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## 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 2022**

#### **HIGHLIGHTS**

##### **Profit Attributable to Owners Hit Record High of HK\$1.22 Billion Final Dividend and Special Dividend Totaling HK80 Cents Per Share**

- Profit attributable to owners hit a record high of HK\$1.22 billion, mainly due to the disposal of the Group's 51% effective interest in the solvents business to PAG;
- Impacted by the pandemic and macro environment, the Group's revenue (excluding solvents business) decreased by 16% to HK\$3.36 billion year-on-year;
- The special gains and effective capital utilisation resulted in a significant decrease in the Group's gearing ratio to 24.8%; and
- The Board recommended payment of a final dividend of HK5 cents per share and resolved to declare and pay a special dividend of HK75 cents per share.

	<b>For the year ended 31 December 2022 (audited)</b>	For the year ended 31 December 2021 (audited and restated)	% change
Revenue	<b>HK\$3,358,509,000</b>	HK\$3,994,160,000	-16%
Sales volume	<b>269,000 metric tons</b>	335,000 metric tons	-20%
Profit attributable to owners of the Company <sup>^</sup>	<b>HK\$1,217,830,000</b>	HK\$406,280,000	+200%
Earnings per share <sup>^</sup>	<b>HK214.2 cents</b>	HK72.8 cents	+194%
Final dividend per share	<b>HK5.0 cents</b>	HK18.0 cents	-72%
Interim dividend per share <sup>#</sup>	<b>HK10.0 cents</b>	HK12.0 cents	-17%
Special dividend per share <sup>#</sup>	<b>HK75.0 cents</b>	HK10.0 cents	+650%
Dividend for the year per share	<b>HK90.0 cents</b>	HK40.0 cents	+125%
	<b>As of 31 December 2022</b>	As of 31 December 2021	
Gearing ratio <sup>*</sup>	<b>24.8%</b>	36.6%	-11.8% points

<sup>^</sup> Included continuing and discontinued operations

<sup>\*</sup> Measured by net bank borrowings as a percentage of equity attributable to owners of the Company

<sup>#</sup> The interim dividend for the six months ended 30 June 2021 and the 50<sup>th</sup> anniversary special dividend paid during the year ended 31 December 2021 were payable in cash with scrip alternative, whereas the interim dividend for the six months ended 30 June 2022 and the special dividend announced hereunder are wholly payable in cash.

## CHAIRMAN’S STATEMENT – REVIEW AND OUTLOOK

### Review

It is my pleasure to present to all shareholders (the “Shareholders”) of Yip’s Chemical Holdings Limited (the “Company”, together with its subsidiaries collectively be referred to as “Yip’s Chemical” or the “Group”) an overview of the Group’s performance for the year ended 31 December 2022 (the “year under review”). The past year represented the most difficult and heart-wrenching year among the fifty-one years since the establishment of the Group where we were confronted with various challenges. Throughout the year under review, the management paid close watch on the number of confirmed COVID-19 cases among our staff and its impacts and cared for the employees’ wellbeing and recovery. In addition, the challenging macro operating environment during the year under review was a rare sight in recent years. The Russia-Ukraine conflict which suddenly broke out back in February 2022 has already lasted for a year and intensified beyond what was anticipated. Ongoing geopolitical tensions in various regions have therefore escalated, leading to serious global energy and food supply crisis. The sudden imbalances in the global supply chain have dealt a severe blow to the global economy which is already sluggish. Following that, the outbreak of the COVID-19 pandemic in Shanghai in April 2022 and then the widespread outbreaks in various provinces, cities and regions across China led to a more challenging situation than that of 2021 in various degrees. The strict pandemic control measures implemented by the government have posed significant challenges not only to all economic activities nationwide, but also internationally. As a result, the Group’s core businesses in Mainland China were subject to negative impacts in terms of costs, sales, operation and other aspects. On the other hand, the United States of America (“US”) and other Western countries have made several considerable interest hikes in a row with an aim to ease the persistently high inflation rate since September 2022, resulting in depreciation of Renminbi (“RMB”) of nearly 8.5% during the year under review. Despite a challenging macro environment due to the combined effect of these negative factors, the management team at all levels within the Group rose to the challenges and performed their duties diligently by making strenuous efforts to reduce the overall costs and implementing contingency measures to cut expenses, which laid a solid foundation for the future development of the Group but the macro economy still inevitably imposed negative impact on the core businesses of the Group to various extents during the year under review.

In general, I am disappointed with the overall results of the Group in the year under review, but am also pleased with and have high expectations for a number of events: (1) during the severe pandemic outbreaks throughout the year under review, we have seen a rapid recovery for the majority of confirmed COVID-19 cases among our staff and there was no death due to COVID-19 during the period; (2) based on the prudent assessment on various latest uncertainties, the management team decisively voluntarily withdrew the application for the spin-off and separate listing of 洋紫荊油墨(浙江)有限公司 (Bauhinia Variegata Ink & Chemicals (Zhejiang) Limited\*) (“Bauhinia Variegata”) (formerly known as 洋紫荊油墨股份有限公司 (Bauhinia Ink Company Limited)) in Mainland China in August 2022 (please refer to the announcement of the Company dated 5 August 2022 for details); (3) after nearly a year-long negotiation, the Group eventually entered into an agreement with PAG in relation to the disposal of the controlling equity interests in the solvents business to PAG (please refer to the announcement of the Company dated 25 July 2022 for details). Based on the annual review of each of the above significant events, the revenue and the sales volume of the Group (excluding its solvents business) for the year under review were only HK\$3.36 billion and 269,000 tonnes respectively, representing a decrease of 16% and 20% when compared to the corresponding period of the preceding year. In terms of profit attributable to owners, HK\$1.22 billion was recorded, representing a substantial growth of 200% year-on-year. However, excluding the one-off special gains from the aforesaid substantial transaction and the adjustments made in connection with the transaction, the profit attributable to owners of the Group for the year under review was actually approximately HK\$125 million, representing a decrease of 69% year-on-year.

The Group would also like to report on its robust financial performance. Excluding the considerable decline in the gearing ratio of the Group resulting from the aforesaid special gains, the management continued to impose strict comprehensive control over the working capital of the Group during the year under review, maintaining a stable and healthy performance in terms of all relevant indicators. After a thorough assessment of the Group’s business prospects and considering the established practice of rewarding Shareholders earnestly, the board (the “Board”) of directors (the “Directors”) of the Company recommended to pay a final dividend of HK5 cents per ordinary share of the Company (the “Share(s)”) to all Shareholders as compared to the final dividend of HK18 cents per Share declared during the preceding year. In addition, the Board also resolved to declare a special dividend of HK75 cents per Share to all Shareholders in respect of the special gains from the aforesaid substantial transaction as compared to the 50<sup>th</sup> anniversary special dividend of HK10 cents per Share declared during the preceding year.

## **Outlook**

I firmly believe that the overall business environment will improve in the coming year. Although the Russia-Ukraine conflict has shown no sign of reconciliation yet, it is expected that the conflict will not further escalate, providing some relief to the struggling global economy. It is also expected that we are going to witness slower and lower interest rate hikes by the US and other Western countries. On the other hand, despite the increasing tensions between the Western camp, including the US, and China as well as the more comprehensive and strengthened sanctions against China imposed by them, it is expected that, through years of tough challenges and roll-out of counter-measures, the PRC economy will continue to demonstrate strong resilience. In particular, upon the conclusion of the 20<sup>th</sup> National Congress and with the overall easing of the pandemic situation in China, I am delighted to see that the Chinese government has gradually lifted the pandemic control measures in various areas, and citizens' lives have returned to normal, leading to significant increase in consumer confidence in self-owned property and other sectors. Combined with the established national policy of maintaining stable economic development and promoting business growth by running the economy in a dual circulation, which is based primarily on the domestic economic cycle driving the international economic cycle, it will certainly create favourable conditions for the improvement of the business environment this year. In addition, the completion of the solvents partnership project between the Group and PAG will have a huge and far-reaching impact on the future development of the Group and its solvents business. It is expected that, under the leadership of PAG, the new associate will vigorously and continuously develop its production of upstream raw materials, with an aim to ensure stronger competitiveness of downstream products and a brighter future.

The Group will continue to reap greater benefits and returns from business partnership in the future, and will seek more opportunities for business growth while making good use of its strong financial strength in consolidating and developing its core businesses (especially the coatings and inks businesses). Meanwhile, the Strategic Investment Department of the Group has gained extensive experiences through two years of exploration and has developed a better-defined strategic goal. Capitalizing on our soft power and smart power, efforts will be made to secure more projects, which will surely generate greater synergies with the Group's core businesses and is expected to become a major revenue stream for the Group in the future. On the other hand, the Group has benefited greatly from its efforts in succession planning and nurturing new generation of successors over the past several years. With greater efforts and diligence, the new management team will continue to uphold the Group's decades-long business philosophy and create greater value for the Shareholders.

On behalf of the Board, I would like to take this opportunity to express my heartfelt thanks to all employees for their hard work; to business partners for their trust and support; and to all members of the Board and the leadership teams at all levels for their outstanding leadership, solidarity and dedication.

**Ip Chi Shing**  
*Chairman*

24 March 2023

## REPORT OF THE CHIEF EXECUTIVE OFFICER

Highlights of the Group's results for the year ended 31 December 2022 are as follows:

1. A sharp drop in the price of raw materials used in the solvents business in the second half of the year under review impacted the business segment, which also dragged down the Group's sales revenue (including those from the continuing operations and discontinued solvents business) by 21% year-on-year to approximately HK\$14.0 billion, while sales revenue from the continuing operations decreased by 16% year-on-year to HK\$3.36 billion;
2. In addition, the solvents business suffered a substantial inventory loss due to the decline in raw material prices, especially for the third quarter of the year under review when the business segment recorded an unusual loss. Fortunately, the profit level of the business segment returned to normal in the fourth quarter of the year under review after the raw material inventories purchased at higher cost have been consumed;
3. Being affected by the pandemic, the revenue of the coatings and inks businesses recorded a noticeable decrease compared to the corresponding period of the preceding year, with that of the coatings business falling by 20% year-on-year and that of the inks business falling by 11% year-on-year. The coatings business reported a turn from loss to profit due to the write back of bad debts, while the inks business showed limited improvement and recorded a substantial decline as compared to the corresponding period of the preceding year;
4. Based on the above, the operating loss of the Group's continuing operations for the year under review was approximately HK\$12 million, representing an improvement of 39% over the corresponding period of the preceding year;
5. The Group disposed of 51% of the effective interest in and of 謙信化工集團有限公司 (Handsome Chemical Group Limited\*\*) ("Handsome Chemical") to PAG, and the transaction was completed in 2022. After deducting all related expenses, the non-recurring income and operating profit from the discontinued operation for the year under review was approximately HK\$1.18 billion and approximately HK\$230 million, respectively. Therefore, the Group achieved a record-high profit attributable to owners of HK\$1.22 billion;
6. The gearing ratio fell sharply to 24.8% at the end of December 2022;

7. After taking into consideration the Mainland China capital market conditions and the overall capital situation of the Group, the Group decided to withdraw the application for the proposed spin-off and separate listing of Bauhinia Variegata on the Shenzhen Stock Exchange (“SZSE”); and
8. Following the disposal of 51% of the effective interest in and of Handsome Chemical, the Group still held the remaining 24% effective interest in and of Handsome Chemical. However, the solvents business, which was accounted for as a business operated by the Group’s associate and being spun off from the Group’s major business segments, became a discontinued operation.

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

### **Solvents**

As mentioned above, the solvents business took a hit due to the decline in raw material prices during the year under review, resulting in a decrease in the revenue and operating profit. However, in terms of total profit from daily operation (excluding the income from the disposal of effective interest in and of Handsome Chemical and related expenses), the business still recorded relatively high profitability in its 30-year operation.

The new plant in Zhuhai has been put into operation smoothly during the year under review, with various output indicators exceeding designated and anticipated targets. The management is drawing reference from this successful experience and introducing the superior technology from the Zhuhai plant to the Taixing plant, which is believed to deliver new benefits to the Taixing plant in terms of production capacity and consumption reduction.

During the year under review, the major preliminary preparatory work for the construction of an acetic acid plant has been substantially completed. In the first half of 2023, relevant construction will be organised at the selected site located in Jingmen, Hubei Province, which is expected to be put into production in mid-2025.

I was re-elected as chairman of the board of directors at the meeting of Handsome Chemical’s newly formed board, and I will continue to strive to lead its business to achieve new heights.



## Coatings

The pandemic delivered a blow to the coatings business during the year under review, causing a 20% decline in sales revenue to HK\$1.64 billion. The Group experienced a shortage of demand for both new and existing decoration works as the pandemic hampered the expansion of architectural and industrial coatings businesses, while the real estate market in Mainland China remained sluggish. Confronted with these challenges, the Group continued to expand its quality branded store sales network across the country with over 2,300 Bauhinia-branded stores, laying a solid foundation for the future development of architectural coatings business. Meanwhile, the Group continued to make progress in reducing costs, lowering expenses and improving product class and portfolio structure during the year under review, resulting in an increase in gross profit margin to 23.9% and contributing an operating profit of HK\$8.5 million.

Looking ahead to 2023, the demand and sales revenue of coatings will increase as the Mainland economy recovers after the pandemic. In addition, the Group will continue to invest in branding and sales network development to constantly promote the development of “Bauhinia” and “Camel” brands in the architectural coatings industry.

## Inks

During the year under review, the sales revenue of the inks business, as dampened by the pandemic, dropped by 11% to HK\$1.34 billion. The management strived to improve the gross profit margin but the effectiveness of the measures was not significant, with only a slight increase of 0.5 percentage point. In addition, given that our efforts in cost reduction delivered little results, especially coupled with some one-off special expenses incurred in relation to the spin-off and separate listing application of Bauhinia Variegata on the SZSE, this segment recorded substantial decrease in operating results with an operating profit of merely approximately HK\$9.4 million for the year under review.

Subsequent to discussion by the management at its year-end meeting, decisions for bold reforms were made: (1) Efforts will be prioritised to improve the quality of the businesses, instead of blindly pursuing revenue growth. (2) Efforts will be made to achieve substantial reduction in costs, including cutting down the size of the workforce by 15% by the end of 2022, and streamlining and merging compatible business lines as well as various compatible departments. It is believed that such cost reduction measures will significantly alleviate the burden of the segment. (3) Efforts will be made to develop promising, environmentally friendly and new types of high quality ink products. The management holds the view that, although the aforesaid three measures may not generate substantial revenue in 2023, they will certainly bring new momentum to the segment in terms of sustainability, stability and development.



## **Lubricants**

During the year under review, the expansion of the lubricants business fell short of expectations, with its sales revenue dropping by 10% year-on-year to approximately HK\$300 million, as a result of the weakened demand from the lubricants market due to the significant decrease in commuting during the pandemic. The Group continued its efforts in developing the diesel engine project tailored to logistics vehicles, and attained preliminary results. Against the backdrop of increasing raw material prices, the gross profit margin dropped by 4.3 percentage points year-on-year to 20.1%, and an operating loss of HK\$2.1 million was recorded, representing a decrease as compared to the operating profit of HK\$19.7 million for the corresponding period of the preceding year.

Looking ahead to 2023, the lubricants business is expected to turn from loss to profit with rising sales revenue, as the demand for lubricants will be driven by the significant increase in commute by the car owners.

## **Other Businesses**

The Group is committed to pursuing environmentally friendly, end-user-oriented and service-oriented development and is actively exploring and investing in business opportunities related to our core businesses. 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 professional, convenient and highly cost-effective car maintenance services. During the year under review, its pace of opening new outlets and the number of actual operating days were materially affected by the pandemic. As of 31 December 2022, the number of outlets reached 135, up by 9 outlets year-on-year, altogether serving nearly 240,000 cars during the year under review, down by 11% year-on-year. It is expected that there will be a post-pandemic rebound in commute, and 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 2023, it will be the Group's priority to enhance the profitability of each outlet in order to establish a more stable development platform.

For the properties segment, the revenue increased by 5% to HK\$10.69 million, mainly attributable to the rental income from the R&D centre in Shanghai, while the operating profit decreased to HK\$6.25 million as the profit from the disposal of Yip's Chemical Building in Fanling in 2021 was one-off.

## Outlook

The Group is mainly engaged in the businesses of coatings and inks. Encouraged and driven by the Board, the management teams of these two business segments strive to attain the high hopes placed upon them by the Board. The targets of the Group are to improve the performance of the two business segments in 2023 first, which will serve as a stepping stone for further significant progress in 2024 and 2025.

After the disposal of the effective interest in and of Handsome Chemical, all the sales revenue of this business will not be consolidated into the financial statements of the Group. It is therefore expected that the sales revenue of the Group will decrease significantly. Moreover, as only 24% of the operating profit of such business will be accounted for by the Group, the operating profit of the Group is also expected to undergo substantial change.

But then again, the disposal of the effective interest in and of Handsome Chemical generated a cash inflow of over HK\$2 billion to the Group, which, on one hand, significantly improved the cash position of the Group with expected substantial decrease in the interest expenses of the Group, and, on the other hand, enabled the Group to pursue favourable investment opportunities in order to further expand the business mix of the Group upon detailed consideration of the utilisation of part of the proceeds. As such, the Group would be well-equipped to allocate more resources to its three-pronged development plan and achieve greater progress.

I retired as the Chief Executive Officer of Yip's Chemical with effect from 1 January 2023. In retrospect of my 12-year tenure, I was fully vested with trust and support from the Board. Under the supervision and assistance from all stakeholders, the Group managed to achieve smooth, steady and sustainable development. I would like to hereby extend my heartfelt gratitude to all stakeholders. It is my humble pleasure to welcome Yip's Chemical's second generation of fully-fledged successors. It is my high hope that this new team with their new mentality could steer Yip's Chemical to even greater heights based upon the core businesses and driven by new businesses.

**Yip Tsz Hin**

24 March 2023

\* *Mr. Yip Tsz Hin stepped down from his role as the Chief Executive Officer and Mr. Ip Kwan was re-designated as the Chief Executive Officer with effect from 1 January 2023.*

\*\* *For identification purposes only*

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group's gearing ratio (measured by net bank borrowings as a percentage of equity attributable to owners of the Company) was 24.8% (31 December 2021: 36.6%), representing a year-on-year decline of 11.8 percentage points. The sale of 51% effective interest in Handsome Chemical was completed during the year under review and the Group's gearing ratio was therefore substantially improved. Based on the latest estimate, in addition to repaying bank loans (approximately HK\$930 million), part of the net sales proceeds after tax and related expenses will be reserved for investment in existing and/or new businesses (approximately HK\$780 million) whereas the balance (approximately HK\$690 million) will be used for distribution of dividends and working capital in the future. The Group will consider to arrange mid-to-long-term loans with banks in the future to provide liquidity for further business development and strategic investments.

The RMB exchange rate recorded a depreciation of 8.5% in 2022. The Group will remain prudent in managing foreign exchange exposure so as to minimise the impact of RMB fluctuation on its results. As for operating cash flow, the Group recorded during the year under review a net cash inflow of HK\$413,892,000 (2021: net cash inflow of HK\$266,372,000). As compared with the preceding year, despite a substantial decrease in operating cash inflow before movements in working capital, the combined net effect of change in working capital slightly increased the operating cash flow whereas such net effect last year resulted in a significant decrease. The operating cash flow this year was thus increased as compared with the preceding year.

As at 31 December 2022, gross bank borrowings of the Group amounted to HK\$2,180,475,000 (31 December 2021: HK\$2,149,875,000). After the deduction of short-term bank deposits, bank balances and cash amounting to HK\$1,088,116,000 (31 December 2021: HK\$758,317,000), net bank borrowings amounted to HK\$1,092,359,000 (31 December 2021: HK\$1,391,558,000). Of the gross bank borrowings, HK\$1,743,650,000 (31 December 2021: HK\$1,247,042,000) were short-term loans repayable within one year. Such loans were denominated in two currencies, HK\$1,541,167,000 in Hong Kong Dollars and HK\$202,483,000 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\$436,825,000 (31 December 2021: HK\$902,833,000), and they were denominated in two currencies, HK\$416,667,000 in Hong Kong Dollars and HK\$20,158,000 in RMB (31 December 2021: all in Hong Kong Dollars). The short-term bank deposits, bank balances and cash were denominated in the following currencies: HK\$20,330,000 in Hong Kong Dollars, HK\$433,270,000 in RMB, HK\$632,534,000 in US Dollars and HK\$1,982,000 in other currencies (31 December 2021: HK\$43,473,000 in Hong Kong Dollars, HK\$555,950,000 in RMB, HK\$157,778,000 in US Dollars and HK\$1,116,000 in other currencies).

In anticipation of the substantial cash proceeds to be received from the disposal of solvents business, the Group did not arrange for new mid-to-long-term loans for re-financing during the year under review. However, the Group has increased the use of its short-term loan and arranged bridging loan to allow more flexibility for use of fund. As at 31 December 2022, mid-to-long-term loans (including portions repayable within one year of HK\$486,167,000) accounted for 41% of the Group's total bank loans. The Group will monitor the interest rate fluctuation closely and enter into interest rate swaps or fixed rate arrangement with the banks to hedge against the risk of interest rate fluctuation. As at 31 December 2022, the Group's loans under fixed rate arrangement made up 45% of its mid-to-long-term loans.

As at 31 December 2022, excluding the banking facilities of solvents business, a total of 19 banks in Hong Kong and Mainland China granted banking facilities in aggregate of HK\$3,298,994,000 to the Group. Of these banking facilities, 68% and 32% were denominated in Hong Kong Dollars and RMB respectively. 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 2022, the Group did not have any significant investments, pledged assets and significant contingent liabilities.

## **TERMINATION OF THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF BAUHINIA VARIEGATA ON CHINEXT BOARD OF THE SHENZHEN STOCK EXCHANGE**

During 2022, the Company indirectly held approximately 91.76% equity interest in Bauhinia Variegata, a company incorporated in the PRC. Bauhinia Variegata submitted its listing application for the Proposed A Share Listing to the SZSE on 27 January 2021 and was notified by the SZSE on 3 February 2021 that the application for the Proposed A Share Listing was acknowledged. On 5 August 2022, Bauhinia Variegata has made an application to the SZSE to withdraw its application for listing on the Chinext Board of the SZSE. For details, please refer to the announcements of the Company dated 28 May 2020, 10 June 2020, 21 July 2020, 4 February 2021, 5 February 2021 and 5 August 2022, and the circular of the Company dated 17 August 2020, and unless otherwise indicated, capitalised terms used in this section shall have the same meaning as those defined in the Company's circular dated 17 August 2020.

## **VERY SUBSTANTIAL DISPOSAL IN RELATION TO 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 (“YHC”) (an indirect wholly-owned subsidiary of the Company), the Company and Handsome Chemical Development Limited (“Handsome Chemical Development”) (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 YHC had conditionally agreed to sell, 4,080 issued shares of Handsome Chemical Development, which represent 68% of the total issued share capital of Handsome Chemical Development, for the consideration of RMB2,295 million (equivalent to approximately HK\$2,688 million) (the “Disposal”).

Before the completion of the Disposal, Handsome Chemical Development directly owned approximately 38.88% equity interest in, and indirectly through its 75%-owned subsidiary, Yip’s Industrial Holdings Limited, owned approximately 48.17% equity interest in Handsome Chemical. Accordingly, Handsome Chemical Development owned a 75% effective interest in Handsome Chemical and the Group disposed of a 51% effective interest in Handsome Chemical through the Disposal. Handsome Chemical Development and its subsidiaries are principally engaged in the solvents business of the Group.

The Disposal constituted a very substantial disposal of the Company and was 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”).

All the terms and conditions of the Agreement had been fulfilled (and/or waived if applicable) and completion of the Disposal took place in 2022. Accordingly, Handsome Chemical Development and its subsidiaries ceased to be the subsidiaries of the Company and become associates of the Company after completion.

For details regarding the Disposal, please refer to the announcements of the Company dated 25 July 2022, 15 September 2022, 20 September 2022 and 6 October 2022, and the circular of the Company dated 20 September 2022.

## **HUMAN RESOURCES**

As of 31 December 2022, the Group has a total number of 2,642 employees (2021: 2,900 employees excluding solvents business), among which 74 and 11 of them are from Hong Kong and other countries respectively while the remaining 2,557 are from different provinces in Mainland China. These figures do not include employees of the associated companies engaged in the solvents business of the Group as the Disposal was completed in 2022. For details of the Disposal, please refer to the section headed “Very Substantial Disposal in relation to Disposal of Equity Interest in Handsome Chemical Development Limited” above.

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, and 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 makes 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 has purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2022.



## **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 the code provisions of Part 2 of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the year under review.

### **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 the relationship between the Group and its external auditors. The audited consolidated financial statements of the Group for the year ended 31 December 2022 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. Major duties of the Nomination Committee include 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. 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 a code of conduct on securities dealings by Directors and the relevant employees (the “Code on Securities Dealings”) on terms no less exacting than the required standard of 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 and the relevant employees in the securities of the Company. After making specific enquiries, all Directors have confirmed that they have complied with the required standard set out in the Model Code and Code on Securities Dealings for the year under review.

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2022, together with comparative figures of the preceding year.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	2022 HK\$'000	2021 HK\$'000 (restated)
<b>Continuing operations</b>			
Revenue	3	3,358,509	3,994,160
Cost of sales		<u>(2,640,783)</u>	<u>(3,161,334)</u>
Gross profit		717,726	832,826
Other income	4a	35,397	52,226
Other gains and losses	4b	4,319	22,553
Selling and distribution expenses		(221,749)	(266,328)
General and administrative expenses		(563,354)	(640,969)
Finance costs		(49,468)	(31,444)
Reversal of (impairment loss) recognised for debt instrument at fair value through other comprehensive income ("FVTOCI")		13,178	(42,826)
Share of result of an associate		<u>(174)</u>	<u>(710)</u>
Loss before taxation	5	(64,125)	(74,672)
Taxation	6	<u>(12,894)</u>	<u>(20,228)</u>
Loss for the year from continuing operations		(77,019)	(94,900)
<b>Discontinued operations</b>			
Gain on disposal of subsidiaries, net of tax	14	1,184,156	–
Profit for the year from discontinued operations	8	<u>188,773</u>	<u>669,451</u>
Profit for the year		<u>1,295,910</u>	<u>574,551</u>
Other comprehensive (expense) income:			
Items that will not be reclassified			
to profit or loss:			
Exchange differences arising on translation to presentation currency		(397,341)	112,954
Fair value changes on financial assets at FVTOCI		<u>(12,896)</u>	<u>(4,048)</u>
		<u>(410,237)</u>	<u>108,906</u>

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i> (restated)
Items that may be reclassified subsequently to profit or loss:		
Net adjustment arising from hedging instruments	7,098	7,026
Exchange differences arising on translation of foreign operations	<b>(128,841)</b>	47,678
Fair value changes on debt instrument at FVTOCI	–	(42,826)
Impairment losses for debt instrument at FVTOCI included in profit or loss	–	42,826
	<u>(121,743)</u>	<u>54,704</u>
Other comprehensive (expense) income for the year	<u>(531,980)</u>	<u>163,610</u>
Total comprehensive income for the year	<u><b>763,930</b></u>	<u>738,161</u>
(Loss) profit for the year attributable to owners of the Company		
– from continuing operations	<b>(62,746)</b>	(84,944)
– from discontinued operations	<b>1,280,576</b>	491,224
	<u><b>1,217,830</b></u>	<u>406,280</u>
(Loss) profit for the year attributable to non-controlling interests		
– from continuing operations	<b>(14,273)</b>	(9,956)
– from discontinued operations	<b>92,353</b>	178,227
	<u><b>78,080</b></u>	<u>168,271</u>
	<u><b>1,295,910</b></u>	<u>574,551</u>

	<i>NOTE</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i> (restated)
Total comprehensive income for the year attributable to:			
Owners of the Company		<b>763,374</b>	544,938
Non-controlling interests		<b>556</b>	193,223
		<u><b>763,930</b></u>	<u>738,161</u>
Total comprehensive income (expenses) attributable to owners of the Company			
– from continuing operations		<b>(290,500)</b>	(9,113)
– from discontinued operations		<b>1,053,874</b>	554,051
		<u><b>763,374</b></u>	<u>544,938</u>
Earnings (loss) per share			
From continuing and discontinued operations			
– Basic		<u><b>HK214.2 cents</b></u>	<u>HK72.8 cents</u>
– Diluted		<u><b>HK214.2 cents</b></u>	<u>HK72.8 cents</u>
From continuing operations	9		
– Basic		<u><b>(HK11.0 cents)</b></u>	<u>(HK15.2 cents)</u>
– Diluted		<u><b>(HK11.0 cents)</b></u>	<u>(HK15.2 cents)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	NOTE	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		1,130,285	2,456,452
Investment properties		195,710	135,118
Interests in associates		1,209,492	5,208
Financial assets at FVTOCI		11,098	15,035
Financial assets at fair value through profit or loss ("FVTPL")		177,318	130,781
Goodwill		95,201	149,561
Intangible assets		82,097	81,403
Amounts due from associates		78,164	–
Deposits paid for acquisition of property, plant and equipment and investment properties		51,037	44,282
Derivative financial instruments		1,164	249
Deferred tax assets		6,812	7,441
		<u>3,038,378</u>	<u>3,025,530</u>
<b>Current assets</b>			
Inventories		416,857	1,296,801
Trade receivables	10	1,249,911	4,589,944
Other debtors and prepayments		2,213,996	715,996
Derivative financial instruments		3,728	8,472
Financial asset at FVTPL		–	6,678
Debt instrument at FVTOCI		–	18,351
Short-term bank deposits			
– with original maturity within three months		656,182	10,644
Bank balances and cash		431,934	747,673
		<u>4,972,608</u>	<u>7,394,559</u>

	<i>NOTES</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Current liabilities</b>			
Creditors and accrued charges	11	<b>1,038,790</b>	3,215,496
Contract liabilities		<b>35,258</b>	58,504
Taxation payables		<b>233,244</b>	100,613
Derivative financial instruments		–	1,952
Lease liabilities		<b>16,925</b>	30,122
Borrowings – amount due within one year		<b>1,820,317</b>	1,247,042
		<u><b>3,144,534</b></u>	<u>4,653,729</u>
<b>Net current assets</b>		<u><b>1,828,074</b></u>	<u>2,740,830</u>
<b>Total assets less current liabilities</b>		<u><b>4,866,452</b></u>	<u>5,766,360</u>
<b>Non-current liabilities</b>			
Derivative financial instruments		–	778
Lease liabilities		<b>24,281</b>	104,446
Borrowings - amount due after one year		<b>360,158</b>	902,833
Deferred tax liabilities		<b>23,615</b>	30,804
		<u><b>408,054</b></u>	<u>1,038,861</u>
		<u><b>4,458,398</b></u>	<u>4,727,499</u>
<b>Capital and reserves</b>			
Share capital	12	<b>56,848</b>	56,848
Reserves		<b>4,349,724</b>	3,745,525
<b>Equity attributable to owners of the Company</b>		<u><b>4,406,572</b></u>	<u>3,802,373</u>
<b>Non-controlling interests</b>		<u><b>51,826</b></u>	<u>925,126</u>
		<u><b>4,458,398</b></u>	<u>4,727,499</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
*FOR THE YEAR ENDED 31 DECEMBER 2022*

	<i>NOTES</i>	<b>2022</b> <b><i>HK\$'000</i></b>	2021 <i>HK\$'000</i> (restated)
<b>Net cash from operating activities</b>		<b>413,892</b>	266,372
<b>Cash flows from (used in) investing activities</b>			
Purchase of property, plant and equipment		<b>(133,622)</b>	(460,009)
Purchase of investment properties		<b>(35,359)</b>	–
Acquisition of financial assets at FVTPL		<b>(42,838)</b>	(167,775)
Acquisition of financial assets at FVTOCI		<b>(8,735)</b>	–
Proceeds from disposal of financial assets at FVTPL		<b>6,640</b>	66,580
Settlement of foreign exchange forward contracts		<b>(58,236)</b>	–
Net cash outflow on acquisition of subsidiaries	13	<b>(8,469)</b>	–
Net proceeds from disposal of subsidiaries	14	<b>338,478</b>	289,160
Deposits paid for acquisition of property, plant and equipment and investment properties		<b>(52,815)</b>	(60,512)
Proceeds from disposal of property, plant and equipment		<b>63,661</b>	3,909
Interest received		<b>8,822</b>	12,087
<b>Net cash from (used in) investing activities</b>		<b>77,527</b>	(316,560)



	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i> (restated)
<b>Cash flows (used in) from financing activities</b>		
Borrowings raised	<b>1,762,739</b>	2,475,009
Repayment of borrowings	<b>(1,598,871)</b>	(1,949,621)
Dividends paid	<b>(159,175)</b>	(138,180)
Interest paid	<b>(61,815)</b>	(43,368)
Dividends paid to non-controlling shareholders of subsidiaries	<b>(52,509)</b>	(60,775)
Payment of lease liabilities	<b>(37,206)</b>	(36,220)
Shares repurchase	–	(10,309)
Cash paid from the settlement of the derivative financial instruments used to hedge interest rate risk	<b>(544)</b>	(5,547)
<b>Net cash (used in) from financing activities</b>	<b>(147,381)</b>	230,989
Net increase in cash and cash equivalents	<b>344,038</b>	180,801
Cash and cash equivalents at beginning of the year	<b>758,317</b>	565,302
Effect of foreign exchange rate changes	<b>(26,349)</b>	12,214
<b>Cash and cash equivalents at end of the year</b>	<b>1,076,006</b>	758,317
<b>Analysis of balances of cash and cash equivalents</b>		
Short-term bank deposits with original maturity within three months	<b>656,182</b>	10,644
Cash and cash equivalents	<b>419,824</b>	747,673
	<b>1,076,006</b>	758,317

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company is an exempted company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. Its principal subsidiaries and associates are engaged in the manufacture of and trading in solvents, coatings, inks and lubricants, property investment and holding as well as other businesses including provision of car maintenance service and manufacturing of and trading in other chemical products. During the current year, the Group disposed of its 51% effective interest in solvents business, accordingly the prior year financial information has been restated to present the operation of solvents as discontinued operations. Further details are set out in note 8.

## 2. 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 2022 for the preparation of the 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 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 3 Reference to the Conceptual Framework**

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. 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 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 application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

## 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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

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 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 2022, 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.

The amendments are effective for the Group's annual reporting periods beginning on 1 January 2023.

As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$34,941,000 and HK\$37,335,000 respectively, in which the Group will recognise the related deferred tax assets and deferred tax liabilities of HK\$8,690,000 and HK\$9,287,000 respectively. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

### 3. 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (restated)
<b>Continuing operations</b>		
Recognised at a point in time:		
Revenue from sales of products		
– coatings	1,639,321	2,036,804
– inks	1,340,140	1,497,907
– lubricants	298,318	332,472
– car maintenance and other chemical products	31,843	71,292
Recognised over time:		
Car maintenance service	<u>38,574</u>	<u>45,894</u>
Revenue from contracts with customers	3,348,196	3,984,369
Lease income from properties	<u>10,313</u>	<u>9,791</u>
	<u><b>3,358,509</b></u>	<u><b>3,994,160</b></u>
Geographical market based on location of customers:		
People's Republic of China (the "PRC")	3,229,278	3,853,013
Hong Kong	74,326	70,348
Overseas (mainly including countries in South East Asia)	<u>54,905</u>	<u>70,799</u>
	<u><b>3,358,509</b></u>	<u><b>3,994,160</b></u>



## ***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 as the assets are enhanced. 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 four business divisions, namely (i) coatings, (ii) inks, (iii) lubricants and (iv) 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:

- 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, 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. Accordingly these were aggregated and presented in 'Others'.

An operating segment regarding the manufacture of and trading in raw solvents and related product was discontinued in the current year. The segment information does not include any amounts for these discontinued operations, which are described in note 8.

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 result of an associate, interest income, impairment loss recognised on interest in an associate, 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:

## Continuing operations

	Coatings HK\$'000	Inks HK\$'000	Lubricants HK\$'000	Properties HK\$'000	Reportable segment total HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>Year ended 31 December 2022</b>								
Segment revenue								
Revenue from contracts with customers								
External sales	1,639,321	1,340,140	298,318	-	3,277,779	70,417	-	3,348,196
Inter-segment sales	127	58	708	-	893	3,598	(4,491)	-
External rental income (under HKFRS 16)	-	-	-	10,313	10,313	-	-	10,313
Inter-segment rental income	-	-	-	372	372	-	(372)	-
<b>Total</b>	<b>1,639,448</b>	<b>1,340,198</b>	<b>299,026</b>	<b>10,685</b>	<b>3,289,357</b>	<b>74,015</b>	<b>(4,863)</b>	<b>3,358,509</b>
Results								
Segment results	8,526	9,424	(2,113)	6,247	22,084	(34,141)	(186)	(12,243)
Share of result of an associate								(174)
Impairment loss recognised on interest in an associate								(4,496)
Unallocated income								16,639
Unallocated expenses								(14,383)
Finance costs								(49,468)
Loss before taxation from continuing operations								(64,125)
<b>Year ended 31 December 2021 (restated)</b>								
Segment revenue								
Revenue from contracts with customers								
External sales	2,036,804	1,497,907	332,472	-	3,867,183	117,186	-	3,984,369
Inter-segment sales	94	541	742	-	1,377	22,143	(23,520)	-
External rental income (under HKFRS 16)	-	-	-	9,791	9,791	-	-	9,791
Inter-segment rental income	-	-	-	372	372	-	(372)	-
<b>Total</b>	<b>2,036,898</b>	<b>1,498,448</b>	<b>333,214</b>	<b>10,163</b>	<b>3,878,723</b>	<b>139,329</b>	<b>(23,892)</b>	<b>3,994,160</b>
Results								
Segment results	(123,503)	47,337	19,735	67,579	11,148	(31,511)	333	(20,030)
Share of result of an associate								(710)
Unallocated income								9,095
Unallocated expenses								(31,583)
Finance costs								(31,444)
Loss before taxation from continuing operations								(74,672)

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

#### 4. OTHER INCOME AND OTHER GAINS AND LOSSES

##### Continuing operations

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (restated)
Interest income	5,166	9,269
Government grants recognised ( <i>note i</i> )	18,070	11,922
Compensation income ( <i>note ii</i> )	792	16,635
	<u>5,166</u>	<u>11,922</u>

*(b) The Group's other gains (losses) comprises:*

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (restated)
Net exchange loss arising from foreign currency balances and transactions	(5,429)	(5,223)
Net loss on disposals/written off of property, plant and equipment	(1,887)	(5,302)
Impairment loss recognised on interest in an associate	(4,496)	–
Gain on fair value change of investment properties	–	66,000
Net reversal of (net impairment loss) recognised on trade and other receivables under expected credit loss (“ECL”) model	9,407	(64,166)
Gain from change in fair value of financial assets at FVTPL	6,724	28,908
Gain on disposal of subsidiaries ( <i>note 14</i> )	–	2,336
	<u>4,319</u>	<u>22,553</u>

*Notes:*

- (i) During the year ended 31 December 2022, the Group recognised government grants of HK\$1,816,000 (2021: nil) in respect of Covid-19 related subsidies, which were 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 (2022: nil) during the year ended 31 December 2021, which was recognised in profit or loss when the compensation became receivable.

## 5. LOSS BEFORE TAXATION

### Continuing operations

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (restated)
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	132,899	140,400
Less: capitalised in inventories	<u>(64,513)</u>	<u>(66,009)</u>
	<u>68,386</u>	<u>74,391</u>
Staff costs, including directors' remuneration	580,353	623,878
Less: capitalised in inventories	<u>(183,582)</u>	<u>(201,618)</u>
	<u>396,771</u>	<u>422,260</u>
Short-term leases expense	5,869	6,288
Amortisation of intangible assets	2,905	2,047
Auditor's remuneration	2,600	2,800
Cost of inventories recognised as expense ( <i>note a</i> )	2,640,783	3,161,334
Other expenses ( <i>note b</i> )	<u>4,653</u>	<u>6,267</u>

#### Notes:

- (a) During the year ended 31 December 2022, provision of allowance on inventories amounting to HK\$6,078,000 (2021: HK\$5,941,000, restated) and written off of inventories amounting to HK\$7,339,000 (2021: HK\$3,227,000, restated) was recognised as an expense.
- (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 during the years ended 31 December 2022 and 2021. The Group resolved to withdraw the application for the proposed separate listing during the year ended 31 December 2022.

## 6. TAXATION

### Continuing operations

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i> (restated)
Current tax – the PRC		
Current year	<b>11,055</b>	11,989
Withholding tax	<b>986</b>	6,342
	<b>12,041</b>	18,331
Current tax – overseas		
Current tax	<b>370</b>	1,069
Overprovision in respect of prior years – the PRC	<b>(3,723)</b>	–
Deferred tax charge (credit)		
Hong Kong	<b>1,001</b>	(292)
The PRC	<b>3,205</b>	1,120
	<b>4,206</b>	828
	<b>12,894</b>	20,228

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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% 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% (2021: 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) in respect of disposal of a subsidiary 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.

## 7. DIVIDENDS

	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Interim dividend for 2022 of HK10 cents (2021: interim dividend for 2021 of HK12 cents and special dividend of HK10 cents) per share	<b>56,848</b>	121,853
Final dividend for 2021 of HK18 cents (2021: Final dividend for 2020 of HK16 cents) per share	<b>102,327</b>	88,621
	<b>159,175</b>	210,474

Final dividend for the year ended 31 December 2022 of HK5 cents (2021: HK18 cents) per share with total amount of approximately HK\$28,424,000 (2021: HK\$102,327,000) has been recommended by the directors of the Company and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company. The directors of the Company also resolved to declare a special dividend of HK75 cents per share with total amount of approximately HK\$426,363,000.

During the year ended 31 December 2021, scrip dividend alternatives were offered in respect of the 2021 interim dividend and special dividend. These scrip dividend alternatives were accepted by certain ordinary shareholders, as follows:

	2021 <i>HK\$'000</i>
Dividends:	
Cash	49,559
Ordinary share alternative	72,294
	<hr/>
	121,853
	<hr/> <hr/>

## 8. DISCONTINUED OPERATIONS

On 15 July 2022, Yip's H.C. (Holding) Limited ("Yip's H.C."), an indirect wholly-owned subsidiary of the Company, the Company and Handsome Chemical Development Limited ("HSD"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, in relation to the proposed disposal of 68% equity interest of HSD, for the consideration of RMB2,295,000,000.

HSD directly owned an approximately 38.88% equity interest in, and indirectly through its 75%-owned subsidiary, Yip's Industrial Holding Limited, owned approximately 48.17% equity interest in Handsome Chemical Group Limited. Accordingly, HSD owned a 75% effective interest in Handsome Chemical Group Limited and the Group disposed of a 51% effective interest in Handsome Chemical Group Limited and its subsidiaries.

HSD and its subsidiaries ("HSD Group") were engaged in the manufacturing and trading of raw solvent and related products operations. The disposal was completed during the year ended 31 December 2022, with control of HSD passed to the acquirer on completion date.

The profit for the year from the discontinued operations of solvents business is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to present the operation of solvents business as discontinued operations.



	Year ended 31/12/2022 <i>HK\$'000</i>	Year ended 31/12/2021 <i>HK\$'000</i>
Profit of operation of manufacturing and trading in solvents for the year	188,773	669,451
Gain on disposal of subsidiaries ( <i>note 14</i> )	1,382,862	–
Income tax expense on disposal of subsidiaries	(198,706)	–
	<u>1,372,929</u>	<u>669,451</u>

The results of the solvents manufacturing and trading operation which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Year ended 31/12/2022 <i>HK\$'000</i>	Year ended 31/12/2021 <i>HK\$'000</i>
Revenue	10,666,671	13,811,237
Cost of sales	(9,832,834)	(12,482,640)
Gross profit	833,837	1,328,597
Other income	24,040	13,948
Other gains and losses	49,628	10,570
Selling and distribution expenses	(399,413)	(329,588)
General and administrative expenses	(276,208)	(191,046)
Finance costs	(15,917)	(18,611)
Profit before taxation	215,967	813,870
Taxation	(27,194)	(144,419)
Profit for the year	<u>188,773</u>	<u>669,451</u>
Profit for the year from discontinued operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	93,546	77,852
Net reversal of impairment loss under ECL model recognised on trade and other receivables	(452)	(3,307)
(Reversal of) allowance for slow-moving inventories	(7,145)	6,998
Written off of inventories	4,049	6,444
Net (gain) loss on disposals/written off of property, plant and equipment	(43,243)	1,388
Amount included in the measurement of assets of discontinued operations:		
Additions to non-current assets	<u>29,578</u>	<u>649,448</u>

During the year ended 31 December 2022, HSD Group contributed approximately HK\$255 million (2021: HK\$329 million) to the Group's net operating cash flows, paid approximately HK\$25 million (2021: HK\$391 million) in respect of investing activities and paid approximately HK\$276 million (2021: contributed approximately HK\$253 million) in respect of financing activities.

The carrying amounts of the assets and liabilities of HSD Group on completion date are disclosed in note 14.

## 9. EARNINGS (LOSS) PER SHARE

### For continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company	<b>1,217,830</b>	406,280
Less: Profit for the year from discontinued operations	<b><u>(1,280,576)</u></b>	<u>(491,224)</u>
Loss for the purpose of calculating basic and diluted loss per share from continuing operations	<b><u><u>(62,746)</u></u></b>	<u><u>(84,944)</u></u>
	<b>Number of shares</b> <i>'000</i>	<i>'000</i>
Weighted average number of shares for the purpose of calculating basis and diluted loss per share	<b><u><u>568,484</u></u></b>	<u><u>558,240</u></u>

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

## From discontinued operations

Basic and diluted earnings per share for the discontinued operations are HK225.2 cents per share (2021: HK88.0 cents per share), based on the profit for the year from the discontinued operations of approximately HK\$1,280,576,000 (2021: HK\$491,224,000) and the denominators detailed above for both basic and diluted earnings per share.

## 10. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables from contracts with customers	1,307,648	4,683,981
Less: allowance for ECL	<u>(57,737)</u>	<u>(94,037)</u>
	<u><b>1,249,911</b></u>	<u><b>4,589,944</b></u>

As at 1 January 2021, trade receivables from contracts with customers amounted to HK\$3,474,539,000.

Bills received by the Group refer to 銀行承兌匯票 banker's acceptances which are accepted and guaranteed for payment by PRC banks, which amounted to HK\$376,281,000 (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:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 3 months	<b>580,917</b>	1,843,544
4 – 6 months	<b>216,299</b>	246,079
Over 6 months	<b>76,414</b>	115,721
	<b>873,630</b>	2,205,344

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 2022, approximately 71% (2021: 75%) 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 2022, included in the Group's trade receivables (excluding bills held by the Group for future settlement) are debtors with aggregate carrying amount of HK\$249,494,000 (2021: HK\$549,142,000) which are past due as at the reporting date.

## 11. CREDITORS AND ACCRUED CHARGES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade creditors	689,129	2,709,552
Other creditors and accrued charges	349,661	505,944
	<u>1,038,790</u>	<u>3,215,496</u>

Other creditors and accrued charges mainly consist of payables of acquisition of property, plant and equipment of HK\$12,394,000 (2021: HK\$70,541,000), payables of staff salaries and benefits (including sales commission) of HK\$85,304,000 (2021: HK\$161,082,000), payable of storage and transportation of HK\$31,770,000 (2021: HK\$97,638,000), accrued fees and expenses related to disposal of subsidiaries of HK\$44,972,000 (2021: nil) and dividend payable to a non-controlling shareholder of HK\$15,959,000 (2021: nil).

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 3 months	538,853	2,005,456
4 – 6 months	147,991	688,463
Over 6 months	2,285	15,633
	<u>689,129</u>	<u>2,709,552</u>

## 12. SHARE CAPITAL

	<b>Authorised 2022 &amp; 2021 <i>HK\$'000</i></b>
Shares of HK\$0.10 each	<u>80,000</u>

Movements in the issued share capital of the Company during the years ended 31 December 2021 and 2022 are as follows:

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

*Notes:*

- (a) During the year ended 31 December 2021, 2,780,000 shares were repurchased on the Stock Exchange at the unit price ranging from HK\$3.64 to HK\$3.83 at an aggregate consideration of HK\$10,309,000 which was charged to retained profits.
- (b) In October 2021, 14,604,936 shares of HK\$0.10 each were issued at a price of HK\$4.95 per share upon election by shareholders to receive shares in the Company in lieu of cash in relation to 2021 interim dividend and special dividend, pursuant to the scrip dividend scheme as detailed in a circular dated 14 September 2021.

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

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

### **13. ACQUISITION OF SUBSIDIARIES**

On 17 January 2022, the Group entered into two agreements to respectively 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 transactions, the Group's direct equity interest in 山西焱煜 increased to 70%, and 山西焱煜 and its subsidiary 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:

	<b>At date of acquisition</b> <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)
	<u>2,211</u>

The fair value of trade receivables at the date of acquisition amounted to HK\$5,000. The gross contractual amounts of those trade receivables acquired amounted to HK\$5,000 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	<u>8,568</u>

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 subsidiary 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 subsidiary.

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 subsidiary. 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><u>8,469</u></u>

### **Impacts of acquisition on the results of the Group**

Included in the profit for the year ended 31 December 2022, loss amounting of HK\$1,599,000 was attributable to the business operation from 山西焱煜 and its subsidiary. Revenue for the year ended 31 December 2022 included HK\$3,323,000 which was generated from 山西焱煜 and its subsidiary.

Had the acquisition been completed on 1 January 2022, revenue for the year ended 31 December 2022 of the Group would have been HK\$3,359,525,000, and profit for the year ended 31 December 2022 of the Group would have been HK\$1,295,631,000. 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

For the year ended 31 December 2022

- (a) As referred in note 8, the Group discontinued its solvents operation at the time of disposal of its subsidiary, HSD.

The net assets of HSD Group at the date of disposal were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	1,044,985
Goodwill	57,671
Deposits paid for acquisition of property, plant and equipment	255
Inventories	765,252
Trade receivables	2,075,964
Other debtors and prepayments	271,760
Derivative financial instruments	2,209
Bank balances and cash	272,588
Creditors and accrued charges	(982,828)
Contract liabilities	(59,570)
Taxation payables	(11,504)
Lease liabilities	(61,638)
Borrowings	(133,268)
Deferred tax liabilities	(5,662)
	<hr/>
Net assets disposed of	3,236,214
	<hr/> <hr/>

Gain on disposal of subsidiaries:

	<i>HK\$'000</i>
Consideration received or receivable	2,651,032
Add: Interests in associates	1,209,492
Add: Non-controlling interest	806,051
Less: Net assets disposed of	(3,236,214)
Less: Transaction costs	(47,499)
	<hr/>
Gain on disposal of subsidiaries	1,382,862
	<hr/>
Less: Income tax expense	(198,706)
	<hr/>
Gain on disposal of subsidiaries, net of tax	1,184,156
	<hr/> <hr/>

Net cash inflow arising on disposal:

	<i>HK\$'000</i>
Cash consideration received	611,066
Less: Bank balances and cash disposed of	<u>(272,588)</u>
	<u>338,478</u>

**For the year ended 31 December 2021**

- (b) On 16 July 2021, Yip's H.C., an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement ("Sale and Purchase Agreement") with an independent third party ("Purchaser"), in relation to the proposed disposal 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:

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

Gain on disposal of subsidiaries:

	<i>HK\$'000</i>
Consideration received	282,682
Less: Net assets disposed of	(275,681)
Transaction costs	<u>(3,733)</u>
Gain on disposal	<u>3,268</u>

- (c) 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\$40,823,000). The transaction was completed on 6 July 2021.

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

	<i>HK\$'000</i>
Property, plant and equipment	21,080
Inventories	13,646
Trade and other receivables	40,390
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	(11,572)
Tax payables	(767)
Net assets disposed of	<u>69,353</u>

Loss on disposal of subsidiaries:

	<i>HK\$'000</i>
Consideration received or receivable	40,824
Add: Non-controlling interest	27,597
Less: Net assets disposed of	(69,353)
Loss on disposal	<u>(932)</u>

Net cash inflow arising on disposal:

	<i>HK\$'000</i>
Cash consideration received	36,021
Less: Bank balances and cash disposed of	(29,543)
	<u>6,478</u>

## 15. EVENT AFTER THE REPORTING PERIOD

On 10 March 2023, the Group entered into agreements with a number of limited partnerships established under the laws of the PRC, pursuant to which the Group agreed to acquire the remaining 8.24% equity interest in and of Bauhinia Variegata Ink & Chemicals (Zhejiang) Limited, a 91.76%-owned subsidiary of the Company, for the consideration of RMB69,320,000 (equivalent to approximately HK\$78,137,000).

## **FINAL DIVIDEND AND SPECIAL DIVIDEND**

The Board recommended the payment of a final dividend of HK5 cents in cash per Share and resolved to declare and pay a special dividend of HK75 cents in cash per Share, both payable to the Shareholders whose names appear on the register of members of the Company on Friday, 16 June 2023. The final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the “AGM”) to be held on Monday, 5 June 2023. Subject to the aforesaid approval in respect of the proposed final dividend, the recommended final dividend for the year ended 31 December 2022 and the special dividend will be payable on or around Friday, 21 July 2023.

## **CLOSURE OF REGISTER OF MEMBERS**

For entitlement to the final dividend and special dividend:

The Hong Kong branch register of members of the Company will be closed from Thursday, 15 June 2023 to Friday, 16 June 2023 (both dates inclusive) for the purpose of ascertaining Shareholders’ entitlement to the proposed final dividend and the special dividend. No transfer of Shares may be registered on those dates. In order to qualify for the proposed final dividend and the special 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 Wednesday, 14 June 2023.

For attendance of 2023 AGM:

The Hong Kong branch register of members of the Company will be closed from Tuesday, 30 May 2023 to Monday, 5 June 2023 (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 attending and voting 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, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 29 May 2023.

## **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 2022 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 2023

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

*Non-executive Directors:*

Mr. Ip Chi Shing (*Chairman*)

Mr. Wong Yuk\*

Mr. Ku Yee Dao, Lawrence\*

Mr. Ho Pak Chuen, Patrick\*

*Executive Directors:*

Mr. Yip Tsz Hin (*Deputy Chairman*)

Mr. Ip Kwan (*Chief Executive Officer*)

Mr. Ho Sai Hou (*Chief Financial Officer*)

\* *Independent Non-executive Directors*