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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 2023

HIGHLIGHTS

Profit Attributable to Owners Amounted to HK\$16.3 Million Interim Dividend of HK2 Cents Per Share

- Due to the geopolitical tensions, high volatility in the global economy and slow recovery of Mainland China economy, the Group's revenue decreased by 12% to HK\$1.567 billion yet sales volume increased by 7% to 143,000 tonnes year-on-year.
- The gross profit margin increased by 2.8 percentage points year-on-year to 23.9% as a result of effective cost-cutting and expense reduction measures on the Group's core businesses which started to show results in the first half of 2023.
- Excluding the contribution from the solvents business to the Group as subsidiaries last year and due to the substantial exchange loss suffered as a result of the depreciation of Renminbi during the period under review, the operating profit from the core continuing operations of the Group for the period under review amounted to HK\$1.9 million, representing a turnaround in profit as compared to that in the corresponding period of the last year. Profit attributable to owners amounted to HK\$16.3 million.
- The Group's overall financial position remained strong. Benefiting from the proceeds from the disposal of 51% effective interest in the solvents business, the Group's gearing ratio at the end of the period under review only amounted to 0.1%.
- The Board has resolved to declare an interim dividend of HK2 cents per share (corresponding period of the preceding year: HK10 cents per share).

	For the six months ended 30 June 2023 (unaudited)	For the six months ended 30 June 2022 (unaudited and restated)	% change
Revenue	HK\$1,566,874,000	HK\$1,770,874,000	-12%
Sales volume	143,000 metric tons	134,000 metric tons	+7%
Profit attributable to owners of the Company [^]	HK\$16,260,000	HK\$108,313,000	-85%
Earnings per share [^]	HK2.9 cents	HK19.1 cents	-85%
Interim dividend per share	HK2 cents	HK10.0 cents	-80%
	As of 30 June 2023 (unaudited)	As of 30 June 2022 (unaudited)	
Gearing ratio*	0.1%	46.6%	-46.5% points
[^] Including continuing and discontinued operations			
[*] 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”, the “Group”, “we” or “us”) for the six months ended 30 June 2023 (the “period under review”).

As a result of the Group’s disposal of controlling effective interest in the solvents business to PAG which was completed by the end of last year, the overall business structure of the Group has changed significantly (please refer to the announcement of the Company dated 25 July 2022 for details). Accordingly, the business overview for the period under review is presented with all relevant figures adjusted where necessary to present the results of the solvents business as associates of the Group of its continuing operations.

In summary, the operating conditions faced by the Group in the first half of the year remained rather difficult and challenging. During the period under review, the war between Russia and Ukraine has reached a stalemate and there was no further escalation of the conflict. The pace of global interest rate hikes led by the United States of America has also been slowing down and decreasing, but the significant damage done to the global economy has not been alleviated – it has even been spread wider and worsened. The domestic market was severely sluggish due to the impact of the global economy, and export businesses were naturally the first to bear the brunt. Meanwhile, after the three-year pandemic, industrial and commercial enterprises have generally been devastated, and the consumer confidence has been significantly weakened. Since the end of the preceding year, the government of China has progressively lifted the relevant anti-epidemic measures, and the first two months of this year saw a remarkable recovery in consumer spending, but this was soon followed by a gradual decline, and the recovery lost its momentum overall. Coupled with the fluctuating price of Renminbi, depreciating by up to 3.75% during the period under review, the Group recorded a substantial exchange loss of HK\$23 million. These factors had an adverse impact on the Group’s business during the period under review, but the prices of raw materials fortunately were relatively stable during the period under review due to the weak supply and demand. The management of the Group at all levels made substantial preparations and efforts to reduce costs. Considerable preparations and efforts have also been made to reduce expenses and achieved certain results. Consequently, apart from the solvents and inks businesses, the Group’s remaining core businesses showed different degrees of enhancement and improvement in performance compared to the corresponding period of the preceding year (please refer to the Report of the Chief Executive Officer for details). During the period under review, the Group’s revenue decreased by 12% to HK\$1.567 billion yet sales volume increased by 7% to 143,000 tonnes compared to the corresponding period of the preceding year. Profit attributable to owners of the Company amounted to HK\$16.3 million, representing a decrease of 85% compared to the corresponding period of the preceding year.

Meanwhile, 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 of the residual problems caused by defaults of individual real estate developers have been generally and fundamentally resolved. In addition, the Group has received a substantial amount of cash from the disposal of 51% effective interest in the solvents business, and as a result the Group's gearing ratio improved significantly to 0.1% as at the end of the period under review as compared to 46.6% for the corresponding period of the preceding year. After a thorough assessment of the Group's business prospects and considering the established practice of rewarding Shareholders earnestly, the board ("Board") of directors ("Director(s)") of the Company has resolved to declare an interim dividend of HK2 cents per share to all Shareholders, as compared to the interim dividend for the corresponding period of the preceding year of HK10 cents.

Outlook

I am very cautious about the business outlook of the Group for the second half of 2023. Internationally, the war between Russia and Ukraine is expected to continue but conflicts are not expected to escalate, while a pause on the global interest rate hikes is anticipated. However, the profound and severe damage to the global economy will not be mended in a short period of time, and the sluggishness in general is likely to persist for a considerable period of time. Domestically, the government of China is expected to adopt a series of measures to stimulate domestic consumption, particularly in the real estate market, by targeting the root causes of the constraints to sustained economic growth, which were the continued pressure on exports, low investor sentiment among enterprises and poor consumer confidence. By lowering a number of policy interest rates, the pressure on enterprises will be alleviated, while more capital will flow into the market, encouraging many enterprises to go global and expand into more diversified international markets, thereby achieving the target economic growth for the year. By the same token, it will take a long time for this series of stimulating measures to be implemented and to achieve results. Simultaneously, the Group has recovered a substantial amount of cash after the disposal of the controlling effective interest in the solvents business, which certainly led to changes in the business structure and development strategy of the Group. Under the uncertain and gloomy macro business environment, the Group will be able to demonstrate more resilience and flexibility, yet on the other hand, the drastic drop in the profit contribution by the solvents business as associates of the Group will inevitably exert significant pressure on the Group's overall business profitability in the short term and even within the next three to five years. In light of the recent changes, the Group will also make the following adjustments to its operations: (1) while we will continue to consolidate and optimize our solvents business, we will also devote our effort to the construction of a new plant for a new product, acetic acid, with a view to commencing production by mid-2025. It is expected that the commencement of the production of new acetic acid products will undoubtedly introduce new impetus to the solvents business, from which the Group is expected to receive considerably more than before profit contribution by the solvents business in the

future; (2) we will devote more resources to the restructuring and optimization of our core businesses. Based on the existing satisfactory foundation, we will make adjustments to our development strategy by taking into account the latest national and business conditions, and strive to achieve greater improvement in our performance every year; and (3) the role of the Group's Strategic Investment Department has gradually evolved from a financial investor to an actual participant after more than two years of practical experience, with the objective of identifying merger and acquisition targets for the Group's core businesses, and making direct investments in or managing small and medium-sized enterprises with high quality management teams in high quality industries. The Group has been developing its business extensively in the Mainland China for years and has built up a certain degree of advantages in various aspects of the industry. As such, the Group is confident in leveraging on the strengths of others to achieve a mutually beneficial business development model, which is a learning process that the Group must strengthen and pursue in the medium to long term. Frankly speaking, the greatest challenges for the Group to achieve the aforesaid development strategies are determination, time and patience. Under the leadership of the new Senior Leadership Team, I am confident that the business vision of maximizing the interests of our Shareholders is achievable year after year.

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!

Ip Chi Shing

Chairman

17 August 2023

REPORT OF THE CHIEF EXECUTIVE OFFICER

The first half of 2023 was challenging for Yip's Chemical. Despite the short-term development opportunities brought about by the economic recovery after the pandemic, the global economy was highly volatile due to various external factors such as Sino-US relations, the war between Russia and Ukraine, rising interest rates and the depreciation of Renminbi. The core businesses of Yip's Chemical were also heavily impacted under this environment and faced significant obstacles in developing new business. At the same time, the Group completed the disposal of 51% effective interest of the solvents business at the end of 2022, which significantly reduced the Group's share of profit contribution from the solvents business in the first half of 2023. In response to these developments, each of the Group's core businesses has undertaken a series of efforts since last year to raise profit margins, including improving product portfolio and decreasing costs of raw materials and human resources. The results of these efforts started to show in the first half of 2023.

In the first half of 2023, revenue of Yip's Chemical amounted to HK\$1.567 billion, representing a decline of 12% from the corresponding period of last year. Yet, gross profit margin increased by 2.8 percentage points to 23.9%. The operating profit from the core operations for the period under review amounted to HK\$1.9 million, representing a turn from loss to profit compared to the corresponding period of last year. Overall, despite higher interests costs and a substantial exchange loss of HK\$23 million due to the depreciation of Renminbi during the period under review, the Group recorded a profit attributable to owners of HK\$16.3 million for the period under review.

The financial position of Yip's Chemical during the period under review is strong overall. Benefiting from the proceeds from the disposal of 51% effective interest in the solvents business at the end of last year, the Group's gearing ratio at the end of the period under review only amounted to 0.1% and the core businesses continue to provide positive cash flow to the Group.

The Group's management has also undergone a number of reforms. In the first half of 2023, a new Senior Management Team with experience in business operation as well as investment and development was formed to collectively strategize and execute the next steps of the Group's development.

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

Coatings

During the period under review, revenue of the coatings business amounted to HK\$780 million, representing a decline of 12% compared to the corresponding period of the preceding year. Gross profit margin improved significantly by 5.2 percentage points to 28.1%, resulting in a significant turnaround from loss to profit in the first half of the year to HK\$15.6 million, representing a solid improvement from an operating loss of HK\$26.5 million in the corresponding period of the preceding year.

Whereas the economy of Mainland China recovered to some extent in the first half of the year post-pandemic, there was an apparent weakening of domestic demand in the second quarter of the year. In addition, core industries such as real estate and export have not shown signs of improvement, which all had a significant impact on the performance of the coatings business. The sluggish real estate market has led to slow growth in the architectural coatings market and intensified competition in the industry. At the same time, the current economic environment in Europe and the United States of America has reduced the demand for consumer products such as furniture and toys, which in turn has reduced the use of industrial coatings. Despite the difficulties, we have made great efforts to reduce expenses in the coatings business and to increase the proportion of higher margin products, resulting in a sizable increase in gross profit margin and ultimately a larger rebound in overall profit contribution.

In terms of business expansion, Bauhinia architectural coatings has continued to establish coatings outlets which can cater more closely to the consumer and business renovation needs. As at 30 June 2023, the number of architectural coatings outlets in Mainland China reached over 2,600, representing an increase of about 16% compared to the end of last year. We also continue to upgrade our outlet network to provide consumers with better one-stop services, delivering high quality design and construction directly to the customers' end. Meanwhile, we have also successfully entered into a strategic partnership with the China Women's National Football Team at the end of June 2023, becoming the team's official supporting brand. Bauhinia's brand is expected to continue to grow in the second half of the year.

Looking ahead to the second half of the year, we are cautiously optimistic that the market will recover. The management team will continue to push for revenue growth, maintain our current gross profit margin and secure a healthy foundation of profit for the coatings business.

Inks

During the period under review, revenue of the inks business declined by 18% year-on-year to HK\$550 million, with gross profit margin remaining at the same level as the corresponding period of the preceding year, and recorded an operating loss of HK\$4 million, representing a decrease in contribution from the operating profit of HK\$17.8 million in the corresponding period of the preceding year.

The inks business was under unprecedented pressure in the first half of the year. The food packaging industry did not recover as expected after the pandemic, and as the market leader, Bauhinia Variegata inks experienced great difficulties in expanding new businesses. Given the increasing pressure from competition, despite the extensive cost-cutting measures taken, the improvement in gross profit margin was not significant, resulting in the inks business turning from profit into loss for the period under review.

In view of the difficulties we are facing, the inks business will develop more product lines in the future. In July 2023, the inks business has entered into a strategic cooperation with an enterprise specializing in electronic circuit board ink in Hubei, in which we will invest in the development of the electronic circuit board ink business in the future, potentially leading our inks business to new development paths.

Looking ahead to the second half of the year, we will continue to focus on reducing costs, and to stabilize sales and recover the underlying profit foundation under the current economic conditions. The management team is confident that during the peak season in the second half of 2023, the inks business will return to profitability.

Lubricants

During the period under review, revenue of the lubricants business significantly increased by 12% to HK\$190 million, with gross profit margin reaching 20.8%, representing a slight increase of 0.6 percentage points from the corresponding period of the preceding year, overall contribution turned from loss to profit of HK\$5.7 million, representing an improvement from the operating loss of HK\$2.9 million during the corresponding period of the preceding year.

During the period under review, the lubricants business continued to further explore the automotive lubricants and diesel engine oil business, and the sales network has expanded considerably. Despite the rapid development of electric vehicles in Mainland China, the overall automotive lubricant market maintained a modest growth due to the large stock of traditional vehicles. The “Hercules” brand of lubricants under the lubricants business continued to seize the opportunities to develop new distributors nationwide to accelerate sales growth. At the same time, we also cooperated with the operators and OEM of different brands to increase sales volume and share expenses, which led to better improvement in the overall profitability of the lubricants business.

Looking ahead to the second half of the year, the lubricants business will continue to expand its sales network. In a relatively depressing market, we aim to become a leading local brand in the automotive lubricants industry by capitalizing on our reputation for high quality we have built up in the market over the years.

Properties

The properties segment recorded a 4% increase in revenue to HK\$5.6 million during the period under review, mainly attributable to the rental income from the leasing of the R&D building in Shanghai. During the period under review, the property segment recorded an operating loss of HK\$1.4 million as a result of the decrease in the fair value of the leased portion of the Wanchai office in Hong Kong by HK\$5.2 million in such period, contributing less as compared to the operating profit of HK\$2.2 million in the corresponding period of the preceding year.

Others

The Group continuously seeks “environmentally friendly”, “end-user-oriented” and “service-oriented” development and is actively pursuing business opportunities related to “household” and “automobile”. In March 2023, the Group invested in the upstream acetic acid business with PAG through the subscription of preferred shares of US\$85 million, such that the Group may benefit from the potential upside when the new acetic acid plant in Jingmen, Hubei comes online in the future. Also, during the period under review, the Group continued to promote “Damai” as the top self-operated chain in the automobile aftermarket to provide China’s countless end-user car owners with professional, convenient and highly cost-effective car maintenance services encounters. The outlet network of the “Damai” brand has currently reached 122 stores, covering Shandong, Guangdong, Hebei, Shanxi, Jiangsu and Hunan, altogether serving more than 467,000 cars. Looking ahead to the second half of the year, “Damai” will continue to focus on its core regions and capitalize on its position as the top “self-operated” chain brand nationwide to develop cooperation with other suppliers and enterprises, and to continue to provide high-quality and cost-effective services to car owners.

Outlook

Amidst the current intensely challenging market environment, the Group’s core businesses have shown a visible increase in contribution compared to the corresponding period of last year. For the second half of the year, the Group remains hopeful that as China’s economy continues to recover and global uncertainties improve, the Group’s sales expansion will accelerate, thereby improving profitability. At the same time, we will continue to identify beneficial and synergistic investment opportunities for Yip’s Chemical to establish a foundation for the Group’s long-term development.

Francis Ip Kwan

Chief Executive Officer

17 August 2023

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group’s gearing ratio (measured by net bank borrowings as a percentage of equity attributable to owners of the Company) was 0.1% (30 June 2022: 46.6%), representing a decline of 46.5 percentage points year-on-year. With the receipt of sales proceeds from the disposal of 51% effective interest of the solvents business completed by the end of last year, the Group’s gearing ratio was substantially improved and resulted in almost zero net debt position as at 30 June 2023.

The RMB exchange rate recorded a depreciation of 3.75% during the period under review. The Group will remain prudent in managing its foreign exchange exposure so as to minimise the impact of RMB fluctuation on its results. As for operating cash flow, the Group recorded a net cash inflow of HK\$51,761,000 during the period under review (six months ended 30 June 2022: net cash outflow of HK\$31,337,000). Compared with the corresponding period in the preceding year, although the Group's profit before tax with adjusting items has substantially declined because of the disposal of 51% effective interest of the solvents business, the net outflow of working capital has also been substantially reduced, resulting in an increase in net cash inflow for the period under review.

As at 30 June 2023, gross bank borrowings of the Group amounted to HK\$1,243,685,000 (31 December 2022: HK\$2,180,475,000). Gross bank borrowings were reduced by almost half as compared to the amount at year end of 2022 by applying the sales proceeds from disposal of 51% effective interest of the solvents business for loan repayments. After the deduction of short-term bank deposits, bank balances and cash amounting to HK\$1,239,673,000 (31 December 2022: HK\$1,088,116,000), net bank borrowings amounted to HK\$4,012,000 (31 December 2022: HK\$1,092,359,000). Of the gross bank borrowings, HK\$1,182,027,000 (31 December 2022: HK\$1,743,650,000) were short-term loans repayable within one year. Such loans were denominated in two currencies, HK\$914,667,000 in Hong Kong Dollars and HK\$267,360,000 in RMB (31 December 2022: \$1,541,167,000 in Hong Kong Dollars and HK\$202,483,000 in RMB). Long-term loans repayable after one year amounted to HK\$61,658,000 (31 December 2022 HK\$436,825,000), and they were denominated in two currencies, HK\$43,333,000 in Hong Kong Dollars and HK\$18,325,000 in RMB (31 December 2022: HK\$416,667,000 in Hong Kong Dollars, HK\$20,158,000 in RMB). The short-term bank deposits, bank balances and cash were denominated in the following currencies: HK\$79,075,000 in Hong Kong Dollars, HK\$433,278,000 in RMB, HK\$725,583,000 in US Dollars and HK\$1,737,000 in other currencies (31 December 2022: H\$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).

The Group has received substantial cash proceeds from the disposal of 51% effective interest of the solvents business during the period under review. During the period under review, in addition to repaying bank loans, the Group has applied US\$85 million of the sales proceeds for subscription of preferred shares in relation to the development of solvents business and approximately RMB69.3 million for acquisition of minority equity interests in inks business. The remaining proceeds will be mainly used for distribution of dividends and for investment in existing and/or new businesses. The Group will arrange mid-to-long-term loans with banks in the second half of the year to provide liquidity for further business development and strategic investments.

As at 30 June 2023, mid-to-long-term loans (including portions repayable within one year of HK\$254,667,000) accounted for 24% of the total bank loans of the Group. 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 2023, the Group's loans under fixed rate arrangement made up 52% of its mid-to-long-term loans.

As at 30 June 2023, a total of 18 banks in Hong Kong and Mainland China granted banking facilities in aggregate of HK\$1,881,085,000 to the Group. Of these banking facilities, 57% and 43% 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 30 June 2023, the Group did not have any pledged asset and significant contingent liabilities. Save as disclosed in this announcement, the Group did not have any immediate concrete plans for material investments or capital assets for the second half of 2023 but the Group may explore potential opportunities to make investment and/or acquire capital assets for sustainable growth.

HUMAN RESOURCES

As of 30 June 2023, the Group has a total number of 2,837 employees, among which 63 and 10 of them are from Hong Kong and other countries respectively while the remaining 2,764 are from different provinces in Mainland China.

The Group places great emphasis on the management and development of human capital. The employees are encouraged to strive for improvement through internal and external training programs, job rotations and participation in the Group's educational subsidy programs, facilitating self-development in knowledge and skills and to maximize their potential in their work. We offer suitable platform for development of highly committed and capable employees, regardless of their background, geographical location or educational level. The Group regularly identifies talented employees and tailors career plans to support their continuous development. With versatile experience in challenging roles in different areas, the current management team of the Group has risen through the ranks to positions of management. In addition to the focus of developing employees internally, the Group also seeks to attract external talents.

The Group offers a challenging work environment, 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 purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

CORPORATE GOVERNANCE

During the six months ended 30 June 2023, 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 2023, the Audit Committee comprised the three independent non-executive Directors, namely Mr. Ku Yee Dao, Lawrence, Mr. Wong Yuk and Mr. Ho Pak Chuen, Patrick, and was 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 auditor.

An Audit Committee meeting was held on 14 August 2023 to review the Group's unaudited interim financial statements for the six months ended 30 June 2023. Deloitte Touche Tohmatsu, the Group's external auditor, has reviewed the Group's unaudited interim financial statements for the six months ended 30 June 2023, 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 2023.

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 2023, together with comparative figures for the corresponding period of the preceding year. The condensed consolidated financial statements have not been audited, but have 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 2023

	NOTES	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited and restated)
Revenue	3	1,566,874	1,770,874
Cost of sales		(1,191,852)	(1,397,429)
Gross profit		375,022	373,445
Other income	4a	48,195	13,577
Other gains and losses	4b	(17,650)	7,129
Selling and distribution expenses		(112,541)	(131,758)
General and administrative expenses		(286,696)	(301,986)
Finance costs		(28,403)	(17,347)
Share of results of associates		32,145	(194)
Profit (loss) before taxation	5	10,072	(57,134)
Taxation	6	(1,177)	(11,352)
Profit (loss) for the period from continuing operations		8,895	(68,486)
Discontinued operations			
– Profit for the period from discontinued operations	8	–	232,841
Profit for the period		8,895	164,355
Other comprehensive (expense) income:			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		(182,361)	(191,654)
Fair value changes on financial assets at fair value through other comprehensive income ("FVTOCI")		11	(8,321)
		(182,350)	(199,975)

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited and restated)
Items that may be reclassified subsequently to profit or loss:		
Net adjustment arising from hedging instruments	(1,832)	5,752
Exchange differences arising on translation of foreign operations	46,406	(88,655)
	<u>44,574</u>	<u>(82,903)</u>
Other comprehensive expense for the period	<u>(137,776)</u>	<u>(282,878)</u>
Total comprehensive expense for the period	<u>(128,881)</u>	<u>(118,523)</u>
Profit (loss) for the period attributable to:		
Owners of the Company		
– from continuing operations	16,260	(62,047)
– from discontinued operations	–	170,360
	<u>16,260</u>	<u>108,313</u>
Non-controlling interests		
– from continuing operations	(7,365)	(6,439)
– from discontinued operations	–	62,481
	<u>(7,365)</u>	<u>56,042</u>
	<u>8,895</u>	<u>164,355</u>

	Six months ended 30 June	
<i>NOTE</i>	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited and restated)
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(122,731)	(127,815)
Non-controlling interests	(6,150)	9,292
	<u>(128,881)</u>	<u>9,292</u>
	<u>(128,881)</u>	<u>(118,523)</u>
Total comprehensive (expenses) income attributable to owners of the Company:		
– from continuing operations	(122,731)	(174,164)
– from discontinued operations	–	46,349
	<u>(122,731)</u>	<u>46,349</u>
	<u>(122,731)</u>	<u>(127,815)</u>
Earnings (loss) per share		
From continuing and discontinued operations		
– Basic	<u>HK2.9 cents</u>	<u>HK19.1 cents</u>
– Diluted	<u>HK2.9 cents</u>	<u>HK19.1 cents</u>
From continuing operations	9	
– Basic	<u>HK2.9 cents</u>	<u>(HK10.9 cents)</u>
– Diluted	<u>HK2.9 cents</u>	<u>(HK10.9 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	<i>NOTES</i>	30.6.2023 <i>HK\$'000</i> (Unaudited)	31.12.2022 <i>HK\$'000</i> (Restated)
Non-current assets			
Property, plant and equipment	<i>10</i>	1,054,811	1,130,285
Investment properties	<i>10</i>	179,034	195,710
Interests in associates		1,165,002	1,209,492
Financial assets at fair value through profit or loss (“FVTPL”)		821,444	177,318
Financial assets at FVTOCI		21,551	11,098
Goodwill		93,697	95,201
Intangible assets		79,929	82,097
Deposits paid for acquisition of property, plant and equipment and investment properties		44,943	51,037
Derivative financial instruments		682	1,164
Deferred tax assets		10,840	7,327
Amount due from associates		75,233	78,164
		3,547,166	3,038,893
Current assets			
Inventories		364,837	416,857
Trade receivables	<i>11</i>	1,256,972	1,249,911
Other debtors and prepayments	<i>11</i>	134,292	2,213,996
Derivative financial instruments		2,378	3,728
Short-term bank deposits with original maturity more than three months		127,985	–
Cash and cash equivalents		1,111,688	1,088,116
		2,998,152	4,972,608

	<i>NOTE</i>	30.6.2023 <i>HK\$'000</i> (Unaudited)	31.12.2022 <i>HK\$'000</i> (Restated)
Current liabilities			
Creditors and accrued charges	12	935,068	1,038,790
Contract liabilities		27,072	35,258
Taxation payables		29,039	233,244
Dividend payables		454,788	–
Lease liabilities		10,731	16,925
Borrowings – amount due within one year		1,225,361	1,820,317
		2,682,059	3,144,534
Net current assets		316,093	1,828,074
Total assets less current liabilities		3,863,259	4,866,967
Non-current liabilities			
Lease liabilities		19,068	24,281
Borrowings – amount due after one year		18,324	360,158
Deferred tax liabilities		28,760	23,615
		66,152	408,054
		3,797,107	4,458,913
Capital and reserves			
Share capital		56,848	56,848
Reserves		3,768,079	4,350,107
Equity attributable to owners of the Company		3,824,927	4,406,955
Non-controlling interests		(27,820)	51,958
		3,797,107	4,458,913

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Six months ended 30 June	
	<i>NOTES</i>	2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Net cash from (used in) operating activities		51,761	(31,337)
Cash flows from (used in) investing activities			
Purchases of property, plant and equipment		(6,690)	(71,079)
Deposits paid for acquisition of property, plant and equipment and investment properties		(4,328)	(27,057)
Acquisition of financial assets at FVTPL		(662,867)	(35,810)
Acquisition of financial assets at FVTOCI		(11,319)	–
Net proceeds received from disposal of subsidiaries	8	1,799,286	–
Net cash outflow on step acquisition of subsidiaries		(78,137)	–
Dividend received from associates		31,179	–
Interest received		29,906	4,667
Proceeds from disposal of property, plant and equipment		276	15,412
Net cash outflow on acquisition of subsidiaries	13	–	(8,469)
Placement of bank deposits with original maturity more than three months		(127,985)	–
Net cash from (used in) investing activities		969,321	(122,336)
Cash flows (used in) from financing activities			
Borrowings raised		729,207	1,130,245
Repayment of borrowings		(1,654,074)	(928,386)
Interest paid		(27,938)	(23,760)
Dividends paid to non-controlling shareholders of subsidiaries		(16,526)	(51,694)
Payment of lease liabilities		(10,099)	(20,142)
Net cash received (paid) in relation to the settlement of the derivative financial instruments used to hedge interest rate risk		1,707	(1,459)
Net cash (used in) from financing activities		(977,723)	104,804

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net increase (decrease) in cash and cash equivalents	43,359	(48,869)
Cash and cash equivalents at beginning of the period	1,088,116	758,317
Effect of foreign exchange rate changes	(19,787)	(22,584)
	<u>1,111,688</u>	<u>686,864</u>
Cash and cash equivalents at end of the period	1,111,688	686,864
Analysis of balances of cash and cash equivalents		
Short-term bank deposits with original maturity within three months	710,832	101,998
Bank balances and cash	400,856	584,866
	<u>1,111,688</u>	<u>686,864</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

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 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
HKAS 1 and HKFRSs Practice Statement 2	Disclosure of Accounting Policies
HKAS 8	Definition of Accounting Estimates
HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12	International Tax Reform – Pillar Two Model Rules

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

2.1.1 Accounting policies

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the condensed consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities 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 taxable temporary differences.

2.1.2 Transition and summary of effects

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction separately and temporary differences on initial recognition on the relevant assets and liabilities were not recognised due to application of the initial recognition exemption. In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- (ii) the Group also, as at 1 January 2022, recognised 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 difference associated with right-of-use-assets and lease liabilities.

The details of the impacts on each financial statement line item and earning per share arising from the application of the amendments are set out under “Impacts of application of amendments to HKFRSs on the condensed consolidated financial statements” in this Note. Comparative figures have been restated.

2.2 Impacts of application of amendments to HKFRSs on the condensed consolidated financial statements

The effects of the changes in accounting policy as a result of application of amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* on the condensed consolidated statement of profit or loss and other comprehensive income and earnings per share, are as follows:

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Impact on profit for the period from continuing and discontinued operations</i>		
Increase in income tax expense	<u>147</u>	<u>19</u>
Net decrease in profit for the period	<u>147</u>	<u>19</u>
Increase in total comprehensive expense for the period attributable to:		
– Owners of the Company	88	9
– Non-controlling interests	<u>59</u>	<u>10</u>
	<u><u>147</u></u>	<u><u>19</u></u>

	Six months ended 30 June	
	2023	2022
	<i>HK cents</i>	<i>HK cents</i>
<i>Impact on basic and diluted earnings per share from continuing and discontinued operations</i>		
Basic and diluted earnings per share before adjustments:	2.9	19.1
Net adjustments arising from change in accounting policy in relation to:		
– Deferred tax impact on leasing transactions	–	–
	<u>2.9</u>	<u>19.1</u>
Reported basic and diluted earnings per share	<u>2.9</u>	<u>19.1</u>

The effects of the changes in accounting policy as a result of application of amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* on the condensed consolidated statement of financial position as at the end of the immediately preceding financial year, i.e. 31 December 2022, are as follows:

	31 December 2022		31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Originally stated)	Adjustments	(Restated)
Deferred tax assets	6,812	515	7,327
Deferred tax liabilities	<u>(23,615)</u>	<u>–</u>	<u>(23,615)</u>
Total effects on net assets	<u>(16,803)</u>	<u>515</u>	<u>(16,288)</u>

	31 December 2022 HK\$'000 (Originally stated)	Adjustments HK\$'000	31 December 2022 HK\$'000 (Restated)
Non-controlling interests	51,826	132	51,958
Equity attributable to owners of the Company	<u>4,406,572</u>	<u>383</u>	<u>4,406,955</u>
Total effects on equity	<u><u>4,458,398</u></u>	<u><u>515</u></u>	<u><u>4,458,913</u></u>

The effects of the changes in accounting policy as a result of application of amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* on the condensed consolidated statement of financial position as at the beginning of the comparative period, i.e. 1 January 2022, are as follows:

	1 January 2022 HK\$'000 (Originally stated)	Adjustments HK\$'000	1 January 2022 HK\$'000 (Restated)
Deferred tax assets	7,441	618	8,059
Deferred tax liabilities	<u>(30,804)</u>	<u>–</u>	<u>(30,804)</u>
Total effects on net assets	<u><u>(23,363)</u></u>	<u><u>618</u></u>	<u><u>(22,745)</u></u>

	1 January 2022 HK\$'000 (Originally stated)	Adjustments HK\$'000	1 January 2022 HK\$'000 (Restated)
Non-controlling interests	925,126	179	925,305
Equity attributable to owners of the Company	<u>3,802,373</u>	<u>439</u>	<u>3,802,812</u>
Total effect on equity	<u><u>4,727,499</u></u>	<u><u>618</u></u>	<u><u>4,728,117</u></u>

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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited and restated)
Geographical market based on location of customers:		
People's Republic of China ("The PRC")	1,516,604	1,711,603
Hong Kong	33,894	30,899
Overseas (mainly including countries in South East Asia)	16,376	28,372
	<u>1,566,874</u>	<u>1,770,874</u>

Segment information

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.

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 manufacturing 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 years. Accordingly these were aggregated and presented in "Others".

An operating segment regarding the manufacture of and trading in raw solvents and related products was discontinued by the end of last year. The segment information does not include any amounts for these discontinued operations for the six months ended 30 June 2022, which are described in note 8. The results of solvent business for the six months ended 30 June 2023 are presented as associates of the Group of its continuing operations.

Segment results represent the profit earned or loss incurred for the year by each segment without allocation of share of results of associates, interest income, central administration costs, finance costs and unallocated other income. This is the information reported to the Chief Executive Officer of the Company, the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

(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:

	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>
Six months ended 30 June 2023								
(unaudited)								
Segment revenue								
Revenue from contracts with customers								
– recognised at a point in time	775,063	553,880	193,761	–	1,522,704	18,629	–	1,541,333
– recognised over time	–	–	–	–	–	20,122	–	20,122
External sales	775,063	553,880	193,761	–	1,522,704	38,751	–	1,561,455
Inter-segment sales	32	38	331	–	401	–	(401)	–
External rental income	–	–	–	5,419	5,419	–	–	5,419
Inter-segment rental income	–	–	–	182	182	–	(182)	–
Total	<u>775,095</u>	<u>553,918</u>	<u>194,092</u>	<u>5,601</u>	<u>1,528,706</u>	<u>38,751</u>	<u>(583)</u>	<u>1,566,874</u>
Results								
Segment results	<u>15,596</u>	<u>(4,012)</u>	<u>5,726</u>	<u>(1,391)</u>	<u>15,919</u>	<u>(14,012)</u>	<u>(12)</u>	<u>1,895</u>
Share of results of associates								32,145
Unallocated income								40,905
Unallocated expenses								(36,470)
Finance costs								(28,403)
Profit before taxation								<u>10,072</u>

	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
Six months ended 30 June 2022								
(unaudited and restated)								
Segment revenue								
Revenue from contracts with customers								
– recognised at a point in time	880,881	675,687	172,370	–	1,728,938	16,049	–	1,744,987
– recognised over time	–	–	–	–	–	20,699	–	20,699
External sales	880,881	675,687	172,370	–	1,728,938	36,748	–	1,765,686
Inter-segment sales	79	–	295	–	374	20	(394)	–
External rental income	–	–	–	5,188	5,188	–	–	5,188
Inter-segment rental income	–	–	–	186	186	–	(186)	–
Total	880,960	675,687	172,665	5,374	1,734,686	36,768	(580)	1,770,874
Results								
Segment results	(26,549)	17,771	(2,897)	2,186	(9,489)	(18,033)	(282)	(27,804)
Share of results of associates								(194)
Unallocated income								17,930
Unallocated expenses								(29,719)
Finance costs								(17,347)
Loss before taxation								(57,134)

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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited and restated)
(a) The Group's other income mainly comprises:		
Interest income	29,906	3,077
Government grants recognised (<i>note</i>)	2,564	4,233
	<u><u>29,906</u></u>	<u><u>7,310</u></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 2023: nil) in respect of COVID-19 related subsidies, of which HK\$1,184,000 (six months ended 30 June 2023: nil) was related to Employment Support Scheme provided by the government in Hong Kong.

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited and restated)
(b) The Group's other (losses) gains comprise of:		
Loss on fair value change of investment properties	(5,183)	–
Gain from change in fair value of financial assets at FVTPL	4,634	2,867
Net reversal of (net impairment loss) recognised on trade and other receivables under expected credit loss (“ECL”) model	5,805	(1,089)
Net exchange (loss) gain arising from foreign currency balances and transactions	(22,942)	4,393
Net gain on disposal/written off of property, plant and equipment	36	958
	<u><u>(17,650)</u></u>	<u><u>7,129</u></u>

5. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
Profit (loss) before taxation has been arrived at after charging:		
Amortisation of intangible assets	1,443	1,465
Cost of inventories recognised as expense (<i>note</i>)	1,191,852	1,397,429
Depreciation of property, plant and equipment	65,071	69,192
	<u>1,262,366</u>	<u>1,478,086</u>

Note: During the six months ended 30 June 2023, net allowance recognised on inventories amounting to HK\$2,595,000 (six months ended 30 June 2022: HK\$4,759,000, restated). Written off of inventories amounting to HK\$2,460,000 (six months ended 30 June 2022: HK\$1,097,000, restated) was recognised as an expense during the current interim period.

6. TAXATION

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
The charge comprises:		
Current tax – the PRC		
Current period	3,781	8,942
Withholding tax	331	68
	<u>4,112</u>	<u>9,010</u>
Current tax – Overseas	453	361
	<u>4,565</u>	<u>9,371</u>
Overprovision in respect of prior years – the PRC	(4,999)	–
Deferred tax charge	1,611	1,981
	<u>1,177</u>	<u>11,352</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\$174,763,000 (31 December 2022: HK\$154,661,000) 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 six months ended 30 June 2023, final dividend of HK5 cents and special dividend of HK75 cents per share totalling approximately HK\$454,788,000 in respect of the year ended 31 December 2022 were declared and subsequently paid in July 2023.

During the six months ended 30 June 2022, 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.

Subsequent to 30 June 2023, the directors of the Company resolved to declare an interim dividend of HK2 cents per share totalling approximately HK\$11,370,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: an interim dividend of HK10 cents per share totalling approximately HK\$56,848,000). The interim dividend will be payable on or about 6 October 2023 to the shareholders of the Company whose names appear on the Company's register of members on 6 September 2023.

8. DISCONTINUED OPERATIONS

On 15 July 2022, Yip's H.C. (Holding) Limited, 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 solvents 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 comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to present the operation of solvents business as discontinued operations.

Six months
ended
30 June 2022
HK\$'000
(unaudited)

Profit of operation of manufacturing and trading in solvents for the period	232,841
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The results of the solvents manufacturing and trading operation which have been included in the condensed consolidated statement of profit or loss and other comprehensive income in prior period, were as follows:

Six months
ended
30 June 2022
HK\$'000
(Unaudited)

Revenue	5,945,865
Cost of sales	(5,360,724)
Gross profit	585,141
Other income	13,528
Other gains and losses	17,308
Selling and distribution expenses	(204,549)
General and administrative expenses	(98,327)
Finance costs	(8,940)
Profit before taxation	304,161
Taxation	(71,320)
Profit for the period	232,841

Profit for the period from discontinued operations has been arrived at after charging (crediting):

Depreciation of property, plant and equipment	49,465
Impairment loss under ECL model recognised on trade and other receivables	2,027
Allowance for slow-moving inventories	34,764
Written off of inventories	1,948
Net gain on disposals/written off of property, plant and equipment	(9,748)
Loss from change in fair value of foreign exchange contracts	21,469
Net exchange gain arising from foreign currency balances and transactions	(31,056)

**Six months
ended
30 June 2023
HK\$'000
(Unaudited)**

Net cash inflow arising on disposal received in current period:	
Cash consideration received (note 11(b))	2,039,966
Less: transaction costs and income tax expense paid	<u>(240,680)</u>
	<u><u>1,799,286</u></u>

9. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
Profit for the period attributable to owners of the Company	16,260	108,313
Less: Profit for the period from discontinued operations	<u>–</u>	<u>(170,360)</u>
Profit (loss) for the purpose of calculating basic and diluted loss per share from continuing operations	<u><u>16,260</u></u>	<u><u>(62,047)</u></u>
	Number of shares	
	'000	'000
Weighted average number of shares for the purpose of calculating basic and diluted earnings per share	<u><u>568,484</u></u>	<u><u>568,484</u></u>

The computation of diluted earnings per share does not assume the exercise of the Company's options of exercise prices of 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 from 1 January 2023 until lapse of share option on 10 January 2023.

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

During the six months ended 30 June 2023, the Group incurred approximately HK\$23,970,000 (six months ended 30 June 2022: HK\$102,139,000) to acquire property, plant and equipment for its operations.

During the six months ended 30 June 2023, the Group entered into new lease agreements with lease terms ranged from 1 to 5 years (six months ended 30 June 2022: from 1 to 5 years). On lease commencement, the Group recognised HK\$4,859,000 (six months ended 30 June 2022: HK\$19,411,000) of right-of-use assets, included in property, plant and equipment, and HK\$4,859,000 (six months ended 30 June 2022: HK\$19,411,000) of lease liabilities.

During the six months ended 30 June 2023, investment property with fair value at the date of transfer of HK\$6,295,000 (six months ended 30 June 2022: nil) was transferred to owned property due to change in use of that portion of property. During the six months ended 30 June 2023, a net decrease in fair value of investment properties of HK\$5,183,000 (six months ended 30 June 2022: nil) has been recognised directly in profit or loss. The valuations are carried out by an independent qualified professional valuer, which is not connected with the Group. The valuations performed by 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. The direct comparison approach is based on market observable recent transactions of similar properties in similar location.

11. TRADE RECEIVABLES, OTHER DEBTORS AND PREPAYMENTS

(a) Trade receivables

	30.6.2023	31.12.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables from contracts with customers	1,309,243	1,307,648
Less: allowance for ECL	(52,271)	(57,737)
	<u>1,256,972</u>	<u>1,249,911</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\$315,227,000 (31 December 2022: HK\$376,281,000). 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:

	30.6.2023	31.12.2022
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(Audited)
0 – 3 months	706,879	580,917
4 – 6 months	175,068	216,299
Over 6 months	59,798	76,414
	<u>941,745</u>	<u>873,630</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 receivable from a shareholder of former subsidiary, payments in advance to suppliers, commission receivable from suppliers and value-added tax recoverable. Receivable from disposal of HSD Group of HK\$2,039,966,000 at 31 December 2022 have been received during the six months ended 30 June 2023.

12. CREDITORS AND ACCRUED CHARGES

	30.6.2023 <i>HK\$'000</i> (Unaudited)	31.12.2022 <i>HK\$'000</i> (Audited)
Trade creditors	676,424	689,129
Other creditors and accrued charges	258,644	349,661
	935,068	1,038,790

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), 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:

	30.6.2023 <i>HK\$'000</i> (Unaudited)	31.12.2022 <i>HK\$'000</i> (Audited)
0 – 3 months	522,257	538,853
4 – 6 months	148,981	147,991
Over 6 months	5,186	2,285
	676,424	689,129

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 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:

	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)
	<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 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 subsidiary.

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\$1,771,890,000 (restated), and profit for the six months ended 30 June 2022 of the Group would have been HK\$164,076,000 (restated). 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.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK2 cents per share for the six months ended 30 June 2023 (six months ended 30 June 2022: HK10 cents per share). The interim dividend will be payable on or about 6 October 2023 to Shareholders whose names appear on the register of members of the Company on 6 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from 1 September 2023 to 6 September 2023 (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, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 31 August 2023.

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 2023 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, 17 August 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. Ho Pak Chuen, Patrick*
Mr. Ku Yee Dao, Lawrence*

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*