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Yip's Chemical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 408

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

HIGHLIGHTS

Profit Attributable to Owners Amounted to HK\$108 million Interim Dividend of HK10 Cents per share

- During the period under review, in view of the economic environment and impacts of the pandemic, the Group's sales volume and revenue decreased by 6% and 9% year-on-year respectively.
- Profit attributable to owners amounted to HK\$108 million, representing a decrease of 64% year-on-year, mainly because non-recurring fair value increases in Yip's Chemical Building and listed securities were recorded in the corresponding period of the preceding year and the said assets were subsequently disposed of during the year ended 31 December 2021.
- Capital utilization further improved with the gearing ratio* falling to 46.6%.
- The Board has resolved to declare payment of an interim dividend of HK10 cents per share, representing a slight decrease of HK2 cents year-on-year.
- After the period under review, the Group announced the proposed disposal of a 51% effective interest in its solvents business to PAG for the consideration of HK\$2,688 million to jointly develop the upstream raw material business for solvents.

	For the six-month period ended 30 June 2022 (unaudited)	For the six-month period ended 30 June 2021 (unaudited)	% change
Revenue	HK\$7,716,739,000	HK\$8,453,208,000	-9%
Sales volume	718,000 metric tons	767,000 metric tons	-6%
Profit attributable to owners of the Company	HK\$108,322,000	HK\$299,824,000	-64%
Earnings per share	HK19.1 cents	HK53.9 cents	-65%
Interim dividend per share	HK10.0 cents	HK12.0 cents	-17%
Special dividend per share	–	HK10.0 cents	N/A
	As of 30 June 2022 (unaudited)	As of 30 June 2021 (unaudited)	
Gearing ratio*	46.6%	51.7%	-5.1% points

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

CHAIRMAN’S STATEMENT – REVIEW & OUTLOOK

Review

It is my pleasure to present to all shareholders (the “Shareholders”) of Yip’s Chemical Holdings Limited (the “Company”) an overview of the business of the Company and its subsidiaries (collectively “Yip’s Chemical” or the “Group”) for the six months ended 30 June 2022 (the “period under review”).

A very serious geopolitical conflict broke out in the beginning of 2022. With the conflict compounded by the United States of America and other Western countries, the war between Russia and Ukraine intensified beyond what was anticipated. This has led to an immediate surge in global energy and food prices as well as a supply crisis of food and energy resources, and the imbalances in the global supply chain have dealt a severe blow to the global economy which is already sluggish. On the other hand, the resurgence of COVID-19 outbreaks in China, most notably in Shanghai which led to a lockdown for nearly three months, has resulted in various negative collateral impacts that have posed significant challenges not only to economic activities nationwide, but also internationally. As a result, the Group’s core businesses were subject to significant challenges during the period under review. The management teams at all levels made concerted efforts to reduce costs and expenses, and achieved results to a certain extent, yet it remained difficult to offset the decline of different degrees in sales revenue of the Group’s businesses, thus constraining the Group’s performance for the period under review. In the first half of 2022, the Group recorded sales revenue and sales volume of HK\$7.7 billion and 718,000 metric tons, which represented a decline of 9% and 6% respectively when compared to the corresponding period of the preceding year. In terms of profit attributable to owners, only HK\$108 million was recorded for the period under review as the non-recurring fair value increases of over HK\$88 million of idle assets and securities (which were subsequently disposed of during the year ended 31 December 2021) were recorded in the corresponding period of the preceding year, leading to a decrease of 64% year-on-year. The Group’s overall credit position remained strong during the period under review. Following the debt crisis of real estate developers in Mainland China last year, some progress was made in reaching a resolution of the residual problems of defaults by individual real estate developer during the period under review. The Group’s gearing ratio as at 30 June 2022 was 46.6%, having improved from 51.7% as at 30 June 2021. After a thorough assessment of the Group’s business prospects and considering the established practice of rewarding Shareholders earnestly, the board of directors of the Company (the “Board”) has resolved to declare an interim dividend of HK10 cents per share to all Shareholders, representing a slight decline of HK2 cents when compared to the interim dividend for the corresponding period of the preceding year.

Despite the global economic uncertainties and intensifying geopolitical conflicts over the past few years, the supply chain of the Chinese industrial sector has shown incredible resilience. Thus, the Group feels more confident than ever in our future development. In July 2022, the Group announced the proposed disposal of a 51% effective interest in its solvents business to PAG to jointly develop the solvents business, including the vertical integration of self-produced raw materials to create more value for the Group's business partners and Shareholders. At the same time, the substantial proceeds from the disposal will also benefit Yip's Chemical in its future development. Please refer to the section headed "VERY SUBSTANTIAL DISPOSAL IN RELATION TO PROPOSED DISPOSAL OF EQUITY INTEREST IN HANDSOME CHEMICAL DEVELOPMENT LIMITED" for details.

Outlook

I am cautious about the business outlook for the second half of 2022. Domestically, economic activities in China are expected to return to normal as the pandemic have gradually come under control and receded. In addition, the central government has continued its policy of maintaining stable economic growth and running the economy in a dual circulation, which is based primarily on the domestic economic cycle driving the international economic cycle. These measures embody a stronger impetus for the economy to achieve the economic growth target for the year. As far as we can see, apart from vigorously promoting "cars going to the countryside" (汽車下鄉) and encouraging citizens to buy properties, it is believed that relevant complementary policies and measures will be rolled out in the coming year. It is therefore expected that China's economy will eventually emerge from the downturn and return to an upward trajectory, but the implementation of the policies will take time and the effects remain to be seen. Internationally, however, there are more uncertainties. Firstly, a worldwide cycle of interest rate hikes has begun, but inflation remains on an upward trajectory at the moment and the risk of the global economy falling into recession has increased sharply. Moreover, on a less optimistic note, the war between Russia and Ukraine has now turned into a "war of attrition" which is unlikely to end in the near future. It may bring about global geopolitical, energy, food, humanitarian and supply chain crises, and the severity of its impacts and extent are difficult to predict. In the face of the volatile and complex domestic and international situation, the Group will keep a clear head at all times and make full use of China's unique economic development model and development potential to formulate a number of contingency measures quickly and flexibly. All of the Group's core businesses have been firmly established in China for many years. During the period under review, the Group continued to focus on "reducing costs and expenses" with a view to capturing more opportunities for growth while fostering stronger competitiveness, so as to maximise Shareholder value.

On behalf of the Board, I would like to take this opportunity to express our deepest gratitude to all employees, Shareholders, the Board and the management team at all levels of the Group for their unfailing support and efforts!

REPORT OF THE CHIEF EXECUTIVE OFFICER

Highlights of the Group's performance for the period under review included:

1. The price of raw materials gradually dropped. The Group's sales volume and revenue decreased by 6% and 9% respectively when compared to that of the corresponding period of the preceding year;
2. The profit attributable to owners of the Company amounted to HK\$108 million, representing a decrease of 64% when compared to that of the corresponding period of the preceding year, mainly because non-recurring fair value increases of over HK\$88 million in Yip's Chemical Building and listed securities were recorded in the corresponding period of the preceding year, the profit of the Group's solvents business during the period under review was lower than that of the corresponding period of the preceding year, the coatings business showed a turn from profit to loss, and the profit of the inks business improved, etc.; and
3. The gearing ratio slightly decreased to 46.6%. The payment for the new solvents plant in Zhuhai was completed during the period under review, and the Group's financial position is expected to improve in the second half of 2022.

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

Solvents

During the period under review, the sales volume showed a year-on-year decline of 3%, while exports remained strong with export volume increased by 12%. However, the pandemic in Mainland China remained severe. Lockdowns were imposed in Shanghai and cities in East China were under stringent control, creating profound impacts on various sectors. The Group was not immune from the effect of the pandemic control measures. Therefore, there was a slight decline in sales volume, which was rarely seen in recent years.

During the period under review, the operating profit was approximately HK\$300 million, representing a year-on-year decline of 32%, which was mainly due to the decrease in sales revenue, and the significant increase in logistics costs as a result of the pandemic.

The management team believes that China's economy was under great downward pressure, and the sluggish real estate market affected the demand for coatings products as well as the solvents business. The sales team kept abreast of market changes, and further engaged the clients by visits and direct sale to ensure the sales volume. According to internal assessment, the market share of the Group in the South China market and export market have increased, while our market share in other provinces in China remain unchanged.

The new plant in Zhuhai has been operating smoothly for half a year. Various performance indicators under energy-saving and consumption-saving aspects are progressing well and on track to achieve the designated targets.

The management team is cautiously optimistic regarding the business outlook of the second half of 2022, although sales usually peak in the second half of the year. Weak demand and consistently low raw material prices may affect this business. We are taking the initiative to continuously leverage the huge client network of the Group that has been cultivated for nearly 30 years and strive to reach the target for sales volume. Also, we anticipate that the logistics costs would probably drop in the second half of the year, which will help increase our profit.

The Group announced in July 2022 that PAG will be introduced as a new shareholder of the solvents business to jointly develop the solvents upstream raw material business (acetic acid, the key raw material of acetate in the solvents business). We will build a new acetic acid plant with an annual production capacity of 600,000 metric tons in Jingmen Chemical Recycling Industrial Park in Hubei Province. The management team believes that the solvents business will make considerable progress and usher in new business opportunities. Please refer to the section headed “VERY SUBSTANTIAL DISPOSAL IN RELATION TO PROPOSED DISPOSAL OF EQUITY INTEREST IN HANDSOME CHEMICAL DEVELOPMENT LIMITED” for details.

Coatings

During the period under review, the sales revenue of the coatings business reached HK\$880 million, decreasing by 10% year-on-year. In the first half of 2022, the overall demand for coatings products declined due to the impact of the pandemic throughout China. Moreover, the supply of the Group’s plant in Jinshan, Shanghai was unstable during April and May, which affected the supply efficiency. Furthermore, the weak demand in the real estate market affected the Group’s sales of architectural and furniture coatings for construction and housing uses.

Although there were certain challenges in expansion, the coatings business also strived to improve product structure, and reduce costs and expenses during the period under review. Compared to that of the corresponding period of the preceding year, the gross profit margin dropped slightly by 0.6 percentage points to 22.9%. Ultimately, the loss in the period under review reached HK\$26.5 million, representing a decline when compared to that of the corresponding period of the preceding year.

It is expected that the expansion of the coatings business in the second half of the year will still face enormous challenges. The management team will endeavour to improve the gross profit margin in order to lay a solid foundation for the healthy development of the coatings business in the long run.

Inks

The sales revenue of the inks business in the period under review was approximately HK\$680 million, representing a slight decrease of 1% year-on-year. In the first half of 2022, the serious pandemic condition resulted in more operational difficulties. It was a challenge for sales to be maintained at the same level. During the period under review, the inks business segment made efforts to promote water-based environment-friendly products and the hard work was paying off. We also worked hard to keep costs down and our effort has been rewarded. The operating profit was approximately HK\$17.8 million, demonstrating marked improvement when compared to that of the corresponding period of the preceding year.

During the period under review, under the stringent management and control in East China, there were difficulties in inks production and logistics, but the inks team showed strong team spirit and commitment to overcome the hardships. In particular, the production lines of the two plants in South China and East China were synergised, achieving complementation and mutual benefits, by virtue of which no customers were lost and no orders were delayed. We were able to meet customers' needs and won their trust. This laid a strong foundation for the inks business to consolidate and prepare for post-pandemic growth.

The Group announced in early August 2022 that due to changes in the economy and market environment coupled with the receipt of substantial proceeds from the disposal of a part of the Group's interests in the solvents business, the Group has decided, after deliberate considerations, not to proceed with the spin-off and to withdraw the separate listing application of Bauhinia Ink Company Limited on the Shenzhen Stock Exchange. The Group will continue to explore further business development opportunities and alternative fund-raising avenues for the inks business as and when appropriate.

Lubricants

During the period under review, the sales revenue of the lubricants business reached HK\$170 million, and the operating loss was HK\$2.9 million. Due to the slowdown in the demand for automotive lubricants, and the surge in oil prices caused by the conflict between Russia and Ukraine, which led to the increase in raw material prices of the lubricants business, the lubricant business witnessed a turn from profit to loss.

Looking ahead to the second half of 2022, the Group will continue to develop other lubricant businesses, including OEM and cooperation with other brands, and will continue to reduce operating costs, in order to turn the business around.

Other Businesses

The Group continuously seeks “environmentally friendly”, “end-user-oriented” and “service-oriented” development and is actively pursuing business opportunities related to “household” and “automobile”. During the period under review, the Group continued to promote Damai as the top self-operated car maintenance chain in the automobile aftermarket to provide China’s countless end-user car owners with professional, convenient and highly cost-effective car maintenance services. As of 30 June 2022, the outlet network of Damai has reached 143 stores, covering Shandong, Guangdong, Hebei, Shanxi, Guizhou, Jiangsu and Hunan, altogether serving more than 350,000 cars. During the period under review, the pandemic in Mainland China had three main impacts on Damai: (1) The pandemic affected the overall number of commuters and associated car maintenance service needs of them; (2) the outlets in certain regions could not operate as usual, affecting the demands of consumers; and (3) the pace of outlet network expansion was unable to meet expectations. The management team believes that the self-operated chain model of Damai can provide car owners with highly cost-effective car maintenance services, fully satisfying the consumption habits and service requirements of the middle class. In the short term, Damai will continue to focus on expanding its network to 200 outlets, especially in the regions where it is currently operating, to strengthen its brand.

For the properties segment, the revenue during the period under review increased by 9% to HK\$5.4 million, mainly attributable to the rental income from properties in Shanghai. The operating profit decreased to HK\$2.2 million as the significant increase in the fair value of Yip’s Chemical Building recorded in the corresponding period of the preceding year was non-recurring.

Outlook

Despite the lingering pandemic, the Chinese government has repeatedly demonstrated its confidence and determination to restore the economy and growth. We have grounds to believe that demand would probably increase in the second half of the year, and the performance of the Group’s three core businesses, namely solvents, coatings and inks, would be further improved. The management team is well prepared for opportunities after the pandemic. We will seize the opportunities and strive to achieve several key indicators in the 2022 budget.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group's gearing ratio (measured by net bank borrowings as a percentage of equity attributable to owners of the Company) was 46.6% (30 June 2021: 51.7%), representing a decrease of 5.1 percentage points year-on-year. The Group continued to maintain a healthy operating cash flow to support the investment in solvents' new plant construction in Zhuhai and various long-term investments for the period under review.

The RMB exchange rate recorded a depreciation of 4.3% over the first half of 2022. The Group will remain prudent in managing its foreign exchange exposure so as to minimise the impact of RMB fluctuation on its results. On the other hand, because of the rise in the Group's total bank borrowings and the interest rate, the net interest expense for the period under review increased to HK\$21,524,000 (six months ended 30 June 2021: HK\$16,329,000). The Group will monitor borrowing costs closely, and reduce bank borrowings and interest expenses where appropriate.

As for operating cash flow, the Group recorded a net cash outflow of HK\$31,337,000 for the period under review (six months ended 30 June 2021: net cash outflow of HK\$394,198,000). Compared with the corresponding period in the preceding year, the decrease in operating cash outflow was driven by the drop in operating profits as well as decrease in prepayments, trade receivables and bills receivables, and the effect was partly offset by the decrease in the accounts payables, bills payables and accrued expenses.

As at 30 June 2022, gross bank borrowings of the Group amounted to HK\$2,351,734,000 (31 December 2021: HK\$2,149,875,000). After the deduction of short-term bank deposits, bank balances and cash amounting to HK\$686,864,000 (31 December 2021: HK\$758,317,000), net bank borrowings amounted to HK\$1,664,870,000 (31 December 2021: HK\$1,391,558,000). Of the gross bank borrowings, HK\$1,725,734,000 (31 December 2021: HK\$1,247,042,000) were short-term loans repayable within one year. Such loans were denominated in two currencies, HK\$1,118,717,000 in Hong Kong Dollars and HK\$607,017,000 in RMB (31 December 2021: HK\$704,767,000 in Hong Kong Dollars and HK\$542,275,000 in RMB). Long-term loans repayable after one year amounted to HK\$626,000,000 (31 December 2021: HK\$902,833,000), and they were all denominated in Hong Kong Dollars (31 December 2021: all in Hong Kong Dollars). The short-term bank deposits, bank balances and cash were denominated in the following currencies: HK\$44,743,000 in Hong Kong Dollars, HK\$584,207,000 in RMB and HK\$54,482,000 in US Dollars and HK\$3,432,000 in other currencies (31 December 2021: 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).

During the period under review, the Group increased the utilization of its short-term loan facilities, which not only allowed more flexibility for use of fund, but also reduced borrowing costs. As at 30 June 2022, mid-to-long-term loans (including portions repayable within one year of HK\$487,717,000) accounted for 47% of the total bank loans. Under the current rising trend of interest rate, the Group will monitor the interest rate fluctuation closely 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 30 June 2022, the Group's loans under fixed rate arrangement made up 44% of its mid-to-long-term loans.

As at 30 June 2022, a total of 25 banks in Hong Kong and Mainland China granted banking facilities in aggregate of HK\$6,841,451,000 to the Group, providing it with sufficient funds to meet present working capital and expansion requirements. Of these banking facilities, 40% and 60% were denominated in Hong Kong Dollars and RMB respectively. As at 30 June 2022, the Group's RMB revolving loan facilities totalled at RMB2,481,000,000 (31 December 2021: RMB1,828,000,000). As the interest rate for loans in Mainland China continued to decline in the past few years, the Group has increased its RMB loan facility limit to address the revolving funding needs of the Group 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 30 June 2022, the Group did not have any significant investment, pledged asset and significant contingent liabilities. Save as disclosed in this announcement, the Group did not have any concrete plans for material investments or capital assets for the second half of 2022 as at the date of this announcement.

VERY SUBSTANTIAL DISPOSAL IN RELATION TO PROPOSED DISPOSAL OF EQUITY INTEREST IN HANDSOME CHEMICAL DEVELOPMENT LIMITED

On 15 July 2022, PAGAC Heisenberg Holding II Limited (the "Purchaser"), Yip's H.C. (Holding) Limited (the "Vendor") (an indirect wholly-owned subsidiary of the Company), the Company and Handsome Chemical Development Limited (the "Target") (an indirect wholly-owned subsidiary of the Company) entered into a sale and purchase agreement (the "Agreement"), pursuant to which, among other things, the Purchaser had conditionally agreed to acquire, and the Vendor had conditionally agreed to sell, 4,080 issued shares of the Target, which represent 68% equity interest in the Target, for the consideration of RMB2,295 million (equivalent to approximately HK\$2,688 million) (the "Proposed Disposal").

The Target directly owns approximately 38.88% equity interest in, and indirectly through its 75%-owned subsidiary, Yip's Industrial Holdings Limited, owns approximately 48.17% equity interest in 謙信化工集團有限公司 (Handsome Chemical Group Limited**) (“Handsome Chemical”). Accordingly, the Target owns a 75% effective interest in Handsome Chemical and the Group shall dispose of a 51% effective interest in Handsome Chemical through the Proposed Disposal. The Target and its subsidiaries are principally engaged in the solvents business of the Group.

The Proposed Disposal constitutes a very substantial disposal of the Company and is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Completion of the Proposed Disposal is conditional upon the fulfilment (and/or waiver if applicable) of the terms and conditions of the Agreement.

For details regarding the Proposed Disposal, please refer to the announcement of the Company dated 25 July 2022.

HUMAN RESOURCES

As of 30 June 2022, the Group has a total of 3,415 employees, of which 76 and 11 of them are from Hong Kong and other countries while the remaining 3,328 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, in order to facilitate personal 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

CORPORATE GOVERNANCE

During the six months ended 30 June 2022, the Company has complied with the code provisions of Part 2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was formed in November 1998. As of 30 June 2022, the Audit Committee comprised the three independent non-executive directors of the Company, namely Mr. Ku Yee Dao, Lawrence, Mr. Wong Yuk and Mr. Ho Pak Chuen, Patrick, and is chaired by Mr. Ku Yee Dao, Lawrence. Major duties of the Audit Committee include reviewing financial information of the Group, overseeing the Group's financial reporting system, risk management and internal control procedures, and monitoring of the relationship between the Group and its external auditors.

An Audit Committee meeting was held on 15 August 2022 to review the Group's unaudited interim financial statements for the six months ended 30 June 2022. Deloitte Touche Tohmatsu, the Group's external auditor, has reviewed the Group's unaudited interim financial statements for the six months ended 30 June 2022, which is prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF A LISTED COMPANY

The Company has adopted the Model Code for Securities 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 with each of the Directors, all Directors have confirmed that they have fully complied with the required standard as set out in the Model Code during the six months ended 30 June 2022.

UNAUDITED INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022, together with comparative figures for the corresponding period of the preceding year. The condensed consolidated financial statements have not been audited, but has been reviewed by the Company's auditor and the Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTES	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	7,716,739	8,453,208
Cost of sales		<u>(6,758,153)</u>	<u>(7,353,863)</u>
Gross profit		958,586	1,099,345
Other income	4a	27,010	31,484
Other gains and losses	4b	24,437	72,190
Selling and distribution expenses		(336,307)	(282,955)
General and administrative expenses		(400,314)	(421,114)
Interest expense		(26,191)	(21,451)
Share of results of associates		<u>(194)</u>	<u>(463)</u>
Profit before taxation	5	247,027	477,036
Taxation	6	<u>(82,653)</u>	<u>(90,273)</u>
Profit for the period		<u>164,374</u>	<u>386,763</u>
Other comprehensive (expense) income:			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		(191,654)	33,909
Fair value changes on financial assets at FVTOCI and debt instruments at FVTOCI		<u>(8,321)</u>	<u>(885)</u>
		<u>(199,975)</u>	<u>33,024</u>

	<i>NOTE</i>	Six months ended 30 June	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Items that may be reclassified subsequently to profit or loss:			
Net adjustment arising from hedging instruments		5,752	3,168
Exchange differences arising on translation of foreign operations		<u>(88,655)</u>	<u>15,484</u>
		<u>(82,903)</u>	<u>18,652</u>
Other comprehensive (expense) income for the period		<u>(282,878)</u>	<u>51,676</u>
Total comprehensive (expense) income for the period		<u><u>(118,504)</u></u>	<u><u>438,439</u></u>
Profit for the period attributable to:			
Owners of the Company		108,322	299,824
Non-controlling interests		<u>56,052</u>	<u>86,939</u>
		<u><u>164,374</u></u>	<u><u>386,763</u></u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(127,806)	343,795
Non-controlling interests		<u>9,302</u>	<u>94,644</u>
		<u><u>(118,504)</u></u>	<u><u>438,439</u></u>
Earnings per share	8		
– Basic		<u><u>HK19.1 cents</u></u>	<u><u>HK53.9 cents</u></u>
– Diluted		<u><u>HK19.1 cents</u></u>	<u><u>HK53.9 cents</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	<i>NOTES</i>	30.6.2022 <i>HK\$'000</i> (Unaudited)	31.12.2021 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	9	2,334,116	2,456,452
Investment properties	9	130,282	135,118
Interests in an associate		4,802	5,208
Financial assets at FVTPL		172,188	130,781
Financial assets at FVTOCI		6,714	15,035
Goodwill		154,716	149,561
Intangible assets		84,475	81,403
Deposits paid for acquisition of property, plant and equipment		22,940	44,282
Derivative financial instruments		1,235	249
Deferred tax assets		7,125	7,441
		<u>2,918,593</u>	<u>3,025,530</u>
Current assets			
Inventories		1,740,385	1,296,801
Trade receivables	10	3,561,975	4,589,944
Other debtors and prepayments	10	573,837	715,996
Derivative financial instruments		2,311	8,472
Financial assets at FVTPL		3,576	6,678
Debt instruments at FVTOCI		17,571	18,351
Short-term bank deposits			
– with original maturity within three months		101,998	10,644
Bank balances and cash		584,866	747,673
		<u>6,586,519</u>	<u>7,394,559</u>

	<i>NOTES</i>	30.6.2022 <i>HK\$'000</i> (Unaudited)	31.12.2021 <i>HK\$'000</i> (Audited)
Current liabilities			
Creditors and accrued charges	<i>11</i>	2,257,128	3,215,496
Contract liabilities		59,213	58,504
Taxation payables		113,387	100,613
Dividend payables		119,101	–
Derivative financial instruments		11,977	1,952
Lease liabilities		29,983	30,122
Borrowings – amount due within one year		1,725,734	1,247,042
		4,316,523	4,653,729
Net current assets		2,269,996	2,740,830
Total assets less current liabilities		5,188,589	5,766,360
Non-current liabilities			
Derivative financial instruments		–	778
Lease liabilities		93,824	104,446
Borrowings – amount due after one year		626,000	902,833
Deferred tax liabilities		29,902	30,804
		749,726	1,038,861
		4,438,863	4,727,499
Capital and reserves			
Share capital	<i>12</i>	56,848	56,848
Reserves		3,515,392	3,745,525
Equity attributable to owners of the Company		3,572,240	3,802,373
Non-controlling interests		866,623	925,126
		4,438,863	4,727,499

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
	<i>NOTES</i>	2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Net cash used in operating activities		(31,337)	(394,198)
Net cash used in investing activities			
Purchases of property, plant and equipment		(71,079)	(142,146)
Deposits paid for acquisition of property, plant and equipment		(27,057)	(83,367)
Acquisition of financial assets at FVTPL		(35,810)	(119,946)
Interest received		4,667	5,122
Proceeds from disposal of property, plant and equipment		15,412	1,035
Net cash outflow on acquisition of subsidiaries	<i>13</i>	(8,469)	–
Deposit received in relation to disposal of a subsidiary	<i>14</i>	–	12,007
		(122,336)	(327,295)
Net cash from financing activities			
Borrowings raised		1,130,245	1,346,522
Repayment of borrowings		(928,386)	(719,288)
Interest paid		(23,760)	(17,745)
Dividends paid to non-controlling shareholders of subsidiaries		(51,694)	(31,391)
Payment of lease liabilities		(20,142)	(18,138)
Share repurchase		–	(10,309)
Cash paid for settlement of the derivative financial instruments used to hedge interest rate risk		(1,459)	(2,916)
		104,804	546,735

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net decrease in cash and cash equivalents	(48,869)	(174,758)
Cash and cash equivalents at beginning of the period	758,317	565,302
Effect of foreign exchange rate changes	(22,584)	3,856
	<u>686,864</u>	<u>394,400</u>
Analysis of balances of cash and cash equivalents		
Short-term bank deposits with original maturity within three months	101,998	7,444
Bank balances and cash	584,866	357,175
Bank balances classified as assets held for sale	–	29,781
	<u>686,864</u>	<u>394,400</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair value at the end of the reporting period.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

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

2.1 Impacts and changes in accounting policies on application of Amendments to HKFRS 3 Reference to the Conceptual Framework

2.1.1 Accounting policies

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “Conceptual Framework”) except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC) – Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC) – Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

2.1.2 Transition and summary of effects

The Group applies the amendments to business combinations for which the acquisition date is on or after 1 January 2022. The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue

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 period.

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Geographical market based on location of customers:		
People's Republic of China (“the PRC”)	4,005,668	6,178,810
Hong Kong	31,670	36,318
Overseas (mainly including countries in South East Asia)	3,679,401	2,238,080
	<u>7,716,739</u>	<u>8,453,208</u>

Segment information

For management purposes, the Group's reportable and operating segments under HKFRS 8 "Operating Segments" included five business divisions, namely (i) solvents, (ii) coatings, (iii) inks, (iv) lubricants and (v) properties.

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 manufacturing of and trading in other chemical products, trading of car maintenance products and car maintenance services do not meet the quantitative threshold for reportable segment in both current and prior periods. 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 period by each segment without allocation of share of results of associates, interest income, central administration costs, finance costs and unallocated other income. This is the information reported to the Chief Executive Officer of the Company, the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

(a) *Segment revenue and results*

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

	Solvents	Coatings	Inks	Lubricants	Properties	Reportable segment total	Others	Elimination	Consolidated
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Six months ended 30 June 2022									
(unaudited)									
Segment revenue									
Revenue from contracts									
with customers									
- recognised at a point in time	5,945,866	880,881	675,687	172,370	-	7,674,804	16,048	-	7,690,852
- recognised over time	-	-	-	-	-	-	20,699	-	20,699
External sales	5,945,866	880,881	675,687	172,370	-	7,674,804	36,747	-	7,711,551
Inter-segment sales	68,630	79	-	295	-	69,004	20	(69,024)	-
External rental income	-	-	-	-	5,188	5,188	-	-	5,188
Inter-segment rental income	-	-	-	-	186	186	-	(186)	-
Total	6,014,496	880,960	675,687	172,665	5,374	7,749,182	36,767	(69,210)	7,716,739
Results									
Segment results	295,808	(26,549)	17,771	(2,897)	2,186	286,319	(18,375)	(282)	267,662
Share of results of associates									(194)
Unallocated income									10,442
Unallocated expenses									(4,692)
Finance costs									(26,191)
Profit before taxation									247,027

	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
Six months ended 30 June 2021 (unaudited)									
Segment revenue									
Revenue from contracts with customers									
– recognised at a point in time	6,525,048	978,531	682,495	188,223	–	8,374,297	51,762	–	8,426,059
– recognised over time	–	–	–	–	–	–	22,421	–	22,421
External sales	6,525,048	978,531	682,495	188,223	–	8,374,297	74,183	–	8,448,480
Inter-segment sales	105,233	73	334	279	–	105,919	22,141	(128,060)	–
External rental income	–	–	–	–	4,728	4,728	–	–	4,728
Inter-segment rental income	–	–	–	–	186	186	–	(186)	–
Total	6,630,281	978,604	682,829	188,502	4,914	8,485,130	96,324	(128,246)	8,453,208
Results									
Segment results	435,879	16,028	4,492	11,265	60,086	527,750	(14,685)	(307)	512,758
Share of results of associates									(463)
Unallocated income									5,149
Unallocated expenses									(18,957)
Finance costs									(21,451)
Profit before taxation									477,036

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

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(a) The Group's other income mainly comprises:		
Interest income	4,667	5,122
Government grants recognised (note)	14,181	8,864
	<u>18,848</u>	<u>14,000</u>

Note: During the six months ended 30 June 2022, the Group recognised government grants of HK\$1,188,000 (six months ended 30 June 2021: nil) in respect of COVID-19 related subsidies, of which HK\$1,184,000 (six months ended 30 June 2021: nil) was related to Employment Support Scheme provided by the government in Hong Kong.

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(b) The Group's other gains (losses) comprise of:		
Gain on fair value change of investment properties	–	66,000
Gain from change in fair value of financial assets at fair value through profit or loss (“FVTPL”)	2,867	22,192
(Loss) gain from change in fair value of foreign exchange forward contracts	(21,469)	1,648
Recognition of impairment loss on trade receivables under expected credit loss (“ECL”) model	(3,116)	(10,832)
Net exchange gain (loss) arising from foreign currency balances and transactions	35,449	(4,846)
Net gain (loss) on disposal/written off of property, plant and equipment	10,706	(1,972)
	<u>24,437</u>	<u>72,190</u>

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	1,465	1,023
Cost of inventories recognised as expense (note)	6,758,153	7,353,863
Depreciation of property, plant and equipment	118,657	116,287
	<u>118,657</u>	<u>116,287</u>

Note: During the six months ended 30 June 2022, net allowance recognised in inventories amounting to HK\$39,524,000 (six months ended 30 June 2021: HK\$15,003,000). Written off of inventories amounting to HK\$3,045,000 (six months ended 30 June 2021: HK\$3,381,000) was recognised as an expense during the current interim period.

6. TAXATION

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The charge comprises:		
Current tax – the PRC		
Current period	75,002	79,744
Withholding tax	9,289	4,968
	<u>84,291</u>	<u>84,712</u>
Current tax – Overseas	361	1,176
	<u>84,652</u>	<u>85,888</u>
Deferred tax (credit) charge	(1,999)	4,385
	<u>82,653</u>	<u>90,273</u>

No provision for Hong Kong Profits Tax has been made as the Company and subsidiaries did not generate any assessable profits or have available tax losses brought forward from prior years to offset against assessable profits generated.

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

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

The withholding tax represented taxation recognised in respect of interest income derived from loans to subsidiaries in the PRC and dividends to be distributed from profits earned by certain subsidiaries in the PRC starting from 1 January 2008. The withholding tax is recognised for interest income derived from the PRC at tax rate of 7% and dividends to be distributed from profits earned by certain subsidiaries in the PRC in accordance with the Implementation Regulation of the EIT Law of the PRC that requires withholding tax with tax rate at 5% for dividend upon the distribution of such profits to the shareholders.

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

Deferred taxation on undistributed profits of subsidiaries has been recognised taking into accounts the dividends to be distributed from profits earned by certain subsidiaries in the PRC starting from 1 January 2008 under the Implementation Regulation of the EIT Law of the PRC that requires withholding tax with tax rate at 5% upon the distribution of such profits to the shareholders. Deferred taxation has not been recognised in respect of certain undistributed retained profits earned by the subsidiaries in the PRC starting from 1 January 2008 amounting to HK\$2,028,399,000 (31 December 2021: HK\$2,001,065,000) as the directors are of the opinion that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

7. DIVIDENDS

During the period, a final dividend of HK18 cents per share totalling approximately HK\$102,327,000 in respect of the year ended 31 December 2021 were declared and subsequently paid in July 2022.

During the six months ended 30 June 2021, a final dividend of HK16 cents per share totalling approximately HK\$88,621,000 in respect of the year ended 31 December 2020 were declared and subsequently paid in July 2021.

Subsequent to 30 June 2022, the directors of the Company resolved to declare an interim dividend of HK10 cents per share totalling approximately HK\$56,848,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: an interim dividend of HK\$12 cents per share and a special dividend of HK\$10 cents per share, totalling approximately HK\$121,853,000). The interim dividend will be payable on or about 7 October 2022 to the shareholders of the Company whose names appear on the Company's register of members on 7 September 2022.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company and earnings for the purposes of calculating basic and diluted earnings per share	108,322	299,824
	Number of shares	
	'000	'000
Weighted average number of shares for the purpose of calculating basic and diluted earnings per share	568,484	556,137

The computation of diluted earnings per share does not assume the exercise of the Company's options of exercise prices of HK\$5.942 (six months ended 30 June 2021: HK\$5.942) because the exercise prices of those options were higher than the average market price for shares for six months ended 30 June 2022 and 2021.

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

During the six months ended 30 June 2022, the Group incurred approximately HK\$102,139,000 (six months ended 30 June 2021: HK\$151,029,000) to acquire property, plant and equipment for its operations.

During the six months ended 30 June 2022, the Group entered into new lease agreements with lease terms ranged from 1 to 5 years (six months ended 30 June 2021: from 1 to 5 years). On lease commencement, the Group recognised HK\$19,411,000 (six months ended 30 June 2021: HK\$11,127,000) of right-of-use assets, included in property, plant and equipment, and HK\$19,411,000 (six months ended 30 June 2021: HK\$11,127,000) of lease liabilities.

During the six months ended 30 June 2021, a net increase in fair value of investment properties of HK\$66,000,000 (six months ended 30 June 2022: nil) has been recognised directly in profit or loss. The valuations are carried out by the directors of the Company and an independent qualified professional valuer, which is not connected with the Group. The valuations by the directors of the Company and the independent qualified professional valuer are arrived by direct comparison approach assuming sale of the properties in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market, or by using income approach taking into account the current market rent passing of the property interest with due provision of any reversionary income potential. The direct comparison approach is based on market observable recent transactions of similar properties in similar location. The income approach is based on market observable recent rental income of similar properties in similar locations.

10. TRADE RECEIVABLES, OTHER DEBTORS AND PREPAYMENTS

(a) Trade receivables

	30.6.2022	31.12.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables from contracts with customers	3,653,905	4,683,981
Less: allowance for ECL	(91,930)	(94,037)
	<u>3,561,975</u>	<u>4,589,944</u>

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\$1,492,002,000 (31 December 2021: HK\$2,384,600,000). 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:

	30.6.2022 <i>HK\$’000</i> (Unaudited)	31.12.2021 <i>HK\$’000</i> (Audited)
0 – 3 months	1,722,798	1,843,544
4 – 6 months	252,751	246,079
Over 6 months	94,424	115,721
	<u>2,069,973</u>	<u>2,205,344</u>

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.

(b) Other debtors and prepayments

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

11. CREDITORS AND ACCRUED CHARGES

	30.6.2022 <i>HK\$'000</i> (Unaudited)	31.12.2021 <i>HK\$'000</i> (Audited)
Trade creditors	1,786,496	2,709,552
Other creditors and accrued charges	470,632	505,944
	<u>2,257,128</u>	<u>3,215,496</u>

Other creditors and accrued charges mainly consist of payables of acquisition of property, plant and equipment, payables of staff salaries and benefits (including sales commission) and payable of storage and transportation.

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

	30.6.2022 <i>HK\$'000</i> (Unaudited)	31.12.2021 <i>HK\$'000</i> (Audited)
0 – 3 months	1,347,838	2,005,456
4 – 6 months	429,194	688,463
Over 6 months	9,464	15,633
	<u>1,786,496</u>	<u>2,709,552</u>

12. SHARE CAPITAL

	Authorised 30.6.2022 & 31.12.2021 HK\$'000
Shares of HK\$0.10 each	<u>80,000</u>

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

	Number of shares '000	Amount HK\$'000
Issued and fully paid:		
At 1 January 2021	556,659	55,666
Share repurchased and cancelled	(2,780)	(278)
Scrip dividend	14,605	1,460
	<u>568,484</u>	<u>56,848</u>
At 31 December 2021 and 30 June 2022	568,484	56,848

During the year ended 31 December 2021, 2,780,000 shares (six months ended 30 June 2022: nil 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 these 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 profits.

During the year ended 31 December 2021, 14,605,000 shares (six months ended 30 June 2022: nil shares) of HK\$0.10 each were issued at a price of 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 period.

13. ACQUISITION OF SUBSIDIARIES

On 17 January 2022, the Group entered into two agreements to subscribe for RMB1,074,000 paid-up capital of 山西焱煜電子商務有限公司(“山西焱煜”) at RMB3,750,000 (equivalent to approximately HK\$4,590,000) and to acquire additional interest of RMB1,333,357 paid-up capital of 山西焱煜 at a consideration of RMB3,250,000 (equivalent to approximately HK\$3,978,000). Upon completion of the transaction, the Group’s direct equity interest in 山西焱煜 increased to 70%, and 山西焱煜 and its subsidiaries became indirect non-wholly owned subsidiaries of the Company. The purpose of the acquisition was considered to be an expansion and increase in market shares of the Group’s car maintenance business. The amount of goodwill arising as a result of acquisition was HK\$7,020,000.

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

	At date of acquisition <i>HK\$'000</i>
Intangible assets	5,508
Inventories	260
Trade receivables	5
Other receivables	366
Amount due from a group company	3,978
Bank balances and cash	99
Trade payables	(1,486)
Other payables	(5,137)
Deferred tax liabilities	(1,377)
Tax payable	(5)
	<hr/>
	2,211
	<hr/> <hr/>

The fair value of trade receivables at the date of acquisition amounted to HK\$5,480. The gross contractual amounts of those trade receivables acquired amounted to HK\$5,480 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

Consideration transferred:

	<i>HK\$'000</i>
Cash	8,568

Goodwill arising on acquisition:

	<i>HK\$'000</i>
Consideration transferred	8,568
Plus: non-controlling interests	663
Less: net assets acquired	<u>(2,211)</u>
Goodwill arising on acquisition	<u>7,020</u>

The non-controlling interests (30%) in 山西焱煜 and its subsidiaries recognised at acquisition date was measured at the non-controlling interests' proportionate share of the recognised amounts of the identifiable net assets of 山西焱煜 and its subsidiaries.

In addition, the consideration paid for the acquisition included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of 山西焱煜 and its subsidiaries. These benefits were not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill arising from this acquisition was not expected to be deductible for tax purposes.

Net cash outflows arising on acquisition:

	<i>HK\$'000</i>
Consideration paid in cash	8,568
Less: bank balances and cash acquired	<u>(99)</u>
	<u>8,469</u>

Impacts of acquisition on the results of the Group

Included in the profit for the six months ended 30 June 2022, loss amounting of HK\$599,000 was attributable to the business operation from 山西焱煜 and its subsidiaries. Revenue for the six months ended 30 June 2022 included HK\$1,969,000 which was generated from 山西焱煜 and its subsidiaries.

Had the acquisition been completed on 1 January 2022, revenue for the six months ended 30 June 2022 of the Group would have been HK\$7,717,754,000, and profit for the six months ended 30 June 2022 of the Group would have been HK\$164,095,000. The pro forma information was for illustrative purposes only and was 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 2022, nor was it intended to be a projection of future results.

14. DISPOSAL OF SUBSIDIARIES

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”), a company engaging in manufacturing and trading of resins, to the other shareholder of 德慶華彩, i.e. a non-controlling shareholder, at a cash consideration of RMB34,000,000 (equivalent to approximately HK\$40,824,000). During the period ended 30 June 2021, a deposit amounting to HK\$12,007,000 was received in relation to the disposal. The transaction was completed on 6 July 2021.

15. EVENT AFTER REPORTING PERIOD

On 15 July 2022, the Group entered into an agreement that the Group has conditionally agreed to sell 68% equity interest in Handsome Chemical Development Limited (“Handsome Chemical Development”), a wholly-owned subsidiary of the Company, for the consideration of RMB2,295,000,000. Handsome Chemical Development directly owns an approximately 38.88% equity interest in, and indirectly through its 75%-owned subsidiary, Yip’s Industrial Holdings Limited, owns approximately 48.17% equity interest in Handsome Chemical Group Limited, a non wholly-owned subsidiary of the Company. Accordingly, the Group shall dispose of a 51% effective interest in Handsome Chemical Group Limited. Handsome Chemical Group Limited and its subsidiaries are principally engaged in the solvents business of the Group.

INTERIM DIVIDEND

The Directors has resolved to declare an interim dividend of HK10 cents per share for the six months ended 30 June 2022 (six months ended 30 June 2021: HK12 cents per share and a special dividend of HK10 cents per share with a scrip dividend alternative for the total dividend of HK22 cents per share). The interim dividend will be payable on or about 7 October 2022 to Shareholders whose names appear on the register of members of the Company on 7 September 2022.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from 2 September 2022 to 7 September 2022 (both dates inclusive) for the purpose of determining the entitlements of the members of the Company to the interim dividend. No transfer of shares may be registered during the said period. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates, should be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 1 September 2022.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.yipschemical.com>). The 2022 interim report containing all the information required by the Listing Rules will be despatched to the Shareholders and 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, 18 August 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*

** *For identification purposes only*