period, the Group recognised the withholding tax of RMB3,049,000 (equivalent to HK$3,338,000) (six months ended 30 June 2019: nil) in respect of shares transfer of a subsidiary in relation to group reorganisation in the PRC with tax rate of 10% under EIT law.

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$1,212,056,000 (31 December 2019: HK$1,216,775,000) 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.

8. DIVIDENDS

During the period, a final dividend of HK13 cents per share totalling HK$73,324,000 in respect of the year ended 31 December 2019 were declared and subsequently paid in July 2020.

During the six months ended 30 June 2019, 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.

Subsequent to 30 June 2020, the directors of the Company resolved to declare an interim dividend of HK6 cents per share totalling approximately HK$33,841,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: HK7 cents per share totalling approximately HK$39,482,000). The interim dividend will be payable on or about 8 October 2020 to the owners of the Company whose names appear on the Company's register of members on 18 September 2020.

9. 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	
	2020	2019
	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	**58,803**	88,388
	Number of shares	
	'000	*'000*
Number of shares for the purpose of calculating basic and diluted earnings per share	**564,029**	564,029

The computation of diluted earnings per share does not assume the exercise of the Company's options of exercise prices of HK$4.536 and HK$5.942 because the exercise prices of those options were higher than the average market price for shares for six months ended 30 June 2020 and 2019.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 June 2020, the Group incurred approximately HK$31,605,000 (six months ended 30 June 2019: HK$139,387,000) to acquire property, plant and equipment for its operations.

During the six months ended 30 June 2020, the Group entered into new lease agreements with lease terms ranged from 1 to 5 years (six months ended 30 June 2019 from 1 to 5 years). On lease commencement, the Group recognised HK$13,451,000 (six months ended 30 June 2019: HK$33,009,000) of right-of-use assets, included in property, plant and equipment, and HK$13,451,000 (six months ended 30 June 2019: HK$33,009,000) of lease liabilities.

During the six months 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 2020: nil) were 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 six months ended 30 June 2020, a net decrease in fair value of investment properties of HK$1,703,000 (six months ended 30 June 2019: net increase in fair value of HK$5,305,000) has been recognised directly in profit or loss. The valuations at 30 June 2020 are carried out by the directors of the Company and an independent qualified professional valuer (30 June 2019: an independent qualified professional valuer), which is not connected with the Group. The valuations by the directors of the Company and the independent qualified professional valuer are arrived by direct comparison approach assuming sale of the properties in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market, or by using income approach taking into account the current market rent passing of the property interest with due provision of any reversionary income potential. The direct comparison approach is based on market observable recent transactions of similar properties in similar location. The income approach is based on market observable recent rental income of similar properties in similar locations.

11. TRADE AND BILLS RECEIVABLES, OTHER DEBTORS AND PREPAYMENTS

	30.6.2020	31.12.2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables — contracts with customers	**1,422,953**	1,475,876
Less: allowance for ECL	**(63,722)**	(54,930)
	1,359,231	1,420,946
Bills receivables — contracts with customers	**1,121,835**	1,373,999
	2,481,066	2,794,945

Other debtors and prepayments mainly consist of payments in advance to suppliers, commission receivable from suppliers, value-added tax receivable and receivables from investors in relation to partial disposal of a subsidiary.

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:

	30.6.2020	31.12.2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–3 months	**1,187,002**	1,180,883
4–6 months	**114,797**	181,861
Over 6 months	**57,432**	58,202
	1,359,231	1,420,946

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 the 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 or financial institutions in the PRC, on the due date of such banker's acceptances.

12. CREDITORS AND ACCRUED CHARGES

	30.6.2020	31.12.2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade creditors	**1,202,270**	1,620,298
Other creditors and accrued charges	**353,703**	408,380
	1,555,973	2,028,678

Other creditors and accrued charges mainly consist of payables of acquisition of property, plant and equipment of HK$52,712,000 (2019: HK$69,672,000), 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:

	30.6.2020	31.12.2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–3 months	**880,214**	1,236,290
4–6 months	**283,487**	341,874
Over 6 months	**38,569**	42,134
	1,202,270	1,620,298

13. ACQUISITION OF SUBSIDIARIES

On 2 January 2020, the Group entered into two agreements to subscribe for 1,800,000 new shares of 河北大麥 at RMB12,130,000 (equivalent to approximately HK$13,500,000) and to acquire additional interest in 河北大麥 at a consideration of RMB10,000,000 (equivalent to approximately HK$11,130,000) respectively. The equity interest in 河北大麥 held by the Group increased from 38.58% to 61.0% upon completion of the transactions following which 河北大麥 and its subsidiaries became indirect non-wholly owned subsidiaries of the Company. The amount of goodwill arising as a result of acquisition was HK$33,298,000.

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

	At date of acquisition
	HK$'000
Property, plant and equipment	50,082
Intangible assets	14,964
Deferred tax assets	4,297
Inventories	8,067
Trade receivables	245
Amount due from the Group	6,750
Other receivables	5,059
Tax recoverable	274
Bank balances and cash	4,116
Trade payables	(154)
Other payables	(9,565)
Amount due to the Group	(21,370)
Lease liabilities	(33,713)
Deferred tax liabilities	(3,741)
	25,311

The fair value of trade receivables at the date of acquisition amounted to HK$245,000. The gross contractual amounts of those trade receivables acquired amounted to HK$245,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected is nil.

Consideration transferred:

	HK$'000
Cash	24,630

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	24,630
Plus: interests in associates	24,108
Plus: non-controlling interests	9,871
Less: net assets acquired	(25,311)
Goodwill arising on acquisition	33,298

The non-controlling interests (39%) in 河北大麥 recognised at acquisition date was measured at the non-controlling interests' proportionate share of the recognised amounts of the identifiable net assets of 河北大麥.

Goodwill arose in the acquisition of 河北大麥 because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of 河北大麥. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill arising from this acquisition is not expected to be deductible for tax purposes.

Net cash outflows arising on acquisition:

	HK$'000
Consideration paid in cash	24,630
Less: bank balances and cash acquired	(4,116)
	20,514

Impacts of acquisition on the result of the Group

Included in the profit for the current interim period, loss amounting of HK$13,598,000 was attributable to the additional business generated from 河北大麥. Revenue for the interim period included HK$15,862,000 which was generated from 河北大麥.

Had the acquisition been completed on 1 January 2020, revenue for the period of the Group would have been HK$4,469,446,000, and profit for the period of the Group would have been HK$85,349,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future results.

14. DISPOSAL OF SUBSIDIARIES

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 associate at a total cash consideration of RMB1,000,000 (equivalent to approximately HK$1,167,000). The transaction was completed during the year ended 31 December 2019.

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)

INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of HK6 cents per share for the six months ended 30 June 2020 (six months ended 30 June 2019: HK7 cents per share). The interim dividend will be payable on or about 8 October 2020 to shareholders whose names appear on the register of members of the Company on 18 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from 16 September 2020 to 18 September 2020 (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 15 September 2020.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.yipschemical.com). The 2020 interim report containing all the information required by the Listing Rules will be published on websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 21 August 2020

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. Ho Pak Chuen, Patrick*
Mr. Ku Yee Dao, Lawrence*

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*