

[For Immediate Release]

## Yip's Chemical Announces 2019 Annual Results Profit Attributable to Owners Increases to HK\$273 million Total Dividend Payout Increases to HK20 Cents Per Share

### Highlights:

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- Profit attributable to owners rose 47.7% year-on-year to HK\$273 million, driven by the marked improvement in 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.
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(Hong Kong, 30 March 2020) — **Yip's Chemical Holdings Limited** (SEHK: 00408) (“Yip's Chemical” or the “Group”) announced its annual results for the year ended 31 December 2019 (“the year under review”).

During the year under review, the performance of the Group's core businesses improved significantly, and profit attributable to owners rose 47.7% year-on-year to HK\$273 million. 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% year-on-year respectively, mainly due to the Group's pursuit of high-quality sales and the decline in solvent unit selling prices during the year under review. The Group maintained prudent financial management, tightened credit control measures and constantly optimised the use of working capital, thus lowering the overall gearing ratio substantially by 13 percentage points year-on-year to 33%. The Board recommended payment of a final dividend of HK13 cents per share (same period in 2018: HK10 cents), bringing the total dividend payment for the year to HK20 cents per share, representing an increase of HK4 cents year-on-year.

**Mr. Ip Chi Shing, Chairman of Yip's Chemical**, said, “The overall operating environment in 2019 was still full of challenges. Trade protectionism rekindled globally. There were escalating geopolitical shocks and economic slowdown. China's economy was impacted by the Sino-US trade tension, and saw increasing downward pressure on economic growth. Nevertheless, the Group continued to consolidate its core businesses, and achieved satisfying progress in cost control, customer quality, and assets revitalization. As a result, the performance of its core businesses have greatly improved as the business segments that recorded a loss in the preceding year had turned around and become profitable. The Group will continue to entrench the achievements of business quality optimisation in 2019 so that the foundation of all core business segments will be further reinforced to take on larger market shares.”

## **Business Review and Outlook**

### **Solvents**

During the year under review, the sales volume of the solvents business reached 1.12 million metric tons, representing a slight decrease of 1% year-on-year. Due to a significant reduction in the price of raw materials, which led to a decline in the unit selling prices, the sales revenue of this segment fell by 17% to HK\$7.4 billion. Operating profit fell by 19.4% year-on-year to HK\$278 million. Export remained buoyant, and the export volume for the whole year maintained a similar level as that in the preceding year.

In order to fulfill more stringent requirements in environmentally friendly production, the Group's two factories in Eastern China and Southern China have switched to using piped steam from the industrial park network and natural gas boiler respectively, which increased the production cost for steam as an energy source by approximately HK\$50 million during the year under review.

The new production lines in the Taixing plant in Eastern China successfully commenced operation in the third quarter in 2019. The plant's total production capacity reached around one million metric tons, becoming the world's largest acetates production plant. For the long-term development of solvents business in Southern China, the Group has confirmed Gaolan Port, Zhuhai as the site of the new production base. The management aims to begin construction this year and to commence production by end of 2021. The Gaolan Port in Zhuhai is one of the most developed industrial areas in Southern China with comprehensive facilities and equipment. Adjacent to a large port, it possesses competitive advantages in logistics and could provide steam at a competitive cost. The completion of the new base will strengthen the competitiveness of the Group's solvents segment.

### **Coatings**

The coatings business underwent various reforms and achieved remarkable results in the year under review. Although sales revenue decreased by 12% year-on-year to HK\$1.61 billion due to the reduction of sales with lower profitability, gross profit margin was up 5 percentage points year-on-year, thanks to the effective cost control measures to reduce procurement costs of raw materials. Meanwhile, operations have become more efficient through the integration of the supply chain, resulting in a significant reduction in operating expenses. The operating profit turned to a gain, increasing sharply to HK\$56.6 million.

The Group will continue to capitalise on the core competitiveness of the industrial coatings business in technology and manufacturing to bolster profitability in this business line. In addition, in order to enhance the brand influence of the architectural coatings business, the Group is repositioning its "Bauhinia" brand, and will devote resources to tailor make products and marketing strategies to augment the new brand positioning, promoting the long-term development of the coatings business.

### **Inks**

The inks business consistently set quality sales as its top priority. It carried out systematic improvements in its customer structure and product lines, which led to a reduction in sales revenue by 9% year-on-year to HK\$1.34 billion, while gross profit margin rose by 4 percentage points. The operating profit of the inks business increased significantly to HK\$93.8 million, representing a year-on-year increase of nearly 1.4 times. This was mainly due to the proper control of operating costs and the integration of production from three plants to two plants, which resulted in a total reduction

of approximately HK\$26 million in various expenses.

In terms of sales and marketing, the Group will continue to expand quality sales and save operating expenses. In order to broaden revenue sources, the Group will pay additional efforts in expanding industrial inks applied on furniture and at home to seize market opportunities as well as expand its market share.

### **Lubricants**

The Group continued to focus on automotive lubricants and the sales proportion of medium-to-high end products has increased by cooperating closely with distributors in existing sales channels. Although the sales revenue of lubricants business fell by 25% to HK\$204 million, the gross profit margin increased remarkably by 6 percentage points year-on-year due to the reduced procurement costs. Coupled with a strong uplift in operating efficiency and cost structure, operating profit reached HK\$6.4 million, turning around the loss-making position that lasted for years. The Group will open up undeveloped markets, expand the automotive lubricant distributorship network and further improve the supply chain system to raise efficiency and reduce inventory. It is expected that the lubricants business will continue to develop steadily.

### **Properties**

Revenue from the properties segment rose 28% to HK\$14 million in the year under review. Operating profit was up 1% year-on-year to HK\$140 million. This was mainly contributed by the letting of the R&D Centre in Zhangjiang, Shanghai, and the increase in rental income from the former headquarters building in Fanling, Hong Kong. In addition, the sale of the Qingpu property in Shanghai has 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 last year.

### **Investment in 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, the Group has generated effective synergies with Damai’s founding team in capturing opportunities in the car service market. The Group further invested in Damai in the first quarter of 2020, increasing its shareholding in Damai to 61% and becoming the largest single controlling shareholder. During the year under review, 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. The Group has full confidence in Damai’s founding team and will continue to support the team in expanding the shop network in the form of chain stores. The number of stores is expected to reach more than 150 this year.

**Mr. Yip Tsz Hin, Chief Executive Officer of Yip’s Chemical**, concluded, “Having undergone three years of business consolidation, we achieved the intended effects, and our core businesses became healthier and more stable. The Group will strive to start the construction of the new plant in Southern China and reinforce the stable profit of the solvents business; increase marketing efforts and expand sales of the coatings and inks businesses. At the same time, the Group will control operating expenses in a prudent manner; provide more support to Damai on store opening, accelerating its scale effect. The Group is unwavering on the road to realise our vision of ‘Towards a Century of Revered Leadership’. Riding on the solid foundation of our core businesses, we will devote more resources and capital to expand new businesses related to our existing portfolio, so as to diversify our business and achieve better returns for the Group and its shareholders. We have been closely monitoring the Coronavirus Disease 2019 outbreak since early this year. The Group has adopted a series of measures to contain the pandemic and ensure smooth production. We will

continue to monitor the pandemic and perform better risk management, so as to minimise the impact the pandemic might bring.”

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**About Yip’s Chemical Holdings Limited (Incorporated in the Cayman Islands with limited liability)**  
**(SEHK: 00408)**

Yip’s Chemical Holdings Limited (“Yip’s Chemical” or the “Group”) was established in 1971 and listed on the Hong Kong Stock Exchange in 1991. The Group focuses on the production and sales of petrochemical products, including solvents, coatings, inks and lubricants, with its nationwide sales network covering all major provinces and cities across China. It is the largest producer of acetate solvents in the world, China’s largest manufacturer of inks\* and top 10 coatings manufacturer in China#. On top of products, The Group has strived to provide value-added services to consumers in recent years, such as investing in automobile lubricant changing and maintenance chain business.

Coating brands operated under the Group are “Bauhinia”, “Camel”, “Aquapro”, “Hang Cheung” for industrial paints and “Da Chang” for resins. The Group also owns brands including “Bauhinia Variegata” for inks and “Hercules” for automotive lubricants.

To achieve long-term sustainable development, the Group will continue to move in the direction supportive of green living, embracing development that is “environmentally friendly”, “end-user oriented” and “service oriented”.

\*Bauhinia Variegata Ink ranked 1<sup>st</sup>, in terms of production volume and sales revenue, in 2018 by the China Chemistry Industrial Association — Branch of Inks.

#Bauhinia Paints ranked 60<sup>th</sup> in the “2019 Global Ranking of the Top Manufacturers of Paints and Coatings” released by the US coatings magazine *Coatings World* and is among the top 10 in the PRC in terms of sales revenue.

Learn more about Yip’s Chemical on:



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