葉氏化工
YIP'S CHEMICAL

Yip's Chemical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 408)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

Profit Attributable to Owners Increases to HK$273 million
Total Dividend Payout Increases to HK20 Cents Per Share

- Profit attributable to owners rose 47.7% year-on-year to HK$273 million, driven by the marked improvement of coatings, inks and lubricants businesses;

- Revenue dropped 15.5% year-on-year to HK$10.46 billion, mainly due to a fall in solvent unit selling prices for the year under review;

- Sales volume recorded a slight drop of 1% to 1.38 million metric tons;

- The use of working capital continued to improve, with gearing ratio decreased substantially by 13 percentage points year-on-year to 33%;

- The Board recommended payment of a final dividend of HK13 cents per share. Total dividend payment for the year amounted to HK20 cents per share, HK4 cents more than last year.

	For the year ended 31 December 2019 (audited)	For the year ended 31 December 2018 (audited)	% change
Revenue	**HK$10,464,834,000**	HK$12,388,283,000	-16%
Profit attributable to owners of the Company	**HK$272,907,000**	HK$184,805,000	+48%
Earnings per share	**HK48.4 cents**	HK32.8 cents	+48%
Final dividend	**HK13.0 cents**	HK10.0 cents	+30%
Dividend for the year	**HK20.0 cents**	HK16.0 cents	+25%
	As of 31 December 2019	As of 31 December 2018	
Gearing ratio*	**33%**	46%	-13% points

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

CHAIRMAN'S STATEMENT — REVIEW AND OUTLOOK

I am pleased to present to all shareholders ("Shareholders") of Yip's Chemical Holdings Limited (the "Company") and its subsidiaries (collectively "Yip's Chemical" or the "Group") the annual results of the Group for the year 2019 ("year under review"). In the year under review, the products manufactured and sold by the Group saw a decline in unit selling prices due to cost reduction. As the Group sustained success in improving customer quality, sales revenue for the whole year was HK$10.46 billion while sales volume was 1.38 million metric tons, down 15.5% and 1% respectively from the preceding year. Yet, for profit attributable to owners of the Company, the Group managed to achieve rather encouraging results by recording HK$273 million, representing a significant jump of 47.7% from that in the preceding year. Even after a special one-off gain from the sale of a property in Shanghai was discounted, there was still a sharp year-on-year increase in core profitability. The main reason for this was that the performance of all four core business segments of the Group had, to one extent or another, been consolidated materially and improved considerably, so that all the business segments that recorded a loss in the preceding year had turned around and become profitable (please refer to the CEO's Report for details). The Group also has fairly good financial performance to report. Over the years, the Group has always upheld the principles of prudent financial management and steady development. In the face of the unfavourable operating environment in the year under review, the Group's credit monitoring measures had been further tightened. With all core business segments achieving expected optimisation in their capital utilisation, the Group's overall gearing ratio at year-end was reduced to 33% as compared with 46% in the preceding year. Upon summing up various assessments and giving due consideration to the long-held policy of actively rewarding Shareholders, the Company's Board of Directors (the "Board") recommended to pay a final dividend of HK13 cents per share to all Shareholders. This payout represents an increase of HK3 cents from the HK10 cents per share in the preceding year. Together with the interim dividend already paid out, total dividend for the full year under review is HK20 cents per share or an increase of HK4 cents from the HK16 cents per share for the preceding year.

Review

From a macro perspective, there is no doubt that the overall operating environment in the year under review was extremely harsh and challenging. First, there were incessant trade conflicts among various countries and regions caused by the rekindling of unilateralism and trade protectionism; there were ever-growing geopolitical shocks; and there was a slowdown of China's economic growth. All of these hurt the global economy to the extent that global economic sentiment was at all-time low. Second, throughout the year, China's economic performance, which is vitally associated with the Group's businesses, had been deeply unsettled because of the spiralling up and flip-flopping of Sino-US trade tensions. What was more, money supply in the mainland market had been extremely tight, and the majority of corporations had little appetite to invest, leading eventually to an increasing downturn pressure on the mainland's economic growth. But from a micro perspective, the Renminbi exchange rate had been relatively stable--fluctuating only within a narrow range. Most important of all, as a result of supply-demand imbalance, the prices of various types of raw materials had been trending downward within the year, creating a very favourable condition in the course of the Group's business optimisation. As the Group's management teams at various levels were all determined and had the same goals of controlling costs, raising customer quality and revitalising the Group's assets, the results of their efforts appeared gradually. So we can conclude that, under the exceedingly difficult situation, it is highly commendable and encouraging that the Group's business performance as a whole could gain a small step forward.

Outlook

It is foreseeable that the global economic environment this year will continue to be affected by proliferating unilateralism and trade protectionism. In the course of global economic integration, no one country can come out unscathed. In the short-to-medium term, there is little room of optimism about the prospect of global economic recovery. It is highly likely that the three situations described hereinafter that will affect the Group's businesses in the coming year will turn up. First, the various uncertainties surrounding the Sino-US trade conflict will continue to pose a downward pressure on the Chinese domestic economy despite the signing of a phase-one agreement by the two countries in January because the US government has already regarded China as its strategic competitor. So, in the days to come, it is expected that the US government will carry out multiples bouts of suppression through umpteen measures. In other words, the discord between the two countries is not expected to be reconciled easily in the short term. Second, the precipitous geopolitical escalation in the Middle East and the failure to reach consensus on the production volume of crude oil among nations will result in volatility in the supply and fluctuations in prices of certain chemical raw materials. Third, the outbreak of Coronavirus Disease 2019 ("**COVID-19**") that began early this year remains uncontrolled and has spread globally. Currently, it is still hard to predict how the pandemic will evolve, but as governments across countries make it their top priority to contain and eliminate the pandemic and adopt a series of administrative measures to deal with the situation, negative impacts on economic activities will be a certainty. The Group will do its best to collaborate in these efforts in the hope that all employees will stay safe and survive the crisis.

Facing year 2020 that is riddled with uncertainties, the Group strongly believes that challenges and opportunities co-exist and it will properly perform its allotted duties at all times. We will continue to entrench the achievements of business quality optimisation from year 2019 so that the foundation of all core business segments will be further reinforced to take on larger market shares. Particularly, attention will be paid to acting in complement with the national policy of maintaining steady economic growth by stimulating domestic consumption through changes in consumption patterns. We will, therefore, redouble our efforts in putting more resources into the two largest consumer sectors of housing and automobiles. It is expected that the benefits so obtained will be much more evident than year 2019. Additionally, we will allocate more resources and capital in expanding into new related businesses through equity market operations. Both of these strategies will move towards environmentally friendly, end-user oriented and service oriented so that the Group's businesses will be more diversified and on track to develop in healthier and grander scales. The Group has also noticed that its value has been underestimated by the market in recent years. To maximise the value of our Shareholders' investment, the Group will launch studies within this year to explore ways to ensure that its value will gradually be reasonably reflected.

On behalf of the Board, I would like to take this opportunity to convey our sincere gratitude to all of our employees for their efforts and contributions, to all our stakeholders for their unfailing support and advice, and to the Board and senior leadership team ("SLT") for their leadership, courageous innovation and sincere cooperation.

Ip Chi Shing
Chairman

30 March 2020

REPORT OF THE CHIEF EXECUTIVE OFFICER

Key aspects of the Group's performance for the year ended 31 December 2019 include:

1. Total sales revenue was nearly HK$10.5 billion, down by 15.5% from the corresponding period in the preceding year. This was mainly due to a fall in the average selling price of solvents and a slight decline of 1% year-on-year in the Group's total product sales tonnage;

2. The performance of all four key business segments exceeded internal expectations and recorded profit — an all-round bumper year rarely seen in recent years (please refer to the analyses of individual business segments detailed below);

3. Total operating profit from the four key business segments was about HK$430 million, up about HK$96 million year-on-year;

4. With the transaction of the Qingpu property in Shanghai successfully completed, operating profit of the properties segment this year reached HK$140 million, which was close to that of the preceding year;

5. Combining the above factors, profit attributable to owners of the Company for the year under review was HK$273 million or a growth of about HK$88 million or 47.7% from the corresponding period in the preceding year. Net profit margin of the Group was 2.61%, which was a growth of almost 1.1 percentage points year-on-year;

6. As the use of capital continued to improve markedly, there was a net inflow of HK$618 million in working capital, bringing down the gearing ratio significantly to 33%, which was a drop of 13 percentage points year-on-year;

7. The business operation this year can be summed up as follows: a slight decline in sales revenue, a rise in gross profit margin, a drop in expenses, a sharp rise in net profit margin and a precipitous drop in gearing ratio, etc.

The review and outlook of the Group's five business segments are as follows:

Solvents

In 2019, sales tonnage recorded 1.12 million metric tons, which together with the average selling price of solvents declining on a year-on-year basis, led to a significant drop in sales revenue of 17%. The decrease in sales tonnage and average selling price was respectively 1% and 13% year-on-year. Export remained buoyant, and the export volume for the whole year was 234,000 metric tons, a level comparable to the preceding year.

In the first half of 2019, as the effect of the Sino-US trade war multiplied, the prices of chemical raw materials fell significantly and solvents could not stay untouched. Though the solvents division made every effort to catch up in the second half of 2019, operating profit for the full year decreased almost 20% year-on-year to about HK$280 million.

The business was fraught with difficulties in the year 2019 as gross profit margin fell following a decrease in raw material prices. Production costs rose sharply as a result of the Group's efforts to meet more environmentally friendly production standards. For example, the coal boilers in our Eastern China and Southern China plants had been successively phased out and replaced respectively by piped steam from the industrial park network and natural gas boilers. Thus, production cost (for steam) increased by about HK$50 million.

In anticipation of the difficulties and as precaution measures, the management team had adopted a two-pronged approach. The first is to set up a marketing department to oversee sales and supply chain management while garnering market intelligence so as to identify opportunities for raising prices. The second was to obtain breakthroughs in technology, and this had resulted in energy and efficiency savings worth about HK$32 million.

The new production line in the Taixing plant in Eastern China was successfully put into operation in the third quarter during the year. With a total capacity of over one million metric tons, the Taixing plant is now the world's largest plant of acetates.

Looking into 2020, we will focus on the following key areas:

1. Take safety as the first priority of the Group. This concept has to be put into practice from top-down to raise safety consciousness comprehensively;

2. Further engage the marketing department in maintaining the market price of our products. Entrench operating strategies in optimising users and suppliers to raise operating quality continuously;

3. Proceed with the Southern China production base project. The site for this production base is an industrial park in Gaolan Port, Zhuhai. Apart from port facilities, the industrial park has a full complement of chemical facilities, a supply of steam at competitive prices, etc. Management aims at completing all necessary negotiations as well as related procedures in project registration and approval in the first half of 2020.

Coatings

In 2019, management of the coatings business implemented a number of performance-improving reforms. In the area of sales, resources and efforts were directed to enhance overall sales quality. While the number of customers which had generated relatively lower profitability in the past was being pared down, substantive efforts were devoted into cultivating new and large customers. Initial success of this strategy is now evident. In the area of cost control, we managed to reduce cost in procuring from the volatile raw material market by facilitating inter-departmental information sharing. Simultaneously, we reduced operating expenses through the integration of supply chains. Consequently, though sales revenue slipped 12% in the year under review to HK$1.6 billion, gross profit margin was up 5 percentage points which, together with expense savings, had resulted in a sharp increase in operating profit from a HK$6.5 million loss in the preceding year to a HK$56.6 million profit this year.

In 2020, management will continue to capitalise on the core competitiveness of the industrial coatings business in technology and manufacturing to bolster profitability in this business line. Meanwhile, it will focus on promoting the long-term development of the architectural coatings business by investing more resources to enhance brand influence, improve customer structure and expand sales channels.

Inks

In the year under review, in setting quality sales as its top priority, the inks business carried out systematic improvements in its customer structure and product lines. Though sales revenue was down 9% in the year under review, gross profit margin rose sharply by 4 percentage points. Operating expenses were greatly squeezed down in the year under review, particularly by running two plants instead of three. Consequently, a reduction of about HK$26 million in various expenses was achieved, leading to a sharp increase in operating profit to close to HK$94 million or a growth of close to 1.4 times year-on-year.

Key areas of work in the new financial year include: continuing to expand quality sales, develop environmentally friendly products and trim operating expenses. Since more and more customers are now transferring their plants to Southeast Asia, we are going to set up a special department to develop new markets in that region.

Lubricants

In the year under review, management of the lubricants business focused their attention on automotive lubricants and, by cooperating closely with distributors in existing sales channels, the proportion of medium-to-high end products sold was raised. Meanwhile, management managed to reduce procurement costs for base oil and other raw materials in times of price fluctuations. Lastly, by supporting substantial reorganization of the lubricants department, efficiency was raised while expenses were reduced. Therefore, though sales revenue fell 25% to close to HK$204 million in the year under review, gross profit margin increased markedly by 6 percentage points. With a drop in operating expenses, operating profit reached HK$6.4 million in the year under review from a HK$38.7 million loss in the preceding year, turning around the loss-making situation of many years.

In 2020, management will continue to carry out channel penetration and open up undeveloped markets so as to expand the automotive lubricant distributorship network in different locations. Meanwhile, the supply chain system will be further automated to raise efficiency and reduce inventory level. The objective is to ensure that the lubricants business can further develop steadily and healthily from its foundation in 2019.

Properties

Revenue from the properties segment rose 28% to HK$14 million during the year under review. The increase in rental revenue was propelled by the successive letting of the Group's R&D Centre in Zhangjiang, Shanghai to two tenants during the year, and the increase in rents of the former headquarters building in Fanling early in the year. Other income stemmed mainly from the successful completion of the sale of the Qingpu property in Shanghai that generated a gain before tax of HK$156 million, a level comparable to the increase in the fair value of properties combined with the earnings from the sale of a Huizhou plant site in the preceding year. Overall, operating profit of the properties segment was up 1% year-on-year to HK$140 million.

New Business — Car Maintenance Operation of Damai

While striving to become more environmentally-friendly, end-user oriented and service-oriented, the Group is actively pursuing "household" and "automobile" related business opportunities. Since investing strategically in Damai, a car maintenance chain in China in 2018, the Group has generated desirable synergies with Damai's founding team in capturing pre-emptive opportunities in the car maintenance market. In 2019, Damai boasted an additional 29 shops, reaching a total of 85 in its nationwide network that covers Shandong, Guangdong, Jiangsu, Hunan and Hebei, serving close to 200,000 cars.

In the first quarter of 2020, the Group further invested RMB22 million in Damai, increasing its shareholding in Damai to 61% and becoming its largest single controlling shareholder. The Group has full confidence in Damai's founding team and will continue to support the team in expanding shop network with the aim of providing professional, quick and value-for-money car maintenance experience to the huge number of car owners in China.

Outlook

Major focus areas of the current year include:

1. Solvents: aiming at generating steady profit; striving to begin the construction of the new plant in Southern China; sustaining improvements through better technologies.

2. Coatings and Inks: expanding sales and maintaining a desirable gross profit margin; controlling and compressing operating expenses; redoubling marketing efforts to maximize branding effects.

3. Car maintenance operation of Damai is our first venture into new business. We will invest more resources to open more shops to speed up economies of scale of Damai.

Having undergone three years of business consolidation, the Group's performance finally turned the corner in 2019 and achieved or even surpassed the effect of consolidation we had expected. Management has the confidence that, building on such a good foundation, we can further take advantage of the most of our economies of scale, brands and R&D to bring a better return on capital for the Group and our Shareholders.

Apart from an undivided focus on business development, Yip's Chemical also cares for the community at all times. In early 2020, with COVID-19 raging through multiple countries, the Group promptly came to grips with the needs of the community and leveraged its raw material advantages to rapidly deliver much sought-after supplies to various places to support efforts in combating the virus. Through the Group's solvents, coatings and inks subsidiaries, it donated more than 230 tonnes of alcohol for antiseptic use to provincial and municipal governments, the Chinese Culture Promotion Society, the Red Cross and a number of hospitals, benefiting provinces and municipalities including Guangdong, Jiangsu, Zhejiang, Beijing and Shanghai. It is our belief that, as long as we are all united, we would get through this health crisis smoothly.

Yip Tsz Hin
Chief Executive Officer

30 March 2020

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group's gearing ratio (measured by net bank borrowings as a percentage of equity attributable to owners of the Company) was 33% (31 December 2018: 46%). The significant improvement of 13 percentage points in gearing ratio was mainly attributable to the receipt of sales proceeds of Qingpu property in Shanghai during the year as well as the continuous improvement in working capital.

The RMB exchange rate has continued to fluctuate throughout 2019 due to the ongoing Sino-US trade conflict and recorded a depreciation of 1.9%. The Group remained prudent in managing foreign exchange risks so as to minimise the impact of RMB fluctuation on its business results. As a result, a majority of the Qingpu sales proceeds after tax was remitted back to Hong Kong. To further reduce its foreign exchange exposure, the Group also arranged to repatriate funds from Mainland China in the form of declaring dividends. Bank borrowings in Hong Kong were thus substantially reduced. Surplus funds were also from time to time placed on principal-protected or low-risk deposits in Hong Kong and Mainland China for earning higher interest income. The net interest expenses during the year under review were HK$50,719,000 (2018: HK$56,104,000).

As for operating cash flow, the Group recorded a net cash inflow of HK$618,414,000 (2018: net cash inflow of HK$741,234,000). The slight decrease in operating cash inflow compared with the preceding year was mainly attributable to a decrease in creditors and accrued charges as well as an increase in inventories, after setting off the combined effect of increased receipts of trade and bills receivables and other receivables.

As at 31 December 2019, gross bank borrowings of the Group amounted to HK$1,979,400,000 (31 December 2018: HK$2,640,377,000). After the deduction of short-term bank deposits, bank balances and cash amounted to HK$1,009,542,000 (31 December 2018: HK$1,335,154,000), net bank borrowings amounted to HK$969,858,000 (31 December 2018: HK$1,305,223,000). Of the gross bank borrowings, HK$805,700,000 (31 December 2018: HK$1,320,977,000) were short-term loans repayable within one year. Such loans were all denominated in Hong Kong Dollars (31 December 2018: HK$1,184,357,000 in Hong Kong Dollars and HK$136,620,000 in RMB). Long-term loans repayable after one year amounted to HK$1,173,700,000 (31 December 2018: HK$1,319,400,000), and they were all denominated in Hong Kong Dollars (31 December 2018: all in Hong Kong Dollars). The short-term bank deposits, bank balances and cash were denominated in the following currencies: HK$270,831,000 in Hong Kong Dollars, HK$623,555,000 in RMB, HK$114,963,000 in US Dollars and HK$193,000 in other currencies (31 December 2018: HK$32,278,000 in Hong Kong Dollars, HK$978,478,000 in RMB, HK$324,383,000 in US Dollars and HK$15,000 in other currencies).

To refinance the previous mid-to-long-term loans due for repayment, the Group obtained bilateral long-term (three to five years) loans of HK$480,000,000 in 2019. As at 31 December 2019, mid-to-long-term loans (including portions repayable within one year of HK$625,700,000) accounted for 91% of the total bank loans of the Group. Among the mid-to-long-term loans, the Group obtained a four-year green loan of HK$250,000,000 at preferential interest rate to fund the construction of environmental-friendly facilities at our plants. Since some of the borrowings of the Group carry interest at floating rates, borrowing costs are subject to interest rate fluctuation. To mitigate the impact of interest rate fluctuations on its financing costs, the Group, from time to time, makes arrangements such as interest rate swaps to fix the interest rates of some of its bilateral mid-to-long-term loans with banks, in order to hedge against the risk of such fluctuations. As at 31 December 2019, the Group's loans under fixed rate arrangement made up 37% and 40% of its total and non-current bank borrowings respectively.

As at 31 December 2019, a total of 21 banks in Hong Kong and Mainland China granted banking facilities totalling HK$5,967,771,000 to the Group, providing the Group with sufficient funds to meet present working capital and expansion requirements. Of these banking facilities, 61%, 37% and 2% were denominated in Hong Kong Dollars, RMB and US Dollars respectively. As at 31 December 2019, the Group's RMB revolving loan facilities totalled at RMB630,000,000 (31 December 2018: RMB690,000,000). The Group currently has sufficient RMB loan portfolio to address exposure to potential RMB exchange rate fluctuation and impact from interest rate rises in Hong Kong. The Group has also set up cross-border RMB cash pools with its major banks to facilitate management of capital flow between Hong Kong and Mainland China. 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.

HUMAN RESOURCES

As of 31 December 2019, the Group has a total number of 2,965 employees, among which 77 of them are from Hong Kong while the remaining 2,888 are from different provinces in 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 program, job rotation and participation in the Group's educational subsidy programmes, allowing for 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 levels. The Group regularly identifies talented employees and tailor-makes career plan to support their continuous development. Through versatile experience in challenging roles, the current management team of the Group has come through the ranks to advance to positions of management. In addition to the focus of developing employees internally, the Group seeks not only to attract talent from outside but also recruit top graduates from the best tertiary institutions in Hong Kong, Mainland China, and abroad as well as providing them with training and development opportunities.

The Group offers a challenging work environment, sets up different programs for motivating employees to strive for improvement and to advance their skills in order to strive for the development of business. From time to time, the Group will make reference to market trends for reviewing its remuneration and reward policy so as to ensure reasonable and competitive compensation and benefits for its employees. These include basic salary as well as results and individual performance-based bonus to attract and retain talents.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance so as to achieve the Group's objectives of maximising values for its employees, customers, suppliers, business partners and shareholders, and safeguarding their interests. The Company has complied with "Corporate Governance Code and Corporate Governance Report" contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2019 except that the Company does not have a nomination committee. The Company considers it is more beneficial and efficient for the full Board of Directors to perform the functions of the nomination committee.

AUDIT COMMITTEE

The Audit Committee was formed in November 1998. Major duties of the Audit Committee include reviewing financial information of the Group, overseeing the Group's financial reporting system and internal control procedures and monitoring of the relationship between the Group and its external auditors. An Audit Committee meeting was held on 26 March 2020 to review the Group's audited consolidated financial statements for the year ended 31 December 2019. As at the date of this announcement, the Audit Committee comprised a non-executive Director, Mr. Wong Yuk, and three independent non-executive Directors, namely Mr. Wong Kong Chi who was also the chairman of the Audit Committee, Mr. Ku Yuen Fun and Mr. Ho Pak Chuen, Patrick.

REMUNERATION COMMITTEE

The Remuneration Committee was formed in June 2005. Major roles and functions of the Remuneration Committee include establishing a formal and transparent procedure for developing 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 comprised a non-executive Director, Mr. Wong Yuk, and three independent non-executive Directors, namely Mr. Ho Pak Chuen, Patrick who was also the chairman of the Remuneration Committee, Mr. Wong Kong Chi and Mr. Ku Yuen Fun.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

The Health, Safety and Environment ("HSE") Committee was formed in January 2012 in order to enhance the awareness of the importance of the HSE protection works to the Group. Major duties of the HSE Committee include the adoption of and reviewing of the Group's HSE policies, reviewing 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 comprised a non-executive Director, Mr. Wong Yuk, and three independent non-executive Directors, namely Mr. Ku Yuen Fun who was also the chairman of the HSE Committee, Mr. Wong Kong Chi and Mr. Ho Pak Chuen, Patrick.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. After making specific enquiries, all Directors have confirmed that they have fully complied with the required standard as set out in the Model Code during the year ended 31 December 2019.

The Board of Directors of Yip's Chemical Holdings Limited ("the Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019, together with comparative figures of last year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	**2019** *HK$'000*	2018 *HK$'000*
Revenue	2	**10,464,834**	12,388,283
Cost of sales		**(8,988,537)**	(10,855,134)
Gross profit		**1,476,297**	1,533,149
Other income		**67,180**	55,622
Other gains and losses	3	**(67,804)**	76,187
Gain on disposal of subsidiaries	11	**162,713**	28,406
Selling and distribution expenses		**(425,028)**	(449,763)
General and administrative expenses		**(644,038)**	(762,576)
Finance costs		**(73,442)**	(67,512)
Share of results of associates		**(14,983)**	(1,199)
Profit before taxation	4	**480,895**	412,314
Taxation	5	**(143,821)**	(157,849)
Profit for the year		**337,074**	254,465
Other comprehensive (expense) income:			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(88,832)**	(252,290)
Fair value changes on equity instruments at fair value through other comprehensive income		**9,930**	(4,187)
Transfer of property, plant and equipment to investment properties			
– Surplus on revaluation		**4,113**	–
– Deferred taxation		**(1,045)**	–
		(75,834)	(256,477)
Items that may be reclassified subsequently to profit or loss:			
Fair value changes on hedging instruments in cash flow hedge			
– Interest rate swap contracts		**(3,455)**	(231)
Exchange differences arising on translation of foreign operations		**(4,340)**	(13,226)
		(7,795)	(13,457)
Other comprehensive expense for the year		**(83,629)**	(269,934)
Total comprehensive income (expense) for the year		**253,445**	(15,469)

	NOTE	2019 HK$'000	2018 HK$'000
Profit for the year attributable to:			
Owners of the Company		**272,907**	184,805
Non-controlling interests		**64,167**	69,660
		337,074	254,465
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**200,638**	(52,236)
Non-controlling interests		**52,807**	36,767
		253,445	(15,469)
Earnings per share	7		
– Basic		**HK48.4 cents**	HK32.8 cents
– Diluted		**HK48.4 cents**	HK32.8 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	NOTE	**2019** ***HK$'000***	2018 *HK$'000*
Non-current assets			
Property, plant and equipment		**1,956,629**	1,558,088
Prepaid lease payments		**—**	232,436
Investment properties		**344,001**	252,561
Interests in associates		**25,133**	23,289
Equity instruments at fair value through other comprehensive income		**21,680**	11,750
Goodwill		**112,776**	112,776
Intangible assets		**69,044**	71,299
Deposits paid for acquisition of property, plant and equipment		**17,736**	102,328
Derivative financial instruments		**1,144**	3,086
		2,548,143	2,367,613
Current assets			
Inventories		**947,003**	831,485
Trade and bills receivables	8	**2,794,945**	3,185,746
Other debtors and prepayments		**372,812**	386,416
Prepaid lease payments		**—**	6,333
Amounts due from associates		**22,661**	–
Derivative financial instruments		**2,261**	3,654
Debt instrument at fair value through profit or loss		**55,292**	–
Short-term bank deposits – with original maturity within three months		**349,292**	208,046
Bank balances and cash		**660,250**	1,127,108
		5,204,516	5,748,788
Assets classified as held for sale		**—**	204,309
		5,204,516	5,953,097

	NOTE	**2019** HK$'000	2018 HK$'000
Current liabilities			
Creditors and accrued charges	9	**2,028,678**	2,077,436
Contract liabilities		**34,423**	25,695
Taxation payables		**70,737**	61,446
Derivative financial instruments		**35**	–
Lease liabilities		**19,271**	–
Borrowings – amount due within one year		**805,700**	1,320,977
		2,958,844	3,485,554
Liabilities associated with assets classified as held for sale		**—**	70,162
		2,958,844	3,555,716
Net current assets		**2,245,672**	2,397,381
Total assets less current liabilities		**4,793,815**	4,764,994
Non-current liabilities			
Derivative financial instruments		**85**	–
Lease liabilities		**41,979**	–
Borrowings – amount due after one year		**1,173,700**	1,319,400
Deferred tax liabilities		**15,854**	11,168
		1,231,618	1,330,568
		3,562,197	3,434,426
Capital and reserves			
Share capital		**56,403**	56,403
Reserves		**2,885,076**	2,780,323
Equity attributable to owners of the Company		**2,941,479**	2,836,726
Non-controlling interests		**620,718**	597,700
		3,562,197	3,434,426

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	**2019** **HK$'000**	2018 *HK$'000*
Net cash from operating activities		**618,414**	741,234
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(254,267)**	(65,216)
Acquisition of debt instrument at fair value through profit or loss		**(55,686)**	–
Capital injection on interests in associates		**(34,461)**	–
Net cash outflow of acquisition of business	10	**(11,154)**	(125,181)
Deposits paid for acquisition of property, plant and equipment		**(6,475)**	(170,928)
Advance to associates		**(1,214)**	–
Net proceeds from disposal of subsidiaries	11	**298,523**	38,281
Interest received		**22,723**	11,408
Proceeds from disposal of property, plant and equipment		**3,769**	2,016
Acquisition of interests in associates		**—**	(24,501)
Acquisition of equity instrument at fair value through other comprehensive income		**—**	(11,750)
Addition to prepaid lease payments		**—**	(3,196)
Acquisition of intangible assets		**—**	(1,386)
Proceeds from disposal of other non-current asset		**—**	11,060
Proceeds from disposal of assets classified as non-current assets held for sale		**—**	5,377
Net cash used in investing activities		**(38,242)**	(334,016)

	2019	2018
	HK$'000	*HK$'000*
Cash flows from financing activities		
Borrowings raised	**1,645,044**	1,870,704
Repayment of borrowings	**(2,306,021)**	(1,698,732)
Dividends paid	**(95,885)**	(90,227)
Interest paid	**(73,442)**	(67,512)
Dividends paid to non-controlling shareholders of subsidiaries	**(29,789)**	(11,328)
Payment of lease liabilities	**(24,190)**	–
Share issue cost paid	**—**	(1)
Proceeds from issue of shares	**—**	273
Net cash (used in) from financing activities	**(884,283)**	3,177
Net (decrease) increase in cash and cash equivalents	**(304,111)**	410,395
Cash and cash equivalents at beginning of the year	**1,335,154**	946,074
Cash transferred to assets classified as held for sale	**—**	(135)
Effect of foreign exchange rate changes	**(21,501)**	(21,180)
Cash and cash equivalents at end of the year	**1,009,542**	1,335,154
Analysis of balances of cash and cash equivalents		
Short-term bank deposits with original maturity within three months	**349,292**	208,046
Bank balances and cash	**660,250**	1,127,108
	1,009,542	1,335,154

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs and the interpretation 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.

1.1 HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong and the People's Republic of China ("PRC") was determined on a portfolio basis; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The average incremental borrowing rates applied by the relevant group entities range from 4.35% to 4.75%.

	At 1 January 2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	84,383
Less: Recognition exemption – short-term leases	(497)
	83,886
Lease liabilities discounted at relevant incremental borrowing rates relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	70,210
Analysed as	
Current	15,827
Non-current	54,383
	70,210

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets
	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	70,210
Reclassified from prepaid lease payments *(Note)*	238,769
	308,979
By class:	
Leasehold land	238,769
Leased properties	70,210
	308,979

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the non-current and current portion of prepaid lease payments amounting to HK$232,436,000 and HK$6,333,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	**Carrying amounts under HKFRS 16 at 1 January 2019**
	HK$'000	*HK$'000*	***HK$'000***
Non-current assets			
Property, plant and equipment	1,558,088	308,979	**1,867,067**
Prepaid lease payments	232,436	(232,436)	**–**
Current assets			
Prepaid lease payments	6,333	(6,333)	**–**
Current liabilities			
Lease liabilities	–	15,827	**15,827**
Non-current liabilities			
Lease liabilities	–	54,383	**54,383**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

2. REVENUE AND SEGMENT INFORMATION

Revenue

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

Segment information

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

During the year ended 31 December 2018, in view of the continuing significance of the operation of the properties segment, the Group revised the organisation of segments that were used to allocate resources and assess performance, and considered to include a new segment, namely properties. The basis of measurement of segment results had been changed by including the segment results attributable to these properties. There is no change in reportable and operating segments during the year ended 31 December 2019.

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

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

No operating segments have been aggregated in arriving at the reporting segments of the Group.

Segment results represent the profit earned or loss incurred for the year by each segment without allocation of interest income, share of results of associates, impairment loss on interests in associates, 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 revenue and results by reportable and operating segments for the year under review is as follows:

	Solvents *HK$'000*	Coatings *HK$'000*	Inks *HK$'000*	Lubricants *HK$'000*	Properties *HK$'000*	Reportable segment total *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Year ended 31 December 2019								
Segment revenue								
Revenue from contracts with customers								
– sales of goods recognised at a point of time								
External sales	**7,294,264**	**1,610,154**	**1,343,175**	**203,526**	**—**	**10,451,119**	**—**	**10,451,119**
Inter-segment sales	**109,227**	**67**	**511**	**156**	**—**	**109,961**	**(109,961)**	**—**
External rental income, fixed lease payments	**—**	**—**	**—**	**—**	**13,715**	**13,715**	**—**	**13,715**
Inter-segment rental income, fixed lease payments	**—**	**—**	**—**	**—**	**480**	**480**	**(480)**	**—**
Total	**7,403,491**	**1,610,221**	**1,343,686**	**203,682**	**14,195**	**10,575,275**	**(110,441)**	**10,464,834**
Results								
Segment results	**277,904**	**56,574**	**93,824**	**6,441**	**140,272**	**575,015**	**31**	**575,046**
Share of results of associates *(note)*								**(14,983)**
Impairment loss on interests in associates *(note)*								**(12,657)**
Unallocated income								**24,584**
Unallocated expenses								**(17,653)**
Finance costs								**(73,442)**
Profit before taxation								**480,895**
Year ended 31 December 2018								
Segment revenue								
Revenue from contracts with customers								
– sale of goods recognised at a point of time								
External sales	8,806,956	1,826,136	1,474,084	270,499	–	12,377,675	–	12,377,675
Inter-segment sales	140,668	94	659	70	–	141,491	(141,491)	–
External rental income	–	–	–	–	10,608	10,608	–	10,608
Inter-segment rental income	–	–	–	–	440	440	(440)	–
Total	8,947,624	1,826,230	1,474,743	270,569	11,048	12,530,214	(141,931)	12,388,283
Results								
Segment results	344,689	(6,497)	39,569	(38,660)	138,697	477,798	278	478,076
Unallocated income								21,784
Unallocated expenses								(20,034)
Finance costs								(67,512)
Profit before taxation								412,314

The revenue from sales of goods are recognised when control of the goods has transferred, being the time when the goods have been delivered.

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

Note: During the year ended 31 December 2018, the share of results of associates was presented as segment results for lubricants group. The directors of the Company has revised the organisation of the segment results of lubricants group and the share of results of associates and impairment loss on interests in associates were presented as unallocated business stream during the year ended 31 December 2019.

3. OTHER GAINS AND LOSSES

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

	2019	2018
	HK$'000	*HK$'000*
Net exchange loss arising from foreign currency balances and transactions	**(10,474)**	(8,219)
Net loss on disposal/written off of property, plant and equipment	**(30,298)**	(30,893)
Impairment loss recognised on interests in associates	**(12,657)**	–
(Loss) gain on fair value change of investment properties	**(11,887)**	115,771
Net impairment losses under expected credit loss model recognised on trade receivables	**(1,920)**	(9,017)
Loss from change in fair value of debt instrument at fair value through profit or loss	**(568)**	–
Impairment loss recognised on goodwill *(note)*	**—**	(642)
Gain on disposal of assets held for sale	**—**	2,727
Gain on disposal of other non-current asset	**—**	6,460
	(67,804)	76,187

Note: During the year ended 31 December 2018, an impairment loss on goodwill of HK$642,000 was recognised due to the termination of the ethanol production business lines of solvents segment.

4. PROFIT BEFORE TAXATION

	2019	2018
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**160,949**	181,158
Less: capitalised in inventories	**(96,901)**	(105,844)
	64,048	75,314
Staff costs, including directors' remuneration	**604,621**	659,473
Less: capitalised in inventories	**(211,097)**	(209,324)
	393,524	450,149
Operating lease payments in respect of rented premises	**N/A**	19,518
Short term leases expense	**6,866**	N/A
Release of prepaid lease payments	**N/A**	6,744
Amortisation of intangible assets	**2,234**	2,061
Auditor's remuneration	**3,600**	3,100
Net allowance for slow-moving inventories	**—**	5,801
Cost of inventories recognised as an expense	**8,988,537**	10,855,134
Written off of inventories	**12,502**	16,807
and after crediting:		
Net reversal of allowance for slow-moving inventories *(note)*	**6,482**	–
Interest income	**22,723**	11,408
Government grants recognised	**16,255**	13,600

Note: The reversal of allowance recognised on inventories during the year as certain slow-moving raw materials were utilised for production.

5. TAXATION

	2019	2018
	HK$'000	*HK$'000*
Current tax – PRC		
Current year	**81,383**	96,987
Withholding tax	**58,780**	25,229
	140,163	122,216
Deferred taxation		
Hong Kong	**2,149**	1,573
PRC	**1,509**	34,060
	3,658	35,633
	143,821	157,849

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 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% or 10% for dividend upon the distribution of such profits to the shareholders. Furthermore, during the year ended 31 December 2019, the Group recognised the withholding tax of approximately HK$25,864,000, in respect of the gain on disposal of a subsidiary (2018: HK$1,498,000 in respect of gain on transfer of a subsidiary) in the PRC with tax rate of 10% under the EIT Law.

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

6. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Interim dividend for 2019 of HK7.0 cents (2018: HK6.0 cents) per share	**39,482**	33,838
Final dividend for 2018 of HK10.0 cents (2018: Final dividend for 2017 of HK10.0 cents) per share	**56,403**	56,389
	95,885	90,227

Final dividend equivalent to HK13 cents per share totalling not less than HK$73,323,000, in respect of the year ended 31 December 2019 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

7. EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company and earnings for the purposes of calculating basic and diluted earnings per share	**272,907**	184,805

	Number of shares	
	'000	*'000*
Weighted average number of shares for the purpose of calculating basic earnings per share	**564,029**	563,933
Effect of dilutive potential ordinary shares:		
Share options	**—**	30
Weighted average number of shares for the purpose of calculating diluted earnings per share	**564,029**	563,963

The computation of diluted earnings per share does not assume the exercise of the Company's options of exercise prices of HK$4.536 and HK$5.942 because the exercise prices of those options were higher than the average market price for shares for both 2019 and 2018.

8. TRADE AND BILLS RECEIVABLES, OTHER DEBTORS AND PREPAYMENTS

	2019	2018
	HK$'000	*HK$'000*
Trade receivables – Contracts with customers	**1,475,876**	1,657,543
Less: Allowance for expected credit losses	**(54,930)**	(65,162)
	1,420,946	1,592,381
Bills receivables – Contracts with customers	**1,373,999**	1,593,365
	2,794,945	3,185,746

As at 1 January 2018, trade receivables (before allowance for expected credit losses) and bills receivables from contracts with customers amounted to HK$1,859,588,000 and HK$1,658,909,000, respectively.

Trade receivables

An aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period is as follows:

	2019	2018
	HK$'000	*HK$'000*
0 – 3 months	**1,180,883**	1,332,750
4 – 6 months	**181,861**	209,019
Over 6 months	**58,202**	50,612
	1,420,946	1,592,381

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 2019, approximately 79% (2018: 79%) of the trade receivables 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 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$298,377,000 (2018: HK$341,759,000) which are past due as at the reporting date.

Bills receivables

Bills receivables represent 銀行承兑匯票 ("banker's acceptances"), i.e. time drafts accepted and guaranteed for payment by the PRC banks. 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.

9. CREDITORS AND ACCRUED CHARGES

	2019	2018
	HK$'000	*HK$'000*
Trade creditors	**1,620,298**	1,697,230
Other creditors and accrued charges	**408,380**	380,206
	2,028,678	2,077,436

Other creditors and accrued charges mainly consist of payables of staff salaries and benefits, sales commission, payable of storage and transportation and other payables.

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

	2019	2018
	HK$'000	*HK$'000*
0 – 3 months	**1,236,290**	1,357,137
4 – 6 months	**341,874**	324,770
Over 6 months	**42,134**	15,323
	1,620,298	1,697,230

10. ACQUISITION OF BUSINESS

On 2 January 2018, two indirect wholly-owned subsidiaries of the Company, entered into an agreement with certain independent third parties, of which principal business activities are manufacture, sale, distribution and marketing of coatings, to acquire the business of Camel at a cash consideration of RMB111,741,000 (equivalent to HK$136,813,000) ("Camel Acquisition"). The acquisition of business was completed on 1 February 2018 and has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was HK$43,844,000.

Acquisition-related costs amounting to HK$817,000 have been excluded from the cost of Camel Acquisition and have been recognised as an expense during the year ended 31 December 2018, and included in the "general and administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

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

	HK$'000
Property, plant and equipment	993
Intangible assets	71,479
Inventories	7,191
Trade receivables	13,306
	92,969

Consideration transferred:

	HK$'000
Purchase consideration paid	125,181
Contingent consideration arrangement *(note)*	11,632
	136,813

Note: At the date of acquisition, the directors of the Company consider that the contingent consideration payable to the vendors of Camel is estimated to be probably at approximately RMB9,500,000 (equivalent to approximately HK$11,632,000) with reference to the estimated sales performance forecast of Camel and possible settlement of the outstanding contractual obligations. The contingent consideration arrangement requires the Group to pay the vendors of Camel by reference to the operating performance of Camel, and if the vendors have fulfilled their outstanding contractual obligation to customers accrued prior to the completion date. The contingent consideration was settled during the year ended 31 December 2019 of RMB9,500,000 (equivalent to approximately HK$11,154,000).

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	136,813
Less: net assets acquired	(92,969)
Goodwill arising on acquisition	43,844

The fair value of the identified net assets acquired of Camel business acquired was estimated by applying an income approach. The key model inputs used in determining the fair value were assumed discount rate of 13.1% and assumed long-term sustainable growth rates of 1.36% and 3.0% in Hong Kong and the PRC, respectively.

The fair value of trade receivables at the date of acquisition amounted to HK$13,306,000. The gross contractual amount of those trade receivables acquired amounted to HK$33,263,000 at the date of acquisition. The directors of the Company considered the best estimate at acquisition date of the contractual cash flows not expected to be recoverable amounted to HK$19,957,000.

Goodwill arose in the acquisition because the cost of the combination includes a control premium. In addition, the consideration paid for the combination effectively included an amount in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Camel. These benefits are not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

11. DISPOSAL OF SUBSIDIARIES

(a) On 18 January 2019, the Group entered into sales and purchase agreement to dispose of the entire equity interest of its indirectly wholly-owned subsidiary, Bauhinia Paints Manufacturing (Shanghai) Company Limited ("Bauhinia Paints") in the PRC, to an independent third party at a total cash consideration of RMB269,947,000 (equivalent to approximately HK$298,642,000). The major asset held by Bauhinia Paints was an investment property located in the PRC. The transaction was completed on 7 August 2019.

The net assets of Bauhinia Paints at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	5,684
Investment Properties	191,798
Other receivables	12
Bank balances and cash	117
Other payables	(621)
Tax payables	(2,924)
Deferred tax liabilities	(64,723)
Net assets disposed of	129,343
Gain on disposal of Bauhinia Paints:	
Consideration received	298,642
Less:	
Net assets disposed of	129,343
Transaction cost for disposal	12,947
Gain on disposal	156,352
Net cash inflow arising on disposal:	
Cash consideration received	298,642
Bank balances and cash disposed of	(117)
	298,525

(b) On 29 January 2019, the Group entered into an agreement to dispose of the entire equity interest in 東莞市大嘜趣車汽車服務有限公司 ("東莞趣車") and its subsidiaries, to an existing associate at a total cash consideration of RMB1,000,000 (equivalent to approximately HK$1,167,000). The transaction was completed during the year ended 31 December 2019.

The net assets of 東莞趣車 and its subsidiaries at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	28,704
Inventories	2,338
Trade and other receivables	10,715
Bank balances and cash	1,714
Amount due to a fellow subsidiary	(22,376)
Lease liabilities	(25,049)
Trade and other payables	(4,253)
Net liabilities disposed of	(8,207)
Gain on disposal of subsidiaries:	
Consideration received	1,167
Less:	
Net liabilities disposed of	(8,207)
Gain on disposal relating to the Group's interest in the associate	3,616
Gain on disposal	5,758
Net cash outflow arising on disposal:	
Cash consideration received	1,167
Bank balances and cash disposed of	(1,714)
	(547)

(c) On 2 September 2019, the Group disposed of the entire equity interest of its indirectly wholly-owned subsidiary, Beijing Optimol Trading Co., Ltd ("Beijing Optimol"), to an independent third party at a total cash consideration of RMB480,000 (equivalent to approximately HK$545,000).

The net assets of Beijing Optimol at the date of disposal were as follows:

	HK$'000
Other payables	(18)
Tax payables	(40)
Net liabilities disposed of	(58)
Gain on disposal of a subsidiary:	
Consideration received	545
Less:	
Net liabilities disposal of	(58)
Gain on disposal	603
Net cash inflow arising on disposal:	
Cash consideration received	545

(d) On 1 March 2018, the Group disposed of the entire equity interest of its indirect wholly-owned subsidiary, Base Rich Development Limited ("Base Rich"), to an independent third party at a total cash consideration of approximately USD4,911,000 (equivalent to approximately HK$38,305,000). Base Rich held the prepaid lease payments of a land located in the PRC.

The net assets of Base Rich at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	414
Prepaid lease payments	9,451
Bank balances and cash	24
Other payables	(24)
Net assets disposed of	9,865
Gain on disposal of a subsidiary:	
Consideration received	38,305
Less:	
Net assets disposed of	9,865
Transaction cost for disposal	34
Gain on disposal	28,406
Net cash inflow arising on disposal:	
Cash consideration received	38,305
Bank balances and cash disposed of	(24)
	38,281

12. EVENTS AFTER THE REPORTING PERIOD

(a) In January 2020, the Group entered into agreements to subscribe 1,800,000 new shares of 河北大麥汽車維修服務有限公司 ("河北大麥") at RMB12,130,000 (equivalent to HK$13,500,000) and to acquire additional interest at a consideration of RMBl0,000,000 (equivalent to HK$11,200,000). The equity interest of the associates held by the Group increased from 38.58% to 61% upon completion of the transactions and 河北大麥 and its subsidiaries become indirect non-wholly owned subsidiaries of the Group.

(b) The outbreak of the COVID-19 pandemic occurred in early 2020 will inevitably affect the Group's businesses in the PRC. In support of the PRC government's efforts in pandemic combat, the Group's production lines were suspended for a short period of time after the Chinese New Year Holidays, and resumed production successively in early February 2020. The shops of 河北大麥 car maintenance chain, the Group's strategic investment, also closed because of the pandemic. But some of the outlets reopened gradually since mid-February 2020. The Group has been monitoring closely the development of the pandemic. Upon a comprehensive risk assessment, all production plants resumed normal operation in March 2020. Most of the shops of 河北大麥 also reopened.

As on the date of the consolidated financial statement, the impact of the pandemic on the Group's businesses was not yet reflected. Since there are a lot of uncertainties about how the pandemic will evolve, the Group at this stage is not in a position to assess or predict what full financial impact the pandemic might bring.

FINAL DIVIDEND

The Board recommended a final dividend of HK13 cents in cash per share of the Company ("Shares"), payable to Shareholders whose names appear on the register of members of the Company on Friday, 12 June 2020. The recommended final dividend for the year ended 31 December 2019, which will be payable on or around Friday, 17 July 2020, is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company ("AGM") to be held on Tuesday, 2 June 2020.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Thursday, 28 May 2020 to Tuesday, 2 June 2020 (both dates inclusive) for the purpose of ascertaining Shareholders' entitlement to attend and vote at the forthcoming AGM. No transfer of shares may be registered on those dates. In order to qualify for the shareholders' entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's Branch Registrar in Hong Kong, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 27 May 2020.

The Hong Kong branch register of members of the Company will be closed from Thursday, 11 June 2020 to Friday, 12 June 2020 (both dates inclusive) for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend. No transfer of Shares may be registered on those dates. In order to qualify for the shareholders' entitlement to the proposed final dividend, all transfer forms accompanied by the relevant Share certificates should be lodged with the Company's Branch Registrar in Hong Kong, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 10 June 2020.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the Stock Exchange website (http://www.hkex.com.hk) and the Company's website (http://www.yipschemical.com). The 2019 annual report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Company's website in due course.

By order of the Board
Yip's Chemical Holdings Limited
Ip Chi Shing
Chairman

Hong Kong, 30 March 2020

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

Non-executive Directors:
Mr. Ip Chi Shing *(Chairman)*
Mr. Wong Yuk
Mr. Wong Kong Chi*
Mr. Ku Yuen Fun*
Mr. Ho Pak Chuen, Patrick*

Executive Directors:
Mr. Yip Tsz Hin *(Deputy Chairman and Chief Executive Officer)*
Mr. Ip Kwan *(Deputy Chief Executive Officer)*
Mr. Ho Sai Hou *(Chief Financial Officer)*

* *Independent non-executive Directors*