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Yip's Chemical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 408)

DISCLOSEABLE TRANSACTIONS

IN RELATION TO

- (I) THE DISPOSAL OF INTERESTS IN THE TARGET COMPANY
AND THE ASSIGNMENT OF THE SALE LOAN AND**
- (II) THE GRANT OF THE PUT OPTION**

THE DISPOSAL

On 16 July 2021 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and assign, and the Purchaser agreed to purchase the Sale Shares being the entire issued share capital of the Target Company and to take the assignment of the benefit of the Sale Loan respectively, for the aggregate consideration of HK\$282,681,616 (subject to Consideration Adjustment) in cash.

THE PUT OPTION

Pursuant to the Sale and Purchase Agreement, the Vendor granted to the Purchaser the Put Option, pursuant to which the Purchaser is entitled to sell the Sale Shares and the Sale Loan to the Vendor at its discretion, at the Put Option Price under prescribed conditions.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirement under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the grant of the Put Option (which is exercisable at the discretion of the Purchaser) exceeds 5% but all applicable percentage ratios are less than 25%, the grant of the Put Option constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirement under Chapter 14 of the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

On 16 July 2021 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and assign, and the Purchaser agreed to purchase the Sale Shares being the entire issued share capital of the Target Company and to take the assignment of the benefit of the Sale Loan respectively, for the aggregate consideration of HK\$282,681,616 (subject to Consideration Adjustment) in cash.

The principal terms of the Sale and Purchase Agreement are set out below:

- Date : 16 July 2021
- Parties : (1) Yip's H.C. (Holding) Limited, an indirect wholly-owned subsidiary of the Company, as the Vendor; and
- (2) STRG Holdings III Limited, as the Purchaser

To the best knowledge, information and belief of the Board and after making all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

- Assets to be disposed of : The Sale Shares, being the entire issued share capital of the Target Company, and the Sale Loan, being all outstanding amount(s) owing by the Target Company to the Vendor as at the date of the Sale and Purchase Agreement.

The Target Company is an investment holding company and is the registered and beneficial owner of the Property.

Consideration : The Consideration is HK\$282,681,616 (subject to Consideration Adjustment) in cash comprising of HK\$257,296,443 for the Sale Shares and HK\$25,385,173 for the Sale Loan.

Completion : Completion shall take place on the date of the Sale and Purchase Agreement.

CONSIDERATION

Pursuant to the Sale and Purchase Agreement, the Purchaser has paid the Consideration of HK\$282,681,616 in full (subject to Consideration Adjustment) in cash to the Vendor on Completion which represents the sum of (i) the value of the Property as agreed between the Vendor and Purchaser in the sum of HK\$285,000,000 and (ii) the Net Asset Value determined with reference to the Pro Forma Completion Accounts. The Consideration is apportioned at (i) for the benefit of the Sale Loan, an amount equal to the amount of the Sale Loan on a dollar-to-dollar basis; and (ii) for the Sale Shares, an amount equal to the balance of the Consideration after deducting the amount of such consideration for the benefit of the Sale Loan.

The Vendor shall procure that the draft Completion Accounts be prepared in accordance with terms of the Sale and Purchase Agreement and delivered to the Purchaser as soon as reasonably practicable but in any event by no later than 20 Business Days following the Completion Date (or within such other period as the Vendor and the Purchaser may agree in writing), which when agreed or determined by the Vendor and the Purchaser in accordance with the terms of the Sale and Purchase Agreement shall constitute the Completion Accounts.

The Consideration will be adjusted based on the Net Asset Value determined with reference to the Completion Accounts, such that if the Net Asset Value determined with reference to the Completion Accounts exceeds or falls short of the Net Asset Value determined with reference to the Pro Forma Completion Accounts (in each case without taking into account the Sale Loan), the Consideration will be increased by the excess amount or decreased by the shortfall (as the case may be) and the Purchaser shall pay the excess amount to the Vendor, or the Vendor shall pay an amount equivalent to the shortfall to the Purchaser (as the case may be) within 10 Business Days after the parties' agreement or determination of the Completion Accounts pursuant to the terms of the Sale and Purchase Agreement.

The Consideration was arrived at after arm's length negotiation between the Vendor and the Purchaser having considered, among other things, the market value of the similar properties in the vicinity region and latest industrial property market situation.

Based on the information available to the Company, there is nothing to suggest that the Completion Accounts will substantially deviate from the Pro Forma Completion Accounts and hence, it is expected that the Consideration Adjustment (if any) would not affect the classification of the Disposal under Chapter 14 of the Listing Rules. Further announcement(s) will be made by the Company in the event that the Consideration Adjustment will result in a different classification of the Disposal under Chapter 14 of the Listing Rules.

COMPLETION

Completion took place immediately after the entering into of the Sale and Purchase Agreement. Immediately prior to Completion, the Target Company was held as to 100% by the Vendor. Following Completion, the Company does not hold any equity interest in the Target Company and the Target Company ceases to be a subsidiary of the Company and the financial results of the Target Company cease to be consolidated into those of the Group.

THE PUT OPTION

In consideration of the Purchaser agreeing to enter into the Sale and Purchase Agreement, the Vendor granted to the Purchaser the Put Option to require the Vendor to re-purchase from it all Sale Shares and the benefit of the Sale Loan, if, according to the First Investigation Report, that (i) any of the Underground Storage Tanks was used; and (ii) there is Contamination, subject to the right of the Vendor to elect to rectify or remediate such Contamination within 6 months from Completion Date.

The Put Option may be exercised by the Purchaser once in respect of all (but not part only) of the Put Option Interests during the period of 20 Business Days commencing on (i) the expiry of 10 Business Days after receipt of the First Investigation Report (during which the Vendor may elect to rectify) if the Vendor does not so elect; or (ii) the date of the Second Investigation Report if it indicates there is still Contamination. The Put Option shall lapse upon the earlier of (i) the date of the First Investigation Report if it indicates that none of the Underground Storage Tanks was used or there is no Contamination; or (ii) the date of the Second Investigation Report if it indicates there is no Contamination. On exercise of the Put Option, the Purchaser shall be bound to sell and assign, and the Vendor shall be bound to purchase and take the assignment of, the Put Option Interests.

The Put Option Price shall be equivalent to such total amount of Consideration paid or deemed to have been paid by the Purchaser to the Vendor under the Sale and Purchase Agreement up to the date on which completion of the sale and purchase of the Put Option Interests takes place which shall be a date falling not later than 10 Business Days from the date on which the Put Option is exercised.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in property holding.

Set out below is the financial information of the Target Company:

	For the year ended 31 December 2020 HK\$ (audited)	For the year ended 31 December 2019 HK\$ (audited)
Revenue	—	9,879,220
(Loss)/Profit before taxation	(4,180,146)	4,300,877
(Loss)/Profit after taxation	(3,625,426)	3,452,125

The audited net liabilities of the Target Company at company level as at 31 December 2020 was HK\$11,891,990 with the Property stated at cost.

FINANCIAL EFFECTS OF THE DISPOSAL

It is estimated that the Group will record a net gain on the Disposal in the amount of approximately HK\$69,524,000 which will be recognised in the consolidated profit or loss account of the Company for the year ending 31 December 2021 as fair value gain, being the difference between (i) the Consideration after related transaction costs; (ii) the net assets of the Target Company at consolidation level as at 31 December 2020 attributable to the Sale Shares of approximately HK\$183,936,000 and (iii) the amount of the Sale Loan of HK\$25,385,173. The actual gain arising from the Disposal will be subject to audit and may be different from the amount stated.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE GRANT OF THE PUT OPTION

As stated in the announcement of the Company published on 21 April 2021, the Board has conducted an ongoing evaluation of maximising the return from disposing or letting the Property and after assessing the latest industrial property market situation, has considered the disposal of either the Property or the Sale Shares by way of public tenders. During the marketing and lobbying process, interested parties including the Purchaser were identified and therefore the Group decided not to proceed with the tenders further but to negotiate with such interested parties specifically.

The Disposal is considered to be an opportunity for the Group to realise its investment in the Target Company and is in line with the Group's strategic development plan and allows it to streamline its business structure and resources. After deducting the expenses relating to the Disposal, there will be net proceeds of approximately HK\$278,845,000 from the Disposal and the Group intends to utilise the net proceeds towards potential business or investment opportunities as and when they arise and for replenishing the general working capital of the Group.

Based on the above, the Directors consider that the Sale and Purchase Agreement (including the grant of the Put Option) was entered into on normal commercial terms which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GENERAL INFORMATION OF THE PARTIES AND THE PROPERTY

The Company is an investment holding company and is the legal and beneficial owner of the Property as at the date of the Sale and Purchase Agreement. The Property comprises a 5-storey industrial building located at No.13 Yip Cheong Street, Fanling, Hong Kong. The Property occupies a site area of approximately 12,895 sq. ft. The gross area of the Property is approximately 63,897 sq. ft.

The Group is principally engaged in manufacturing and trading in solvents, coatings, inks, lubricants and property investment.

The Vendor, a company incorporated under the laws of Hong Kong with limited liability is engaged in investment holding.

To the best knowledge of the Directors, and having made all reasonable enquiries, the Purchaser, an exempted company incorporated under the laws of the Cayman Islands, is a special purpose vehicle formed for acquiring the Sale Shares and taking the assignment of the Sale Loan and is a subsidiary of investment funds managed by affiliates of Blackstone. The Purchaser is principally engaged in investment holding; and the Purchaser and the investment managers and general partners of the relevant funds which have an interest in the Purchaser are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirement under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the grant of the Put Option (which is exercisable at the discretion of the Purchaser) exceeds 5% but all applicable percentage ratios are less than 25%, the grant of the Put Option constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings when used herein:

“Board”	the board of Directors
“Business Day”	a day (not being a Saturday, Sunday, public holiday or any day on which typhoon signal No. 8 or above or black rainstorm warning is hoisted in Hong Kong at any time from 9:00 a.m. to 5:30 p.m.) on which licensed banks are generally open for business in Hong Kong, Singapore, the Cayman Islands and New York

“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)
“Completion”	completion of the Disposal
“Completion Accounts”	the unaudited statement of financial position of the Target Company as at 15 July 2021, being the date immediately prior to Completion, as prepared and agreed or determined between the Vendor and the Purchaser pursuant to the terms of the Sale and Purchase Agreement
“Completion Date”	the date on which Completion took place
“connected person”	has the meaning as ascribed thereto under the Listing Rules
“Consideration”	the consideration of the Disposal, being HK\$282,681,616 (subject to Consideration Adjustment)
“Consideration Adjustment”	the adjustment to the Consideration as set forth in the paragraph headed “Consideration” in this announcement
“Contamination”	the presence of any hazardous substance as defined in the Sale and Purchase Agreement in any sub-surface land within the area of 5 metres outside and/or below the boundary walls, pump housing and/or piping duct (as the case may be) of each Underground Storage Tank and the dangerous goods store located on the ground floor of the Property, except for hazardous substances present in such quantities or concentrations below permissible levels (if any) under applicable environmental laws
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the assignment of the Sale Loan by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement

“First Investigation Report”	the written report of the findings of qualified professional adviser(s) appointed by the Purchaser (the choice of which is agreed by the Vendor) which, for the purpose of exercise of the Put Option, shall be delivered to the Vendor within 30 Business Days following the Completion Date (or as otherwise agreed between the Vendor and the Purchaser)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Asset Value”	the net asset value (after excluding certain items as agreed between the Vendor and the Purchaser) of the Target Company in the Pro Forma Completion Accounts or the Completion Accounts (as the case may be)
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purposes of this announcement
“Pro Forma Completion Accounts”	the unaudited pro forma statement of financial position of the Target Company as of 15 July 2021, being the date immediately prior to Completion, prepared and supplied to the Purchaser by the Vendor
“Property”	all that piece or parcel of ground registered in the Land Registry as FANLING SHEUNG SHUI TOWN LOT NO. 35 together with the messuages erections and buildings thereon known as “Yip’s Chemical Building (葉氏化工大廈)”
“Purchaser”	STRG Holdings III Limited, an exempted company incorporated under the laws of the Cayman Islands

“Put Option”	the put option granted to the Purchaser to sell back the Put Option Interests to the Vendor in accordance with the terms of the Sale and Purchase Agreement
“Put Option Interests”	all Sale Shares and the benefit of the Sale Loan
“Put Option Price”	the consideration payable by the Vendor for the Put Option Interests following the exercise of the Put Option
“Sale and Purchase Agreement”	the sale and purchase agreement dated 16 July 2021 entered into between the Vendor and the Purchaser in relation to the Disposal and the grant of the Put Option
“Sale Loan”	all amount(s) owing by the Target Company to the Vendor in the sum of HK\$25,385,173 which remains outstanding at Completion
“Sale Shares”	10,000 ordinary shares in the capital of the Target Company, being the entire issued share capital of the Target Company as of the date hereof
“Second Investigation Report”	the written report of the further findings of the same adviser(s) who issues the First Investigation Report which, for the purpose of exercise of the Put Option, shall be delivered to the Vendor within 30 Business Days after the 6-month remediation period as described in the section headed “THE PUT OPTION” of this announcement
“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
“Target Company”	Big Youth Investments Limited (大勇投資有限公司), a company incorporated under the laws of Hong Kong with limited liability, being an indirect wholly-owned subsidiary of the Company and the registered and beneficial owner of the Property

“Underground Storage Tanks”	seven underground storage tanks located in the Property
“Vendor”	Yip’s H.C. (Holding) Limited, a company incorporated with limited liability under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 16 July 2021

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

Non-executive Directors:

Mr. Ip Chi Shing (*Chairman*)
Mr. Wong Yuk*
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*