

[For Immediate Release]

## **Yip's Chemical Announces 2022 Annual Results Profit Attributable to Owners Hit Record High of HK\$1.22 Billion Final Dividend and Special Dividend Totaling HK80 Cents Per Share**

### **Highlights:**

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- Profit attributable to owners hit a record high of HK\$1.22 billion, mainly due to the disposal of the Group's 51% effective interest in the solvents business to PAG;
  - Impacted by the pandemic and macro environment, the Group's revenue (excluding solvents business) decreased by 16% to HK\$3.36 billion year-on-year;
  - The special gains and effective capital utilisation resulted in a significant decrease in the Group's gearing ratio to 24.8%; and
  - The Board recommended payment of a final dividend of HK5 cents per share and resolved to declare and pay a special dividend of HK75 cents per share.
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(Hong Kong, 24 March 2023) — **Yip's Chemical Holdings Limited** (SEHK: 00408) ("Yip's Chemical" or the "Group") announced its annual results for the year ended 31 December 2022 ("the year under review").

During the year under review, the Group disposed of 51% effective interest in and of Handsome Chemical Group Limited ("Handsome Chemical") to PAG, generating a non-recurring income of approximately HK\$1.18 billion and operating profit of approximately HK\$230 million for its discontinued solvents operations, leading the profit attributable to owners to hit a record high of HK\$1.22 billion. During the year under review, the pandemic and macroeconomic factors imposed negative impacts on the core businesses of the Group, the Group's revenue (excluding solvents business) decreased by 16% to HK\$3.36 billion year-on-year. Excluding the one-off special gains and the related adjustments, profit attributable to owners was approximately HK\$125 million, representing a decrease of 69% year-on-year. The gearing ratio fell sharply to 24.8% when compared to last year due to the special gains and effective capital utilisation. The Board recommended payment of a final dividend of HK5 cents per share (2021: HK18 cents per share), and resolved to declare and pay a special dividend of HK75 cents per share (2021: HK10 cents per share) to all shareholders.

**Mr. Ip Chi Shing, Chairman of Yip's Chemical**, said, "The past year was the most difficult year in the fifty-one years since the establishment of the Group. The Russia-Ukraine War, global supply chain disruptions and multiple considerable interest rate hikes have dealt a severe blow to the already sluggish global economy. Moreover, the COVID-19 outbreaks in Mainland China, and stringent pandemic control measures implemented by the Chinese government, have posed significant challenges to economic activities, affecting the Group's core businesses. During the year under review, the Group completed the transaction with PAG. The new associate will develop its upstream raw material business to ensure brighter prospects for the solvents business. Looking ahead to the coming year, the core businesses will continue to develop quality businesses while proactively reduce costs and expenses, so the overall operation will improve. The Group's new generation of the management team will make good use of the strong financial strength to seek more opportunities for business growth and to create greater value for the shareholders."

## **Business Review and Outlook**

### **Solvents**

During the year under review, affected by the decline in raw material prices, the solvents business recorded a decrease in revenue and operating profit, as well as a substantial inventory loss in the third quarter. Nevertheless, the profit level returned to normal in the fourth quarter. In terms of total profit from daily operation (excluding the income from the disposal of effective interest in and of Handsome Chemical and related expenses), the business still recorded relatively high profitability in its 30 years of operation. The new plant in Zhuhai has been put into operation smoothly with various output indicators exceeding anticipated targets. In the first half of 2023, relevant construction of the acetic acid plant located in Jingmen, Hubei Province will be organised and the plant is expected to put into production in mid-2025.

Upon completion of the transaction of the disposal of 51% effective interest in and of Handsome Chemical to PAG in 2022, the Group is still holding the remaining 24% effective interest in and of Handsome Chemical. The solvents business, which was accounted for as a business operated by the Group's associate and being spun off from the Group's major business segments, became a discontinued operation.

### **Coatings**

During the year under review, the pandemic brought an impact on the coatings business, causing a 20% decline in sales revenue year-on-year to HK\$1.64 billion. The pandemic also hampered the expansion of architectural and industrial coatings businesses, alongside the sluggish real estate market in Mainland China, the Group experienced a shortage of demand for both new and existing decoration works. The Group continued to expand its quality branded stores sales network across the country with over 2,300 Bauhinia-branded stores, laying a solid foundation for the future development of architectural coatings business. During the year under review, the Group continued to make progress in reducing costs, lowering expenses and improving product class and portfolio structure. The gross profit margin grew to 23.9%, and the operating profit reached HK\$8.5 million.

As the PRC economy recovers after the pandemic, demand and sales revenue of coatings are expected to increase. The Group will continue to invest in building its brand and sales network to constantly promote the development of "Bauhinia" and "Camel" brands in the architectural coatings industry.

### **Inks**

During the year under review, as impacted by the pandemic, sales revenue of inks business dropped by 11% year-on-year to HK\$1.34 billion, with the gross profit margin only increased by 0.5 percentage point. The Group's efforts in cost reduction delivered little results, especially coupled with the one-off special expenses incurred in relation to the proposed spin-off and separate listing application of Bauhinia Variegata Ink & Chemicals (Zhejiang) Limited on the Shenzhen Stock Exchange, leading the segment to record a substantial decrease in operating results with an operating profit of approximately HK\$9.4 million.

The Group will focus on improving the quality of the business and reducing costs substantially in order to alleviate the burden of the business. The segment is committed to developing promising, environmentally friendly and new types of high quality ink products to facilitate a more stable and sustainable development.

## **Lubricants**

During the year under review, sales revenue of lubricants dropped by 10% year-on-year to approximately HK\$300 million, as a result of the weakened demand in lubricants due to the significant drop in commuting during the pandemic. Against the backdrop of increasing raw material prices, the gross profit margin dropped by 4.3 percentage points year-on-year to 20.1%, recording an operating loss of HK\$2.1 million. Looking ahead to 2023, the lubricants business is expected to turn around with the rising demand for lubricants driven by the significant increase in car commuting.

## **Other Businesses**

The Group is committed to pursuing environmentally friendly, end-user-oriented and service-oriented (“three-pronged”) development and is actively exploring and investing in business opportunities related to our core businesses. The Group has been promoting Damai as the top self-operated car maintenance chain in the automobile aftermarket. During the year under review, its pace of opening new outlets and the number of actual operating days were materially affected by the pandemic. As of 31 December 2022, the number of outlets reached 135, altogether serving nearly 240,000 cars during the year under review. The Group expects that there will be a post-pandemic rebound in travelling, and prioritises enhancing the profitability of each outlet in order to establish a more stable development platform.

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

**Mr. Yip Tsz Hin\*, Deputy Chairman of Yip’s Chemical**, concluded, “Looking ahead to the coming year, the Group will be mainly engaged in the businesses of coatings and inks. The management team will continue to expand these two core businesses, and make good use of the proceeds from the disposal of Handsome Chemical to capture favorable investment opportunities, in order to further consolidate the Group’s portfolio, enabling it to pursue the three-pronged development plan. In retrospect of my 12-year tenure with Yip’s Chemical, I was fully vested with trust from the Board and all stakeholders, which empowered me to lead the Group’s steady development. In the future, I am glad to see and wish great success to the second generation of the management team, who will utilise their new mentality to steer the Group to even greater heights based upon the core businesses and driven by new businesses.”

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

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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, sales and marketing of chemical products, including architectural and industrial coatings, inks, resins and lubricants, with its nationwide sales network covering all major provinces and cities across China. It is China's largest manufacturer of inks and one of the top 20 ink manufacturers globally\*, as well as one of the top 10 coatings manufacturers in China#. Extending beyond products, the Group provides aftermarket services to car owners through an automotive lubricant and maintenance services chain covering several major provinces in China. In addition, the Group has invested significantly in upstream acetate solvents through Handsome Chemical, the largest producer of acetate solvents in the world and an associate of the Group.

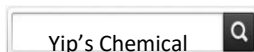
Coating brands operated under the Group are "Bauhinia", "Camel", "Aquapro", "Hang Cheung" for industrial paints and "Da Chang" for resins. The Group also owns brands including "Bauhinia Variegata" for inks, "Hercules" for automotive lubricants and "PACOIL" for industrial and specialty lubricants. The automotive maintenance brand "Damai" and sanitizing brand "EUCA" are also brands under Yip's Chemical.

As part of the transformation to drive future growth, the Group strives to support green living and endeavours to be more environmentally-friendly, service-oriented and end-user focused in future business development and strategic investments.

\* According to China Household Chemicals Industry Association Ink Branch, Bauhinia Ink ranked 1<sup>st</sup> and 2<sup>nd</sup> in terms of production volume and sales revenue respectively in the PRC in 2021. It ranked 16<sup>th</sup> in the "2022 Top International Ink Companies" released by the US inks magazine *Ink World* in terms of sales revenue.

# Bauhinia Paints ranked 48<sup>th</sup> in the "2022 Global Ranking of the Top Manufacturers of Paints and Coatings" released by the US coatings magazine *Coatings World* and was among the top 10 in the PRC in terms of sales revenue.

Learn more about Yip's Chemical on:



### **Media and Investor Enquiries**

Yip's Chemical Holdings Limited

Candy Chan            Tel: (852) 2675 2377

Email: [candy.chan@yipschemical.com](mailto:candy.chan@yipschemical.com)

Connie Fan            Tel: (852) 2675 2384

Email: [connie.fan@yipschemical.com](mailto:connie.fan@yipschemical.com)

Fax: (852) 2675 2468

Cornerstones Communications Ltd.

Sharis Siu            Tel: (852) 2903 9292

Email: [sharis.siu@cscspr.com](mailto:sharis.siu@cscspr.com)

Rainbow Sum            Tel: (852) 2903 9200

Email: [rainbow.sum@cscspr.com](mailto:rainbow.sum@cscspr.com)

Fax: (852) 2887 1712