[For Immediate Release]

Yip's Chemical Announces 2020 Interim Results
Sales Revenue Amounted to HK$4.47 billion
Interim Dividend Payout of HK6 cents per share

Highlights:

- The Group's businesses were affected by Coronavirus Disease 2019 ("COVID-19") to various extent during the period under review. Sales revenue declined by 9.6% year-on-year to approximately HK$4.47 billion, while sales volume rose by 5.4% year-on-year to approximately 662,000 metric tons;
- Profit attributable to owners was down by 33.5% year-on-year to approximately HK$58.8 million. The Group's overall profit excluding the one-off exchange loss, special tax items and professional fees arising from the proposed spin-off and separate listing of the inks business nonetheless declined slightly year-on-year;
- The Group's working capital utilization continued to improve. The gearing ratio reduced to 29.2%, representing a reduction of 18.4 percentage points year-on-year;
- The board resolved to declare payment of interim dividend of HK6 cents per share to reward shareholders;
- The Group will continue to focus on the Chinese domestic market, and keep track with the market pulse in order to deal with the challenges and pick up on opportunities in the second half of the year.

(Hong Kong, 21 August 2020) ─ **Yip's Chemical Holdings Limited** (SEHK: 00408) ("Yip's Chemical" or the "Group") announced its interim results for the six months ended 30 June 2020 ("the period under review").

During the period under review, the outbreak of COVID-19 that swept through the world quickly has brought significant damage to the Chinese and global economy. The Group's sales revenue was approximately HK$4.47 billion, representing a decrease of 9.6% year-on-year. The overall sales volume was approximately 662,000 metric tons, representing an increase of 5.4% year-on-year. Profit attributable to owners was HK$58.8 million, representing a drop of 33.5% year-on-year. The drop in profit was partly due to the decrease in sales revenue and the RMB's depreciation of almost 2% during the period under review that resulted in an exchange loss. It was also because of the corporate restructuring in preparation for the spin-off and separate listing of the Group's inks business, which led to a one-off professional fees of HK$21 million. Working capital utilization continued to improve as the Group's gearing ratio was lowered by 18.4 percentage points year-on-year to 29.2%. The board resolved to declare payment of interim dividend of HK6 cents per share (same period in 2019: HK7 cents per share) to reward shareholders.

Mr. Ip Chi Shing, Chairman of Yip's Chemical, said, "COVID-19 led to the lockdown of multiple areas in Mainland China for almost two months and economic activities were suspended. The Group's businesses in Mainland China have inevitably suffered to a certain degree. We have proactively implemented various responsive measures, including strengthening our financial strength, controlling operating expenses and developing more products and services, to enhance our competitive advantages. Through our flexible business strategies and risk management, the Group managed to maintain a solid business foundation and a healthy financial position under the challenging operating environment."

Business Review and Outlook

Solvents

During the period under review, sales volume of the solvents business grew 7.5% year-on-year to approximately 540,000 metric tons, while sales revenue dropped 6.1% year-on-year to approximately HK$3.2 billion, due to the concurrent drop in raw material prices and product selling prices. Benefited from the strategy of sourcing raw materials from overseas and improvement in operations, gross profit margin rose 2.5 percentage points to 10%. The operating profit was approximately HK$151 million, representing an increase of 47.3% year-on-year. Starting from the second quarter of this year, export volume fell significantly because of the ongoing pandemic. However, as domestic demand is still growing, the overall sales of the solvents business are mainly driven by the Mainland market.

With the new production lines in the Taixing plant in Eastern China commenced operation in the third quarter of 2019, the production capacity of the solvents business in Eastern China has been strengthened, enabling the sales team to actively develop the Eastern China market. As to the development in Southern China market, the Group's plan to build a new plant in Southern China is progressing well. The purchase procedure of land in Gaolan Port of Zhuhai has been completed. The applications for approval, design and construction work are now proceeding as planned. It is expected that the new plant should be completed for use by the end of next year.

Coatings

The coatings business was impacted by the pandemic to a larger extent during the period under review. Sales revenue dropped 22.7% year-on-year to approximately HK$629 million. This was mainly because all construction projects large and small came to a halt due to the pandemic, while the stores of Bauhinia and Camel could not operate normally in the first quarter. As a result, the sales of coatings seriously lagged behind. Meanwhile, orders of some furniture and toy customers who are reliant on export fell through and thus the use of related industrial coatings declined. Though the gross profit margin of 29.3% achieved was comparable to that of last year, the slip in sales revenue failed to fully spread out fixed costs. Consequently, operating profit recorded at approximately HK$1.9 million, representing a drop of approximately HK$31.8 million year-on-year.

For the second half of 2020, as the pandemic is gradually contained in Mainland China, it is expected that the revival of the Chinse economy will drive the consumption of architectural coatings for household uses and construction projects as well as industrial coatings for domestic use. However, prospects for industrial coatings that hinge on export customers will continue to be under pressure. The Group will step up measures to boost sales, and is cautiously optimistic about the growth of sales revenue in the second half.

Inks

During the period under review, the sales revenue of the inks business was approximately HK$525 million, representing a year-on-year decline of 12.0%, while sales volume was about 25,000 metric tons, representing a decrease of 5.0% year-on-year. The operating profit decreased by 61.3% to approximately HK$17 million. The decline in profit was mainly due to the corporate restructuring in preparation for the proposed spin-off and separate listing, which resulted in one-off exchange loss, special tax items and professional costs totalling about HK$21 million. Excluding the one-off expenses (tax items excluded), the operating profit was actually down by about 27%. The Group managed its operating costs effectively with the gross profit margin declined slightly by 1.7 percentage points to 20.7%. With the traditional peak season of the inks business coming up in the second half of 2020, it is expected that the annual target will more likely be achieved.

In July 2020, the Group announced that the proposed spin-off and separate listing of the inks business has been approved by the Hong Kong Stock Exchange. The inks business is working towards the target of submitting listing application to the relevant regulatory bodies of Mainland China early next year. If the proposed A-share listing is approved and will proceed, it is expected that listing on the Shenzhen Stock Exchange will be completed around the end of 2021. The spin-off will provide capital to the inks business for its operations and expansion plans. This will give the inks business access to both the debt and equity capital markets, providing an individual platform for raising capital. It will also better reflect the potential of the Group's businesses, unleashing the intrinsic value of the Group.

Lubricants

Impacted by the COVID-19, car owners across the country diminished demand for car maintenance. The use of automobile lubricants was also reduced because the operations of auto repair shops were hampered in the first quarter of 2020. During the period under review, the sales revenue of the lubricants business was approximately HK$81.4 million, representing a year-on-year decline of 25.0%. The gross profit margin maintained at 26.5%, which is similar to last year, mainly because the prices of the raw materials hovered at a relatively low level. Since a few customers delayed payments for pandemic reasons in the first half, the business had to make bad debt provisions of over HK$7.3 million. The management went all out in raising plant efficiency and controlling costs. An operating loss of approximately HK$9.3 million was recorded, representing a drop as compared to the operating profit of HK$6.8 million for the same period last year.

It is expected that, with the economic recovery in Mainland China in the second half of 2020, the use of automobile lubricants will climb up gradually. The management will focus on opening up more distributorship channels to accelerate the expansion of sales network.

Other Businesses

The Group has been striving to develop towards being "environmentally friendly", "end-user oriented" and "service oriented", and is actively venturing into "home" and "car" related business opportunities. In early 2020, the Group completed its newly increase of investment in Damai, further increasing its stake to 61% and becoming the single largest controlling shareholder of Damai. As of end of June 2020, there are a total of 92 Damai service points located in Shandong, Guangdong, Hebei, Hunan and Jiangsu. The pick-up of economic activities in Mainland China is expected to boost the demand for car maintenance services. Damai will continue to expand its store network via direct operations and franchising in the provinces where it has presence to drive business growth.

For the properties segment, rental income in the period under review came mainly from the leasing of the R&D building in Zhangjiang, Shanghai. The Group has been actively soliciting tenants for the former headquarters building of Yip's Chemical in Fanling and is planning to renovate several floors for own use in order to raise the return of the property asset.

Mr. Yip Tsz Hin, Chief Executive Officer of Yip's Chemical, concluded, "Notwithstanding the adverse operating environment shaped by the volatility of the pandemic, the Group is fully confident that the overall economic growth in Mainland China will be maintained. With over 85% of the Group's businesses focusing on domestic demand, we expect to sustain stable or slight growth in sales. Riding on the favorable momentum generated last year from the encouraging results obtained in optimizing customer quality of all core businesses, the Group will adopt ambitious yet prudent strategies, keep track of the market pulse, perform better business and risk management, in order to deal with the challenges and pick up on opportunities in the second half of the year."

-End-

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 one of the top 20 ink manufacturers globally*, as well as 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".

*According to China Inks Association (中國油墨協會), Bauhinia Variegata is the largest ink manufacturer in the PRC in terms of annual sales volume in 2019. It ranked 13th in the "2020 Top International Ink Companies" released by the US inks magazine *Ink World* and is the 1st manufacturer in the PRC in terms of sales revenue.

#Bauhinia Paints ranked 60th in the "2020 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:

Yip's Chemical

Media and Investor Enquiries

Yip's Chemical Holdings Limited

Eunice Lai	Tel: (852) 2675 2450	Email: eunice.lai@yipschemical.com
Candy Chan	Tel: (852) 2675 2377	Email: candy.chan@yipschemical.com
Connie Fan	Tel: (852) 2675 2384	Email: connie.fan@yipschemical.com
		Fax: (852) 2675 2468

Cornerstones Communications Ltd.

Harriet Lau	Tel: (852) 2903 9293	Email: harriet.lau@cornerstonescom.com
Sharis Siu	Tel: (852) 2903 9292	Email: sharis.siu@cornerstonescom.com
Sylvia Wong	Tel: (852) 2903 9299	Email: sylvia.wong@cornerstonescom.com
Orianna Ou	Tel: (852) 2903 9211	Email: orianna.ou@cornerstonescom.com
		Fax: (852) 2887 1712