葉氏化工
YIP'S CHEMICAL

Yip's Chemical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 408

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

Sales Revenue and Profit Attributable to Owners Hit Record Highs
Total Dividend Amounted to HK40 Cents Per Share

- Benefiting from the significant rise in solvent prices and effective business development strategies, the Group's sales revenue increased by 65% year-on-year to HK$17.8 billion; sales volume increased by 5% year-on-year;
- Profit attributable to owners grew by 34% to HK$406 million year-on-year;
- The Group recorded a revaluation appreciation and sales profits from the sale of Yip's Chemical Building in Fanling;
- Capital utilization remained stable, with the gearing ratio slightly increased to 36.6%;
- The Board recommended payment of a final dividend of HK18 cents per share, together with the interim dividend and the Group's 50th anniversary special dividend, total dividend for the year amounted to HK40 cents per share, representing an increase of 82% year-on-year.

	For the year ended 31 December 2021 (audited)	For the year ended 31 December 2020 (audited)	% change
Revenue	**HK$17,805,397,000**	HK$10,776,026,000	+65%
Profit attributable to owners of the Company	**HK$406,280,000**	HK$302,575,000	+34%
Earnings per share	**HK72.8 cents**	HK53.8 cents	+35%
Final dividend	**HK18.0 cents**	HK16.0 cents	+13%
Interim dividend	**HK12.0 cents**	HK6.0 cents	+100%
	HK30.0 cents	HK22.0 cents	+36%
Special dividend	**HK10.0 cents**	–	N/A
Dividend for the year	**HK40.0 cents**	HK22.0 cents	+82%
	As of 31 December 2021	As of 31 December 2020	
Gearing ratio*	**36.6%**	31.1%	+5.5% points

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

CHAIRMAN'S STATEMENT – REVIEW AND OUTLOOK

Review

It is my pleasure to present to all shareholders ("Shareholders") of Yip's Chemical Holdings Limited (the "Company") and its subsidiaries (collectively "Yip's Chemical" or the "Group") an overview of the Group's performance for the year ended 31 December 2021 ("year under review"). The year under review is the most unforgettable and challenging one in the Group's history. During the year under review, the Group's performance was mainly affected by three factors. First, existing conflicts between China and the United States of America ("US") did not subside with changes in the administration and presidency in the US. Contrarily, the US was even more aggressive in garnering support from other countries to form alliance to suppress China on a comprehensive scale, escalating the Sino-US conflicts. Meanwhile, although China's success in containing Coronavirus Disease 2019 ("COVID-19") had won worldwide praise, minor outbreaks still took place sporadically across the country. The implementation of strict containment measures had inevitably constrained economic activities to a certain extent. Hence, even as China's annual economic growth indicators were in line with expectations, the downward pressure was considerable. Second, as the impacts of the pandemic on other countries around the world during the year under review were far more serious than those in 2020, the global supply chain was thrown into disarray. After prices of raw materials used in the chemical industry surged sharply at the beginning of the year under review, the upward trend of the prices had sustained throughout the year under review except for occasional downward corrections and numerous historical highs were recorded. Amid the weakening market economy, the competition became fiercer, and peers in the chemical industry found it difficult to pass on the rising costs to their customers entirely and immediately. Since the Group's core businesses were coping with different markets and different competitors, their performance responded quite differently: some had encountered great challenges and fell behind while others had been presented with opportunities and performed outstandingly. The subsequent huge disparity in performance was unprecedented (please refer to the Report of the Chief Executive Officer). Third, after the central government rolled out a series of policies to rectify the problems in the property market in the second half of the year under review, medium and large developers in Mainland China defaulted on their debts as their sales slumped and their capital chain ruptured. Simultaneously, real estate-related industries also suffered immense impacts. Under such circumstances, the Group's coatings-related business could hardly stay unaffected. Although the coatings business had responded quickly to the occasion by adjusting its strategies to mitigate whatever damages that came its way, the Group also acted prudently during the year under review by making a one-time provision and impairment for possible defaults and bad debts. This provision substantially affected the Group's performance in the second half of 2021.

In general, I have high expectations of and am satisfied with the overall results of the Group in the year under review. Sales revenue and profit attributable to owners of the Group both registered a record high in the Group's 50 years of history. The sales revenue of HK$17.8

billion represented a substantial growth of 65% year-on-year, while the sales volume of 1.56 million tonnes represented a growth of 5% year-on-year. Profit attributable to owners was HK$406 million, representing a growth of 34% year-on-year.

The Group would also like to report on its robust financial performance. During the year under review, the Group managed to offset the investment for a new plant by selling some key idle fixed assets. Also, due to the soaring raw material prices, trade receivables and amount in inventories showed varied increase, but the turnover days of both were still within the controllable normal range. The Group managed to maintain a satisfactory gearing ratio of 36.6%, which was up 5.5 percentage points from the corresponding period last year but represented an improvement of 15.1 percentage points when compared to that disclosed in the Company's interim report for the six months ended 30 June 2021.

Upon assessments of various factors and giving due consideration to the Group's long-standing policy of prudent financial management and rewarding Shareholders, the Company's board of directors (the "Board") recommended to pay a final dividend of HK18 cents per ordinary share of the Company (the "Share(s)") which, together with the interim dividend of HK12 cents per Share and 50th anniversary special dividend of HK10 cents per Share at the time of declaration of the interim dividend, total dividend for the year under review amounted to HK40 cents per Share, up by 82% year-on-year from HK22 cents per Share for year 2020 (increased by 36% on the year if excluding the special dividend). Shareholders were entitled to opt to receive the interim dividend and the special dividend wholly or partly in the form of allotment of new Shares in lieu of cash.

Outlook

It is expected that the global macroeconomic environment this year will be perturbed by geopolitical tensions in Ukraine and the Taiwan Strait. If not properly managed, these tensions could easily lead to clashes between major powers, the US and Russia or China and the US — two worrisome "black swans" in recent years. On another front, after experiencing two year pandemic fatigue, most major economies except China are adopting the strategy of "co-existing with the virus" to seek the gradual revival of the economy, although the effectiveness of this strategy remains to be seen. Thus, there is much uncertainty over the recovery and normalisation of the global supply chain. Further, since oil prices have been rising steadily in early 2022, raw material prices are unlikely to drop significantly within 2022, but may only be less volatile. Domestically, although China has been affected by the pandemic for a period of time and a series of attacks from the western camp, but because of the series of effective and timely measures it has rolled out, its economy has rebounded and achieved the expected growth, fully demonstrating the unique resilience and tenacity of the country's economic development model. "Maintaining steady growth" should still be the fundamental of the country's policies. It is expected that the central government will continue to introduce more measures to expand and optimise the domestic market so that the economy can run on a dual circulation which is based primarily on the domestic economic cycle that drives the international economic cycle. These measures can ensure economic stability for the whole year so that the yearly economic growth target is achievable. With the Group's core businesses deep-rooted in the domestic Mainland market, they will certainly benefit from the existing national policies. We are confident of capturing more development opportunities at a faster pace in these ever-changing times by capitalising on our strong capabilities and acute market sense.

Since the Group was founded 50 years ago, by upholding the business philosophy of "Be Daring, Set Goals Early, Be Prepared Early, Forge Ahead with Courage", it has become a well-established corporation today. At the beginning of the next 50 years, the Group will stay true to its original aspiration. Leveraging on the solid foundation and sound reputation it has built up over the years, the Group will focus on the consolidation of its core business while continuing to explore ways of diversifying into other business areas. In the coming year, the Group plans to spin off a mature subsidiary for separate listing and seek appropriate reorganisation of its businesses and assets. This will not only maximise shareholder values but will also help realise and deepen the Group's vision of "seeking benefits for employees, creating values for Shareholders and contributing to social welfare".

At this juncture, I would like to convey our deepest gratitude on behalf of the Board to all past and present employees in the past 50 years. I would also like to extend our heartfelt thanks to our Shareholders for their support and guidance; to all members of the Board and Senior Leadership Team which have served over the years for their outstanding leadership and solidarity.

Ip Chi Shing
Chairman

24 March 2022

REPORT OF THE CHIEF EXECUTIVE OFFICER

Highlights of the Group's results for the year ended 31 December 2021 are as follows:

1. With the drastic rise in raw material prices and the relentless efforts of the sales teams, sales revenue for all four of our core businesses (solvents, coatings, inks and lubricants) soared. The Group's total sales revenue reached HK$17.8 billion while sales volume was 1.56 million metric tons, up by 65% and 5% respectively from the corresponding period of the preceding year;

2. Benefitting from the surge in raw material prices which the solvents team leveraged on and succeeded in capturing such market opportunity, and the boom in its export business, the solvents business achieved a record-breaking operating profit of HK$830 million, which represented a growth of 76% year-on-year;

3. Since the inks and coatings businesses were unable to shift the high raw material prices to users in time, both sustained a notable drop in gross profit margin. In particular, the inks business recorded an operating profit of HK$47 million, which represented a decline of 22% from the corresponding period of the preceding year;

4. Coatings business recorded an operating loss of HK$124 million for the year under review. One reason was the loss sustained in its operation. The second reason was that, in the face of disruptions in the capital chain in the Mainland real estate market, the Company had made a one-time special provision and impairment for the business with several Mainland real estate developers involved. It is the Company's judgment that the chance of recovering the provisions should be more apparent in the second half of year 2022;

5. In the year under review, the sales of Yip's Chemical Building in Fanling, Hong Kong resulted in a profit of HK$69 million (inclusive of revaluation appreciation and sales profits);

6. The overall effect of the above factors is that, in the year under review, profit attributable to owners of the Company of HK$406 million was recorded, representing a jump of 34% year-on-year;

7. Since the sales revenue sharply increased in the year under review, the Group's working capital rose considerably. Moreover, the new solvents plant in Zhuhai was completed and commenced operation, causing the Group's gearing ratio to slightly increase to 36.6%;

8. The application for the spin-off and separate listing of Bauhinia Ink Company Limited (a company established in the PRC and a subsidiary of the Company, "Bauhinia Ink") on the Shenzhen Stock Exchange is still in progress. So far, we have given our replies to two rounds of queries raised by the Shenzhen Stock Exchange in the hope that the process could be sped up. The listing time will be determined after the approval of the Shenzhen Stock Exchange and the endorsement of the China Securities Regulatory Commission to conduct the registration are obtained.

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

Solvents

In the year under review, sales volume grew by 2% year-on-year while sales revenue surged by 78% year-on-year to HK$14 billion. Due to an upsurge in raw material prices which the marketing department could leverage on to capture such market opportunity, and a strong growth in export volume to a historical high of nearly 400,000 metric tons, a record-high operating profit of HK$830 million was achieved in the year under review.

In the last two years, our management team has consolidated our market share of sales to the domestic market and raised substantially the share of exports by capitalising on the newly added production capacity of the Group's Taixing plant. Meanwhile, the marketing committee, which has been set up for two years, has become more sophisticated and efficient in the control and coordination of procurement and sales, particularly in the areas of chartering vessels for exports and coordinating production. As a result, significant benefits have been brought to the business.

The new Zhuhai plant that had been undergoing construction for two years was successfully put into operation by 2021 year-end. The successful adoption of a new high-pressure technology to produce ethyl acetate on its first run signified that the Group had taken a big step towards energy saving. Furthermore, the old plant in Jiangmen, having completed its historic mission, was shut down, marking the seamless transition between the two plants in Jiangmen and Zhuhai.

The main task of this business segment is to ensure that all daily operations run smoothly. The management team believes that declines in raw material prices would probably affect the short-term profitability of the Group. The Group is still determined to consolidate and boost domestic and export sales volumes to utilise the newly added capacity introduced by the Zhuhai plant. We will continue to study the possibility of applying new production processes to Zhuhai plant or draw reference from the successful experience of Taixing plant to further optimise our production capacity as well as consumption of raw materials and energy. What is more important is that the Board is fully confident of and harbours ambition in the solvents business. The focus of this business segment in the coming year is to broaden its product range and implement vertical integration in self-produced raw materials.

Coatings

In the year under review, the expansion strategy of the coatings business was bearing fruit. Its sales revenue rose by 41% year-on-year to HK$2.04 billion. Unfortunately, as the hefty rise in raw material prices could not be passed on to downstream customers, gross profit margin slipped by 8.1 percentage points comparing to that in the corresponding period of the preceding year to 21.3%.

Furthermore, since the second half of 2021, hampered by the tightening regulatory policies imposed on Mainland real estate developers, developers with long-term cooperation with our coatings business segment have been experiencing operational and financial problems. In response, the management team adjusted strategies immediately to safeguard receivables as much as possible. Nevertheless, because of the substantial increase in risk for overall receivables and related bond investment, the coatings business made a one-time special provision and impairment of HK$110 million in the year under review.

The year 2021 was a challenging one for the coatings business. Although there was growth in sales revenue, the surge in raw material prices and the successive debt crises of Mainland real estate developers had led to an overall loss of HK$124 million of the business in 2021. The management team will make every effort to improve the profitability situation in 2022. Considering the challenging environment in China real estate market, we will be cautious in our management and control of our project business with developers. We will focus more on expanding the retail network revolving around our core Bauhinia and Camel brands to increase the outlet coverage and sales of our water-based products in various Mainland provinces and cities. We will also step up our efforts in promoting our industrial coatings and Da Chang resins business, which have a higher technological and service barrier of entry, especially the market-leading coating products for plastics under the Hang Cheung brand. Lastly, the management team has already started optimising operations and lowering supply chain and sales expenses in its endeavour to increase operating profit.

Inks

Overall sales grew by 20% year-on-year to almost HK$1.5 billion in the year under review. Since the product price adjustments were not on par with the raw material costs increase, operating profits slipped by 22% to HK$47 million.

In the year under review, operations largely ran smoothly. As raw material prices surged and users could hardly bear the rising prices, the Group took a customer-centric approach and had a detailed dialogue with them about price adjustments. This might have hurt profitability in the short term, but will achieve the beneficial effect of building rapport with our customers in the long term. In the year under review, the Tongxiang plant completed the automation of its new production lines as well as accelerated its digitisation. The new production lines could provide sufficient production capacity to cope with the sales growth and serve as a good example for the plants in Zhongshan and Tongxiang to further renovate and upgrade their production lines.

In response to the global trend on environmental protection and to comply with the national energy conservation and emission reduction policies, the technical team has ramped up the R&D of water-based inks while the sales team has also committed to doubling the sales of water-based products in year 2022. At the end of the year 2021, elite personnel were transferred from other teams of the Group to the inks business segment and the inks business segment also recruited foreign experts to join its team. These measures are to ensure increase in sales in year 2022, particularly for water-based products and other eco-friendly products.

Lubricants

In the year under review, the lubricants business achieved marked growth in sales revenue of 51% year-on-year to HK$330 million. Although price in raw materials including oil and additives were on a rising trend throughout 2021, management team succeeded in boosting sales volume, stocking up an appropriate amount of raw materials and raising production efficiency. As a result, the gross profit margin was 24.4% while operating profit was HK$20 million, down by 2.1 percentage points and up by 160% from the corresponding period of the preceding year respectively.

The lubricants business is now developing on a healthy track. In 2022, the management team will continue to focus efforts on promoting the automobile engine oils and industrial lubricants under the Hercules brand. It will seek profit growth by expanding its own sales channels and by suitable OEM business.

Other Businesses

The Group is continuously seeking environmentally friendly, end-user-oriented and service-oriented development and is actively pursuing business opportunities related to "household" and "automobile". During the year under review, the Group has been promoting Damai as the top self-operated car maintenance chain in the automobile aftermarket to offer China's millions of end-user car owners with professional, convenient and highly cost-effective car maintenance services. In the year under review, although its speed of opening new outlets was affected by the pandemic, Damai continued with its expansion plan. In addition to making a presence in Shandong, Guangdong, Hebei, Hunan and Jiangsu, Damai managed to open eight outlets in Guizhou by 2021 year-end. As of 31 December 2021, the number of outlets reached 124, altogether serving more than 266,000 cars during the year under review, up by 24.7% year-on-year. The management believes that car maintenance services that are standardised and highly cost-effective are in line with the consumption habits of China's middle class. In the short term, Damai will keep focusing on expanding its service network to become a platform with 200 outlets.

For the properties segment, the rental income from leasing the R&D centre in Shanghai has boosted the revenue by 14% to HK$10 million. In the year under review, the sale of Yip's Chemical Building in Fanling has propelled operating profit to HK$68 million.

Outlook

As the Group's solvents business has succeeded in establishing its unique operating model, the Board is fully confident that the business can generate profit continuously and is actively looking for opportunities for the next major development. The coatings business has been hit hard by the Mainland's real estate crises, and is now proactively seeking a breakthrough in its business model, with a focus on our strong brands and products, to increase the long-term profitability of the coatings business. The inks business is now focusing on developing new environmentally friendly inks in order to adapt to the global trend of environmental protection, and advancing the process of spin-off and separate listing in an orderly manner, so as to plan for a brand new development direction for the future.

Yip Tsz Hin
Chief Executive Officer

24 March 2022

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's gearing ratio (measured by net bank borrowings as a percentage of equity attributable to owners of the Company) was 36.6% (31 December 2020: 31.1%), representing an increase of 5.5 percentage points and a decline of 15.1 percentage points as compared to 51.7% as at interim 2021. Although the Group continued to maintain a healthy operating cash flow this year, the Group's net bank borrowings increased due to the investment in the solvents' new plant and various long term investments, leading to the increase in the Group's gearing ratio. The RMB exchange rate recorded an appreciation of 2.7% in 2021. Although the RMB exchange rate was relatively stable during the year, the Group will remain prudent in managing foreign exchange exposure so as to minimise the impact of RMB fluctuation on its results. On the other hand, the net interest expenses during the year increased by 17.9% to HK$37,968,000 (2020: HK$32,216,000) because of a rise in the Group's net bank borrowings.

As for operating cash flow, the Group recorded during the year a net cash inflow of HK$266,372,000 (2020: net cash inflow of HK$222,200,000). Compared with the preceding year, the increase in operating cash inflow was driven by the strong increase in sales growth, although the effect was partly offset by the inflated working capital required to finance trade receivables and bills receivables, prepayments and inventories.

As at 31 December 2021, gross bank borrowings of the Group amounted to HK$2,149,875,000 (31 December 2020: HK$1,624,487,000). After the deduction of short-term bank deposits, bank balances and cash amounting to HK$758,317,000 (31 December 2020: HK$565,302,000), net bank borrowings amounted to HK$1,391,558,000 (31 December 2020: HK$1,059,185,000). Of the gross bank borrowings, HK$1,247,042,000 (31 December 2020: HK$706,887,000) were short-term loans repayable within one year. Such loans were denominated in two currencies, HK$704,767,000 in Hong Kong Dollars and HK$542,275,000 in RMB (31 December 2020: HK$671,100,000 in Hong Kong Dollars and HK$35,787,000 in RMB). Long-term loans repayable after one year amounted to HK$902,833,000 (31 December 2020: HK$917,600,000), and they were all denominated in Hong Kong Dollars (31 December 2020: all in Hong Kong Dollars). The short-term bank deposits, bank balances and cash were denominated in the following currencies: HK$43,473,000 in Hong Kong Dollars, HK$555,950,000 in RMB and HK$157,778,000 in US Dollars and HK$1,116,000 in other currencies (31 December 2020: HK$24,309,000 in Hong Kong Dollars, HK$425,408,000 in RMB and HK$110,879,000 in US Dollars and HK$4,706,000 in other currencies).

To refinance the previous mid-to-long-term loans due for repayment, the Group has signed a four-year sustainability-linked embedded syndicated loan facility agreement of HK$600,000,000 in 2021 with six banks. Under the facility agreement, the Group is eligible to receive interest rate savings upon achieving pre-determined targets which address environmental, social and governance performance mutually agreed with the banks. In 2021, certain targets had been met and thus resulting in securing the relevant interest rate savings in 2022. During the year under review, the Group increased the utilization of the short-term loan facility, which not only allowed more flexibility for use of fund, but also reduced borrowing costs. As at 31 December 2021, mid-to-long-term loans (including portions repayable within one year of HK$479,767,000) accounted for 64% of the total bank loans. Although the market is still at low interest rate environment, the expectation for rate hikes continues to rise. The Group will monitor the interest rate fluctuation from time to time and enter into interest rate swaps or fixed rate arrangement with the banks at an appropriate time to hedge against the risk of interest rate fluctuation. As at 31 December 2021, the Group's loans under fixed rate arrangement made up 47% of its mid-to-long-term loans.

As at 31 December 2021, a total of 24 banks in Hong Kong and Mainland China granted banking facilities in aggregate amount of HK$6,588,898,000 to the Group, providing it with sufficient funds to meet present working capital and expansion requirements. Of these banking facilities, 46%, 53% and 1% were denominated in Hong Kong Dollars, RMB and US Dollars respectively. As at 31 December 2021, the Group's RMB revolving loan facilities totalled at RMB1,828,000,000 (31 December 2020: RMB950,000,000). 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 Mainland China.

As at 31 December 2021, the Group did not have any significant investments, pledged assets and significant contingent liabilities. Other than those disclosed in this announcement, the Group did not have any concrete plans for material investments or capital assets.

HUMAN RESOURCES

As of 31 December 2021, the Group has a total number of 3,541 employees, among which 79 and 12 of them are from Hong Kong and other countries while the remaining 3,450 are from different provinces in Mainland China.

The Group places great emphasis on the management and development of human capital. The employees are encouraged to strive for improvement through internal and external training programs, job rotations and participation in the Group's educational subsidy programs, facilitating 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 level. The Group regularly identifies talented employees and tailors career plans to support their continuous development. With versatile experience in challenging roles in different areas, the current management team of the Group has risen through the ranks to positions of management. In addition to the focus of developing employees internally, the Group also seeks to attract external talents.

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 drive 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

Repurchase of Shares

During the year ended 31 December 2021, the Company repurchased a total of 2,780,000 Shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration (before expenses) of HK$10,309,040. All the repurchased Shares were subsequently cancelled.

Particulars of the repurchases are as follows:

Month	**Total number of Shares repurchased**	**Purchase price per Share**		**Aggregate consideration (before expenses)**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$*
March	2,178,000	3.72	3.64	8,037,660
April	602,000	3.83	3.74	2,271,380
	2,780,000			10,309,040

Saved as disclosed above, during the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance so as to achieve the Group's objectives of maximising values for its employees, customers, suppliers, business partners and Shareholders, and safeguarding their interests. The Company has complied with "Corporate Governance Code" (the "CG Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange throughout the year under review except that the Company did not have a nomination committee before 20 December 2021. A nomination committee (the "Nomination Committee") has been established by the Board on 20 December 2021. Since then, the Company complied with all applicable code provisions of the CG Code for the period from 20 December 2021 to 31 December 2021.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in November 1998. Major duties of the Audit Committee include reviewing financial information of the Group, overseeing the Group's financial reporting system and internal control procedures and monitoring of the relationship between the Group and its external auditors. The audited consolidated financial statements of the Group for the year ended 31 December 2021 have been reviewed by the Audit Committee. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Ku Yee Dao, Lawrence who is also the chairman of the Audit Committee, Mr. Wong Yuk and Mr. Ho Pak Chuen, Patrick.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established in June 2005. Major duties of the Remuneration Committee include establishing a formal and transparent procedure for formulating remuneration policy, making recommendation to the Board on the Group's policy and structure for the remuneration of Directors and senior management and determining the remuneration packages of all executive Directors and senior management. As at the date of this announcement, the Remuneration Committee comprises two independent non-executive Directors, namely Mr. Ho Pak Chuen, Patrick who is also the chairman of the Remuneration Committee, and Mr. Wong Yuk.

NOMINATION COMMITTEE

The nomination Committee of the Company (the "Nomination Committee") was established on 20 December 2021. Prior to 20 December 2021, the Board was responsible for the nomination and appointment of new directors, review of composition and membership of the Board and other functions performed by a nomination committee under the CG Code.

In view of the amendments to the Listing Rules which has become effective from 1 January 2022, the Board established the Nomination Committee on 20 December 2021 to perform the said functions to meet the requirements under Rule 3.27A of the amended Listing Rules and comply with the code provision B.3.1 of the amended CG Code.

As at the date of this announcement, the Nomination Committee comprises one non-executive Director, Mr. Ip Chi Shing (the Chairman of the Board) who is also the chairman of the Nomination Committee and two independent non-executive Directors, namely Mr. Wong Yuk and Mr. Ho Pak Chuen, Patrick.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

The health, safety and environment ("HSE") committee of the Company (the "HSE Committee") was formed on 1 January 2012 in order to enhance the awareness of the importance of the health, safety and environment protection works to the Group. Major duties of the HSE Committee include the adoption and review of the Group's HSE policies, and review of the Group's appetite for HSE risk and monitoring the Group's environment for HSE matters, including organisation structure, reward and punishment systems, resource inputs, operation culture etc. As at the date of this announcement, the HSE Committee comprises two independent non-executive Directors, namely Mr. Wong Yuk who is also the chairman of the HSE Committee, and Mr. Ho Pak Chuen, Patrick.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2021, together with comparative figures of last year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	**2021** **HK$'000**	2020 *HK$'000*
Revenue	2	**17,805,397**	10,776,026
Cost of sales		**(15,643,974)**	(9,053,128)
Gross profit		**2,161,423**	1,722,898
Other income	3a	**66,175**	81,918
Other gains and losses	3b	**30,787**	(69,952)
Gain on disposal of subsidiaries		**2,336**	1,500
Selling and distribution expenses		**(595,916)**	(465,206)
General and administrative expenses		**(832,016)**	(686,910)
Finance costs		**(50,055)**	(48,231)
Impairment losses recognised for debt instrument at fair value through other comprehensive income ("FVTOCI")		**(42,826)**	–
Share of results of associates		**(710)**	(1,106)
Profit before taxation	4	**739,198**	534,911
Taxation	5	**(164,647)**	(131,335)
Profit for the year		**574,551**	403,576
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**112,954**	318,906
Fair value changes on financial assets at FVTOCI		**(4,048)**	(2,597)
		108,906	316,309

	NOTE	2021 HK$'000	2020 HK$'000
Items that may be reclassified subsequently to profit or loss:			
Net adjustment arising from hedging instruments		**7,026**	(12,517)
Exchange differences arising on translation of foreign operations		**47,678**	26,595
Fair value changes on debt instrument at FVTOCI		**(42,826)**	–
Impairment losses for debt instrument at FVTOCI included in profit or loss		**42,826**	–
		54,704	14,078
Other comprehensive income for the year		**163,610**	330,387
Total comprehensive income for the year		**738,161**	733,963
Profit for the year attributable to:			
Owners of the Company		**406,280**	302,575
Non-controlling interests		**168,271**	101,001
		574,551	403,576
Total comprehensive income for the year attributable to:			
Owners of the Company		**544,938**	587,419
Non-controlling interests		**193,223**	146,544
		738,161	733,963
Earnings per share	7		
– Basic		**HK$72.8 cents**	HK53.8 cents
– Diluted		**HK$72.8 cents**	HK53.8 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	NOTE	**2021** **HK$'000**	2020 HK$'000
Non-current assets			
Property, plant and equipment		**2,456,452**	2,032,633
Investment properties		**135,118**	344,096
Interests in associates		**5,208**	5,772
Financial asset at FVTOCI		**15,035**	19,083
Financial assets at fair value through profit or loss ("FVTPL")		**130,781**	–
Debt instrument at FVTOCI		**–**	62,369
Goodwill		**149,561**	148,584
Intangible assets		**81,403**	82,986
Deposits paid for acquisition of property, plant and equipment		**44,282**	34,587
Derivative financial instruments		**249**	–
Deferred tax assets		**7,441**	7,697
		3,025,530	2,737,807
Current assets			
Inventories		**1,296,801**	1,169,493
Trade receivables	8	**4,589,944**	3,474,539
Other debtors and prepayments		**715,996**	492,222
Derivative financial instruments		**8,472**	–
Financial asset at FVTPL		**6,678**	–
Debt instrument at FVTOCI		**18,351**	–
Short-term bank deposits – with original maturity within three months		**10,644**	34,894
Bank balances and cash		**747,673**	530,408
		7,394,559	5,701,556

	NOTES	2021 HK$'000	2020 HK$'000
Current liabilities			
Creditors and accrued charges	9	**3,215,496**	2,325,974
Contract liabilities		**58,504**	44,028
Taxation payables		**100,613**	86,772
Derivative financial instruments		**1,952**	5,761
Lease liabilities		**30,122**	27,879
Borrowings – amount due within one year		**1,247,042**	706,887
		4,653,729	3,197,301
Net current assets		**2,740,830**	2,504,255
Total assets less current liabilities		**5,766,360**	5,242,062
Non-current liabilities			
Derivative financial instruments		**778**	3,755
Lease liabilities		**104,446**	64,404
Borrowings – amount due after one year		**902,833**	917,600
Deferred tax liabilities		**30,804**	30,104
		1,038,861	1,015,863
		4,727,499	4,226,199
Capital and reserves			
Share capital	10	**56,848**	55,666
Reserves		**3,745,525**	3,350,258
Equity attributable to owners of the Company		**3,802,373**	3,405,924
Non-controlling interests		**925,126**	820,275
		4,727,499	4,226,199

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	**2021** **HK$'000**	2020 HK$'000
Net cash from operating activities		**266,372**	222,200
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(460,009)**	(145,615)
Acquisition of financial assets at FVTPL		**(167,775)**	–
Acquisition of debt instrument at FVTOCI		**–**	(61,783)
Proceeds from disposal of financial assets at FVTPL		**66,580**	–
Proceeds from disposal of debt instrument at FVTOCI		**–**	59,539
Refund of deposits paid for acquisition of property, plant and equipment		**–**	5,359
Acquisition of interest in an associate		**–**	(5,750)
Net cash outflow on acquisition of subsidiaries	11	**–**	(20,514)
Deposits paid for acquisition of property, plant and equipment		**(60,512)**	(44,543)
Net proceeds from disposal of subsidiaries	12	**289,160**	1,500
Interest received		**12,087**	16,015
Proceeds from disposal of property, plant and equipment		**3,909**	11,390
Net cash used in investing activities		**(316,560)**	(184,402)
Cash flows from (used in) financing activities			
Borrowings raised		**2,475,009**	840,757
Repayment of borrowings		**(1,949,621)**	(1,195,670)
Dividends paid		**(138,180)**	(107,030)
Interest paid		**(43,368)**	(44,325)
Dividends paid to non-controlling shareholders of subsidiaries		**(60,775)**	(24,448)
Payment of lease liabilities		**(36,220)**	(38,209)
Proceeds received from partial disposal of a subsidiary		**–**	70,852
Shares repurchase		**(10,309)**	(19,206)
Cash paid for the settlement of the derivative financial instruments used to hedge interest rate risk		**(5,547)**	(3,184)
Net cash from (used in) financing activities		**230,989**	(520,463)
Net increase (decrease) in cash and cash equivalents		**180,801**	(482,665)
Cash and cash equivalents at beginning of the year		**565,302**	1,009,542
Effect of foreign exchange rate changes		**12,214**	38,425
Cash and cash equivalents at end of the year		**758,317**	565,302
Analysis of balances of cash and cash equivalents			
Short-term bank deposits with original maturity within three months		**10,644**	34,894
Bank balances and cash		**747,673**	530,408
		758,317	565,302

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19 Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* ("HKFRS 7"). As at 1 January 2021, the Group has several borrowings and interest rate swaps, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of financial assets and liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

	HKD Hong Kong Interbank Offered Rate ("HIBOR")
	HK$'000
Financial liabilities	
Borrowings	1,424,700
Derivative	
Interest rate swaps	9,232

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for borrowings and interest rate swaps measured at amortised cost.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]

[1] Effective for annual periods beginning on or after 1 April 2021.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after 1 January 2023.
[4] Effective for annual periods beginning on or after a date to be determined.

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

Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC) – Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC) – Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 ***Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)***

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 12 ***Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

In addition, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the provisions for decommissioning and restoration and the corresponding amounts recognised as part of the cost of the related assets.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK$349,810,000 and HK$134,568,000 respectively. The Group is still in process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained profits (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

2. REVENUE AND SEGMENT INFORMATION

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

(a) Disaggregation of revenue

	2021	2020
	HK$'000	*HK$'000*
Recognised at a point in time:		
Revenue from sales of products		
– solvents	**13,811,286**	7,758,881
– coatings	**2,036,804**	1,442,662
– inks	**1,497,907**	1,244,183
– lubricants	**332,472**	219,866
– car maintenance and other chemical products	**71,243**	70,690
Recognised over time:		
Car maintenance service	**45,894**	31,248
Revenue from contracts with customers	**17,795,606**	10,767,530
Lease income from properties	**9,791**	8,496
	17,805,397	10,776,026
Geographical market based on location of customers:		
People's Republic of China (the "PRC")	**13,229,857**	8,676,930
Hong Kong	**87,098**	66,638
Overseas (mainly including countries in South East Asia)	**4,488,442**	2,032,458
	17,805,397	10,776,026

Performance obligations for contracts with customers

Sales of products

Revenue from sales of products is recognised at a point in time when control of the goods has transferred, being when the goods have been delivered or shipped to the customer's specific location (delivery). Transactions and handling activities that occur before the customer obtains control are considered as fulfilment activities. Following the delivery, the customer has full discretion to use and sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 90 days upon delivery.

Car maintenance service

Generally, the car maintenance services are completed within the same day and there is no credit term granted for these services. The Group's performance enhances the assets controlled by the customers. Revenue from the provision of car maintenance service is recognised over time based on the Group's right to invoice.

The Group uses a practical expedient for not disclosing the information including the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period as these sales or services have an original expected duration of one year or less.

(b) Segment revenue and results

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

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

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

In addition, the Group's operation relating to the manufacture of and trading in other chemical products together with the business engaging in trading of car maintenance products and car maintenance services do not meet the quantitative threshold for reportable segment in both current and prior year (if applicable). Accordingly these were aggregated and presented in 'Others'.

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 year 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.

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

	Solvents	Coatings	Inks	Lubricants	Properties	Reportable segment total	Others	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2021									
Segment revenue									
Revenue from contracts with customers									
External sales	13,811,286	2,036,804	1,497,907	332,472	–	17,678,469	117,137	–	17,795,606
Inter-segment sales	215,985	94	541	742	–	217,362	22,143	(239,505)	–
External rental income (under HKFRS 16)	–	–	–	–	9,791	9,791	–	–	9,791
Inter-segment rental income	–	–	–	–	372	372	–	(372)	–
Total	14,027,271	2,036,898	1,498,448	333,214	10,163	17,905,994	139,280	(239,877)	17,805,397
Results									
Segment results	830,262	(123,503)	47,337	19,735	67,579	841,410	(32,463)	333	809,280
Share of results of associates									(710)
Unallocated income									12,266
Unallocated expenses									(31,583)
Finance costs									(50,055)
Profit before taxation									739,198
Year ended 31 December 2020									
Segment revenue									
Revenue from contracts with customers									
External sales	7,758,881	1,442,662	1,244,183	219,866	–	10,665,592	101,938	–	10,767,530
Inter-segment sales	108,992	28	363	107	–	109,490	34,945	(144,435)	–
External rental income (under HKFRS 16)	–	–	–	–	8,496	8,496	–	–	8,496
Inter-segment rental income	–	–	–	–	408	408	–	(408)	–
Total	7,867,873	1,442,690	1,244,546	219,973	8,904	10,783,986	136,883	(144,843)	10,776,026
Results									
Segment results	471,454	51,156	60,767	7,593	981	591,951	(12,130)	(316)	579,505
Share of results of associates									(1,106)
Unallocated income									16,132
Unallocated expenses									(11,389)
Finance costs									(48,231)
Profit before taxation									534,911

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

3. OTHER INCOME AND OTHER GAINS AND LOSSES

(a) The Group's other income mainly comprises:

	2021 HK$'000	2020 HK$'000
Interest income	**12,087**	16,015
Government grants recognised *(note i)*	**16,584**	22,094
Compensation income *(note ii)*	**17,326**	10,265

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

	2021 HK$'000	2020 HK$'000
Net exchange loss arising from foreign currency balances and transactions	**(4,471)**	(29,895)
Net loss on disposal/written off of property, plant and equipment	**(6,690)**	(14,859)
Gain (loss) on fair value change of investment properties	**66,000**	(6,771)
Recognition of impairment loss on trade and other receivables under expected credit loss ("ECL") model	**(60,859)**	(13,406)
Gain from change in fair value of financial assets at FVTPL	**28,908**	533
Gain (loss) on change in fair value of a foreign exchange forward contract	**7,899**	(282)
Gain on deregistration of subsidiaries	**–**	241
Written off on deposits paid for acquisition of property, plant and equipment *(note iii)*	**–**	(5,513)
	30,787	(69,952)

Notes:

(i) During the year ended 31 December 2020, the Group recognised government grants of HK$4,877,000 (2021: Nil) in respect of Covid-19 related subsidies, of which HK$4,071,000 (2021:Nil) is related to Employment Support Scheme provided by the government in Hong Kong.

(ii) The amount mainly represented the compensation from insurance claims in relation to a fire incident amount of HK$11,801,000 (2020: HK$6,221,000), which was recognised in profit or loss when the compensation became receivable.

(iii) This represented the non refundable portion of deposit paid on a plant located in the PRC.

4. PROFIT BEFORE TAXATION

	2021	2020
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**218,252**	212,595
Less: capitalised in inventories	**(119,304)**	(113,989)
	98,948	98,606
Staff costs, including directors' remuneration	**741,380**	591,544
Less: capitalised in inventories	**(243,548)**	(196,000)
	497,832	395,544
Short-term leases expense	**7,045**	6,390
Amortisation of intangible assets	**2,047**	2,134
Auditor's remuneration	**2,800**	3,200
Cost of inventories recognised as expense *(note a)*	**15,643,974**	9,053,128
Other expenses *(note b)*	**3,820**	6,865

Notes:

(a) During the year ended 31 December 2021, net reversal of allowance recognised on inventories amounting to HK$12,939,000 (2020: HK$7,853,000) as certain slow-moving raw materials were utilised for production and inventories sold subsequently at price higher than net realisable value. Written off of inventories amounting to HK$9,671,000 (2020: HK$10,314,000) was recognised as an expense during the year ended 31 December 2021.

(b) The amount represented the professional fee in relation to the proposed separate listing of the subsidiary engaging in manufacturing and trading of inks and related products on a stock exchange in the PRC.

5. TAXATION

	2021	2020
	HK$'000	*HK$'000*
Current tax – the PRC		
Current year	**149,153**	110,806
Withholding tax	**16,487**	13,188
	165,640	123,994
Current tax – Overseas	**1,068**	–
Overprovision in prior years – the PRC	**(5,578)**	–
Deferred tax (credit) charge		
Hong Kong	**(290)**	428
The PRC	**3,807**	6,913
	3,517	7,341
	164,647	131,335

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

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

The withholding tax mainly 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% (2020: 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% (2020: 5%) for dividend upon the distribution of such profits to the shareholders. During the year ended 31 December 2021, the Group recognised the withholding tax of RMB3,375,000 (equivalent to approximately HK$4,052,000) (2020: Nil) in respect of disposal of a subsidiary in the PRC with tax rate of 10% under EIT law. During the year ended 31 December 2020, the Group recognised the withholding tax of RMB3,049,000 (equivalent to approximately HK$3,338,000) (2021: 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.

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

6. DIVIDENDS

	2021	2020
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Interim dividend for 2021 of HK12 cents and special dividend of HK10 cents (2020: interim dividend for 2020 of HK6 cents) per share	**121,853**	33,706
Final dividend for 2020 of HK16 cents (2020: Final dividend for 2019 of HK13 cents) per share	**88,621**	73,324
	210,474	107,030

Final dividend equivalent to HK18 cents (2020: HK16 cents) per share totalling not less than HK$102,327,000 (2020: HK$88,621,000), in respect of the year ended 31 December 2021 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

During the year, scrip alternatives were offered in respect of the 2021 interim dividend and special dividend. These scrip alternatives were accepted by certain ordinary shareholders, as follows:

	2021
	HK$'000
Dividends:	
Cash	**49,559**
Ordinary share alternative	**72,294**
	121,853

7. EARNINGS PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company and earnings for the purposes of calculating basic and diluted earnings per share	**406,280**	302,575
	Number of shares	
	'000	*'000*
Weighted average number of shares for the purpose of calculating basis and diluted earnings per share	**558,240**	562,669

The computation of diluted earnings per share does not assume the exercise of the Company's options of exercise prices of HK$5.942 (2020: HK$5.942) because the exercise prices of those options were higher than the average market price for shares for both 2021 and 2020.

8. TRADE RECEIVABLES

	2021 *HK$'000*	2020 *HK$'000*
Trade receivables from contracts with customers	**4,683,981**	3,533,739
Less: allowance for ECL	**(94,037)**	(59,200)
	4,589,944	3,474,539

As at 1 January 2020, trade receivables from contracts with customers amounted to HK$2,794,945,000.

Bills received by the Group which represent 銀行承兌匯票 ("banker's acceptances") i.e. time drafts accepted and guaranteed for payment by the PRC banks, amounting to HK$2,384,600,000 (2020: HK$1,650,402,000). The Group accepts the settlement of trade receivables by customers using banker's acceptances accepted by the PRC banks on a case by case basis.

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

An aged analysis of trade receivables net of allowance for credit losses (excluding bills held by the Group for future settlement), presented based on the invoice date at the end of the reporting period is as follows:

	2021 *HK$'000*	2020 *HK$'000*
0 – 3 months	**1,843,544**	1,556,828
4 – 6 months	**246,079**	211,846
Over 6 months	**115,721**	55,463
	2,205,344	1,824,137

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

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

As at 31 December 2021, approximately 75% (2020: 82%) of the trade receivables (excluding bills held by the Group for future settlement) are neither past due nor impaired as they were assessed to be of good credit rating attributable under the credit control system used by the Group.

As at 31 December 2021, included in the Group's trade receivables (excluding bills held by the Group for future settlement) are debtors with aggregate carrying amount of HK$549,142,000 (2020: HK$335,083,000) which are past due as at the reporting date.

9. CREDITORS AND ACCRUED CHARGES

	2021	2020
	HK$'000	*HK$'000*
Trade creditors	**2,709,552**	1,888,204
Other creditors and accrued charges	**505,944**	437,770
	3,215,496	2,325,974

Other creditors and accrued charges mainly consist of payables of acquisition of property, plant and equipment of HK$70,541,000 (2020: HK$30,248,000), payables of staff salaries and benefits (including sales commission) of HK$161,082,000 (2020: HK$149,963,000) and payable of storage and transportation of HK$97,638,000 (2020: HK$87,080,000).

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

	2021	2020
	HK$'000	*HK$'000*
0 – 3 months	**2,005,456**	1,331,888
4 – 6 months	**688,463**	515,257
Over 6 months	**15,633**	41,059
	2,709,552	1,888,204

10. SHARE CAPITAL

	Authorised 2021 & 2020 *HK$'000*
Shares of HK$0.10 each	**80,000**

Movements in the issued share capital of the Company during the year are as follows:

	Number of shares *'000*	Amount *HK$'000*
Issued and fully paid:		
At 1 January 2020	**564,029**	56,403
Share repurchased and cancelled	**(7,370)**	(737)
At 31 December 2021	**556,659**	55,666
Share repurchased and cancelled	**(2,780)**	(278)
Scrip dividend	**14,605**	1,460
	568,484	56,848

All shares issued rank pari passu with the then existing shares in issue in all respects.

The Company repurchased its own ordinary shares through the Stock Exchange as follows:

For the year ended 31 December 2021

Month of repurchase	Number of shares *'000*	Price per share Highest *HK$*	Lowest *HK$*	Aggregated consideration paid *HK$'000*
March 2021	2,178	3.72	3.68	8,038
April 2021	602	3.83	3.75	2,271
	2,780			10,309

For the year ended 31 December 2020

Month of repurchase	Number of shares	Price per share Highest	Lowest	Aggregated consideration paid
	'000	*HK$*	*HK$*	*HK$'000*
August 2020	1,606	2.50	2.28	3,927
September 2020	3,000	2.70	2.45	7,649
October 2020	1,312	2.64	2.55	3,436
November 2020	1,122	2.90	2.70	3,210
December 2020	330	3.00	2.95	984
	7,370			19,206

During the year ended 31 December 2021, 2,780,000 (2020: 7,370,000) shares of the Company repurchased were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to the capital redemption reserve. The premium payable on repurchase of those shares was charged against the retained earnings.

During the year ended 31 December 2021, 14,605,000 (2020: nil) shares of HK$0.10 each were issued at a price HK$4.95 per share upon election by shareholders to receive shares of the Company in lieu of cash in relation to 2021 interim dividend and special dividend.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

11. 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). Upon completion of the transactions, the Group’s equity interest in 河北大麥 increased to 61%, and 河北大麥 and its subsidiaries became indirect non-wholly owned subsidiaries of the Company. The acquisition is considered to be a downstream extension of the Group’s chemical business particularly for the lubricants business of the Group and the acquisition provided an opportunity for the Group to diversify its business and widen its source of income. 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 Group's previously held equity interest in 河北大麥 is remeasured to fair value amounting to HK$24,108,000 at the acquisition date which is a non-cash transaction.

The Group's then existing interests in associates had once been diluted from 38.58% to 30.78%, as a result of increase in paid-up capital of 河北大麥, and together with the newly subscribed paid-up capital and acquisition of additional interest of 河北大麥, the equity interest in 河北大麥 held by the Group increased to 61%.

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.

There is no significant gain or loss on remeasurement of fair value of interests in associates on date of acquisition. 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 results of the Group

Included in the profit for the year ended 31 December 2020, loss amounting of HK$25,444,000 was attributable to the business operation from 河北大麥. Revenue for the year ended 31 December 2020 included HK$48,275,000 which was generated from 河北大麥.

Had the acquisition been completed on 1 January 2020, revenue for the year ended 31 December 2020 of the Group would have been HK$10,779,686,000, and profit for the year ended 31 December 2020 of the Group would have been HK$402,178,000. 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.

12. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2021

(a) On 16 July 2021, the Yip's H.C. (Holding) Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party ("Purchaser") to dispose of the entire share capital of Big Youth Investments Limited ("Big Youth") and assignment of shareholder loan for an aggregate consideration of approximately HK$282,682,000, subject to consideration adjustment. The major asset of Big Youth is an investment property known as Yip's Chemical Building located in Hong Kong. The shares of Big Youth have been transferred to the Purchaser on 16 July 2021.

The net assets of Big Youth at the date of disposal were as follows:

	HK$'000
Investment properties	278,000
Trade and other receivables	190
Trade and other payables	(38)
Deferred tax liabilities	(2,471)
Net assets disposed of	275,681

	HK$'000
Gain on disposal of subsidiaries:	
Consideration received	282,682
Less: Net assets disposed of	(275,681)
Transaction costs	(3,733)
Gain on disposal	3,268

(b) On 28 June 2021, the Group entered into an agreement to dispose of the 60% equity interest in 德慶華彩合成樹脂有限公司（"德慶華彩"）, to a non-controlling shareholder at a total cash consideration of RMB34,000,000 (equivalent to approximately HK$40,824,000). The transaction was completed on July 2021.

The net assets of 德慶華彩 at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	21,080
Inventories	13,646
Trade and other receivables	40,391
Bank balances and cash	29,543
Amounts due from fellow subsidiaries	16,517
Amount due to a fellow subsidiary	(39,484)
Trade and other payables	(11,573)
Tax payables	(767)
Net assets disposed of	69,353

	HK$'000
Loss on disposal of subsidiaries:	
Consideration received and receivable	40,824
Add: Non-controlling interest	27,597
Less: Net assets disposed of	(69,353)
Loss on disposal	(932)
Net cash inflow arising on disposal:	
Cash consideration received	36,021
Bank balances and cash disposed of	(29,543)
	6,478

For the year ended 31 December 2020

(c) On 15 October 2020, the Group entered into sales and purchase agreement to dispose of the entire equity interest of its indirectly wholly-owned subsidiary, Hang Cheung Petrochemical (International) Limited, to an independent third party. The Group received the total cash consideration of approximately HK$1,500,000 during the year ended 31 December 2020.

The net assets of Hang Cheung Petrochemical (International) Limited at the date of disposal was nil. A gain amounting to HK$1,500,000 was recognised during the year ended 31 December 2020.

FINAL DIVIDEND

The Board recommended a final dividend of HK18 cents in cash per Share, payable to Shareholders whose names appear on the register of members of the Company on Friday, 17 June 2022. The recommended final dividend for the year ended 31 December 2021, which will be payable on or around Friday, 22 July 2022, is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company ("AGM") to be held on Monday, 6 June 2022.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Tuesday, 31 May 2022 to Monday, 6 June 2022 (both dates inclusive) for the purpose of ascertaining Shareholders' entitlement to attend and vote at the forthcoming AGM. No transfer of shares may be registered on those dates. In order to qualify for the Shareholders' entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's branch share registrar and transfer office 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 Monday, 30 May 2022.

The Hong Kong branch register of members of the Company will be closed from Thursday, 16 June 2022 to Friday, 17 June 2022 (both dates inclusive) for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend. No transfer of Shares may be registered on those dates. In order to qualify for the Shareholders' entitlement to the proposed final dividend, all transfer forms accompanied by the relevant Share certificates should be lodged with the Company's branch share registrar and transfer office 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 Wednesday, 15 June 2022.

PUBLICATION OF FINAL RESULTS AND ANNUAL 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 Company's 2021 annual report containing all the information required by the Listing Rules will be published on the 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, 24 March 2022

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

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*