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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

CORE BUSINESSES' STRATEGIES SUCCEEDED WITH SIGNIFICANT IMPROVEMENT IN SALES VOLUME AND PROFITABILITY

- The Group regained a year-on-year growth of 9% in its sales volume to 292,000 metric tonnes, while the revenue dropped by 4% year-on-year to HK$3.22 billion due to the depreciation of Renminbi.
- Gross profit margin improved significantly by 2.9 percentage points to 24.3% as a result of the Group's efforts in optimising product portfolio, effective profit and cost management, with significant growth in profits contributed by all core business segments.
- Profit attributable to owners amounted to HK$86.6 million, representing an increase of 328% year-on-year if excluding the significant one-off gain on disposal of the 51% effective interest regarding Handsome Chemical in 2022 and the one-off write-down in 2023 with the divestment from the car maintenance business.
- The significant special gain recorded in the previous year coupled with effective capital utilisation have enabled the Group to maintain the gearing ratio at a relatively low level of 14.0%.
- The Board recommended payment of a final dividend of HK10 cents per share.

	For the year ended 31 December 2023 (audited)	For the year ended 31 December 2022 (audited and restated)	% change
Revenue	**HK$3,217,138,000**	HK$3,358,509,000	-4%
Sales volume	**292,000 metric tonnes**	269,000 metric tonnes	+9%
Profit attributable to owners of the Company	**HK$86,623,000**	HK$1,217,774,000^	-93%
Earnings per share	**HK15.2 cents**	HK214.2 cents^	-93%
Final dividend per share	**HK10 cents**	HK5 cents	+100%
Interim dividend per share	**HK2 cents**	HK10 cents	-80%
Special dividend per share	**–**	HK75 cents	-100%
Dividend for the year per share	**HK12 cents**	HK90 cents	-87%
	As of 31 December 2023	As of 31 December 2022	
Gearing ratio*	**14.0%**	24.8%	-10.8% points

^ Included continuing and discontinued operations

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

CHAIRMAN'S STATEMENT – REVIEW AND OUTLOOK

Review

It is my pleasure to present to all shareholders ("Shareholder(s)") of Yip's Chemical Holdings Limited (the "Company", together with its subsidiaries collectively be referred to as "Yip's Chemical" or the "Group") an overview of the Group's performance for the year ended 31 December 2023 (the "year under review").

The overall business structure of the Group has changed significantly as the Group entered into an agreement in 2022 in relation to the disposal of the controlling equity interest in the solvents business to PAG (please refer to the announcement of the Company dated 25 July 2022 for details). Therefore, all relevant data in the business performance overview for the year under review have been adjusted accordingly for reporting.

Last year, the Group indeed faced a very unfavorable, tough and extremely challenging operating environment on both the international and domestic fronts. On the international front, the Russia-Ukraine war reached a stalemate and intense fighting raged in Gaza amidst the heightened geopolitical instability in many parts of the world. Furthermore, the global economy was under extreme pressure due to the persistently high interest rates and the rise in trade protectionism in many countries. On the domestic front, consumer sentiment was seriously undermined by the poor property market, stock market downturn, Renminbi ("RMB") depreciation, and the significant hit on export business.

In general, the Group's overall business faced significant challenges during the year under review, making it difficult to stay unaffected. Fortunately, the Group proactively prepared two years ago as it consistently implemented a number of cost control measures, which have been gradually yielding results. Each core business further consolidated its position, performed better than expected and significantly improved compared to the corresponding period of the preceding year, which were gratifying this year. On the other hand, the Group finally decided at the end of the year under review to fully withdraw from the "Damai" business that mainly engages in the automotive aftermarket. Such decision was the most regrettable for the Group. The Group started investing in such business in 2018. Due to many negative internal and external factors, the growth of the business did not meet the Group's expectations. After prudent assessments, the Group made a tough decision to fully withdraw from such business starting from January 2024. The Group also had to make a one-off write-down of approximately HK$57 million. The Group has made a profound reflection on this unsuccessful investment and is committed to improving its investment strategy in the future.

On a consolidated basis, the Group recorded a revenue of HK$3.22 billion and sales volume of 292,000 metric tonnes for the year under review, representing a decrease of 4% and an increase of 9% respectively when compared to the corresponding period of the preceding year. The profit attributable to owners recorded HK$86.6 million, representing a decrease of 93% year-on-year. However, after excluding the significant one-off gain from the disposal of the solvents business in 2022 and the one-off write-down associated with Damai in 2023, the Group's profit attributable to owners increased by 328% year-on-year.

Regarding financial performance, the management of the Group continued its unrelenting efforts to impose strict and comprehensive control over the working capital, maintaining stable and healthy performance in terms of credit and relevant indicators. The Group is not significantly affected by debt defaults of property developers and received a significant cash inflow from the disposal of 51% effective interest in the solvents business. This resulted in a significant improvement in the gearing ratio of the Group as the Group recorded a gearing ratio of only 14.0%, as compared with 24.8% as at the year end of the preceding year.

After a comprehensive and thorough assessment of the Group's business prospects and in an effort to continuously implement the policy of rewarding Shareholders earnestly, the board (the "Board") of directors (the "Directors") of the Company recommended to pay a final dividend of HK10 cents per share to all Shareholders as compared to the final dividend of HK5 cents per share declared in the preceding year.

OUTLOOK

I remain cautiously optimistic about the business outlook for the coming year. It is expected that the aforesaid unfavorable factors in the internal and external environment will continue to pose persistent challenges and disturbances in this year and are hard to eliminate. There will also be the possibility of additional uncertainties in geopolitical tensions such as those in the Red Sea, the Taiwan Straits and the South China Sea, as well as the possibility of continued pressure from the United States with the shift in its policy towards China in the context of the United States presidential election this year. All of the above factors may expose the Group to greater challenges in the coming year. However, as the Chinese government continues to intensively promote the transformation of China's growth model and accelerate the construction of a modern industrial system so as to break free from external constraints, I fully believe that this will help China get out of the predicament and allow Chinese economy to fully recover, enabling the country to extend its stable growth. As a matter of fact, relevant authorities of the Chinese government are sending positive messages to the public and implementing the relevant measures. This shows that the government is addressing the serious consequences of weak consumption of citizens, and is refining and introducing more policies to raise citizens' expectation of income, support employment, stimulate consumption, propel domestic demand, further unlock consumption potential and expand the scale of middle class. These measures will definitely help to achieve continuous economic recovery and improvement. On the other hand, taking advantage of the continued improvement of the Chinese economy, the Group has made corresponding preparations in various aspects. These include the disposal of 51% effective interest in the solvents business, which has brought in a significant amount of cash. Additionally, the Group's withdrawal from the Damai business will allow it to focus on developing its core businesses with a leaner structure. The Group's core businesses have weathered the challenging operational environment of the past two years, which made their foundations even stronger. The Group has identified a clear market position for each of the core businesses and formulated corresponding strategies. With determination and capabilities to make encouraging progress in business expansion, the Group will ultimately create greater value and returns for Shareholders.

On behalf of the Board, I would like to take this opportunity to express my heartfelt thanks to all employees for their hard work; to business partners for their trust and support; and to the Board and the leadership teams at all levels for their outstanding leadership, solidarity and dedication.

Change of Independent Non-executive Directors

Mr. Wong Yuk, an independent non-executive Director, resigned from the Board with effect from 22 March 2024 after serving the Group for 9 years under various executive and non-executive capacities. On behalf of the Board, I would like to convey our sincere gratitude to him for his contributions over the years.

Ms. Yau Ching Man was appointed as an independent non-executive Director with effect from 22 March 2024. Ms. Yau had worked for the Group from 2005 to 2018 and had once acted as member of Senior Leadership Team and Head of Operations of the Group. She is thus well acquainted with the Group's operations and businesses. Ms. Yau is currently serving in a senior management position with another listed company in Hong Kong. On behalf of the Board, I would like to extend our warmest welcome to Ms. Yau for re-joining us.

Ip Chi Shing
Chairman
22 March 2024

REPORT OF THE CHIEF EXECUTIVE OFFICER

Review

Despite the uncertainties in the overall economic outlook and a high interest rate environment, Yip's Chemical was able to overcome these challenges and improved the profitability and stability of our core businesses through enhancement to our core product portfolio, effective profit margin management and rigorous cost control. The Group's overall performance in 2023 showcased a remarkable turnaround in our core businesses, thus providing us with a strong platform to seize new opportunities in 2024.

To further improve its corporate governance, the Group established a new Senior Leadership Team in the first half of 2023. This team comprises individuals with expertise in business operations, investment and development, who will collectively formulate and execute the Group's next phase of development plans.

Key Business Highlights

- The Group recorded a revenue of HK$3.22 billion and sales volume of 292,000 metric tonnes, representing a slight decrease of 4% and an increase of 9% respectively compared to that of the preceding year. The decrease in revenue was mainly attributed to the depreciation of Renminbi against Hong Kong dollars.

- Gross profit margin of the Group increased significantly to 24.3%, representing a year-on-year increase of 2.9 percentage points. This was a result of the Group's careful management of gross profit margins and portfolio of products with a focus on higher-end products' growth, and a relatively stable price level of raw materials.

- Solvents associate company recorded a strong growth in sales volume during the year under review and the Group's share of its profits amounted to HK$94.7 million.

- As the revenue and profit growth of Damai, a car maintenance chain in which the Group had previously invested in, have fallen short of the Group's expectations, the Group exited its investment in the business in January 2024, with a one-off non-cash write-down of approximately HK$57 million in 2023. The Group will concentrate more resources on our core businesses in the future.

- The Group recorded a profit attributable to owners of HK$86.6 million, which represents a decline of 93% compared to that of the preceding year. After excluding the gain of HK$1.184 billion from the one-off sale of 51% effective stake regarding Handsome Chemical Development Limited ("Handsome Chemical") in 2022, and the above write-down associated with Damai in 2023, the Group's profit attributable to owners recorded a year-on-year increase of 328%.

- The Group's gearing ratio at the year end of 2023 continued to be at a relatively low level of 14.0%, allowing the Group to have more financial flexibility in investments in growth going forward.

Coatings

During the year under review, the Group's coatings segment recorded a growth in sales volume of 11% to 219,000 metric tonnes and a mild decline in sales revenue of 3% to HK$1.58 billion. While the overall business of the coatings segment of the Group is affected by the real estate market downturn, the Group focused on growing its presence in the architectural coatings sector through the secondary renovation market. We expanded our branded store network throughout Mainland China and focused on higher-end coatings products and services targeting Chinese middle-class consumers. To strengthen brand recognition of "Bauhinia" among our target customers, we began a sponsorship of the China Women's National Football Team and invested in marketing on high-speed railway trains in China during the year under review. Meanwhile, we also maintained stable sales volume in our industrial coatings segment and maintained our leading position as the top toy coatings company. Moreover, efforts have also been made to increase the utilisation rate of the coatings manufacturing plant in Jinshan, Shanghai for better fixed costs absorption and hence enhanced profitability of the coatings segment.

The coatings segment recorded a strong improvement in gross profit margin, reaching 27.8%, representing a year-on-year increase of 3.9 percentage points. As a result, the segment profit substantially increased by 571% year-on-year to HK$57.3 million. Our focuses on higher-end products in both architectural and industrial coatings as well as good cost control measures have led to the improved performance of the coatings segment.

In the year ahead, the Group will continue to invest in expanding our store network and brand reach of both "Bauhinia" and "Camel", and grow our industrial coatings and resins in niche markets such as protective coatings and plastic coatings.

Inks

In 2023, the Group's inks segment recorded a revenue of HK$1.21 billion, representing a slight decrease of 10% compared to that of the preceding year. This was due to inks products being closely linked to local consumption of everyday products, and the slowdown in economic growth in the Mainland China which has led to a decrease in demand for such products. However, by optimising the customers and product portfolio, the gross profit margin of the inks segment increased by 1.9 percentage points to 18.8% in 2023. As a result, the business recorded a segment profit of HK$37.9 million, marking a significant increase of 302% compared to that of the preceding year.

Furthermore, the Group has undertaken steps to grow in new niche markets. In January 2024, we completed an acquisition of a controlling stake in a manufacturer of inks used on printed circuit boards.

The inks market will continue to be in a competitive environment with the current economic uncertainties, but the Group believes that as the top packaging inks producer in China, we have a strong platform to further grow our packaging inks business, as well as to venture into new growth initiatives in the inks market to set the stage for future growth.

Lubricants

During the year under review, revenue from the lubricants business grew by 15% to HK$0.34 billion, as a result of our continued development of distributor network for our automotive lubricants products under our "Hercules" brand, as well as our new manufacturing and distribution partnerships that contributed to an increased sales volume. The gross profit margin improved by 1.7 percentage points to 21.8%, as a result of increased sales volume of higher-end products and improved management of raw materials costs. The segment recorded a profit of HK$10.8 million, returning to profit in 2023.

Looking ahead, the Group believes that the auto lubricants market remains large and stable, and we will continue to grow through our distributor network throughout China, with a view of becoming a top local lubricants brand and an alternative to multinational brands. We are also developing lubricants applied in industrial settings as a potential new avenue for higher margin growth.

Other Businesses

For the properties segment, revenue in the year under review increased by 3% to HK$11 million, comprising mainly the rental income from the leasing of the R&D building in Shanghai. Operating results improved by 394% to HK$30.9 million as a result of the net increase in fair values among the Group's several investment properties in China and Hong Kong.

Investment in Solvents Associate

The Group retains a 24% effective stake regarding Handsome Chemical, the largest acetate solvents company in the world. The solvents associate recorded a strong growth of 15% in sales volume in 2023, reaching a historical high of 1,368,000 metric tonnes. With its strong purchasing power and ability to consistently control costs, the solvents associate delivered a significant return of HK$94.7 million to the Group.

The Group believes that under the strong leadership of the associate's management team, together with our business partnerships with PAG and Qisheng, the business prospects remain bright. The associate has begun planning and constructing a new manufacturing plant with capacity of 600,000-tonne acetic acid and 600,000-tonne acetates solvents in Hubei, targeting to commence operation in 2025. This strategic development will enhance vertical integration and improve profit margins.

Outlook

Yip's Chemical strives to be a leading consumer chemical company specialising in environmental-friendly, high-quality chemical products and services to brighten homes and lives. We develop and invest in businesses that are environmental-friendly, end-user driven, and service-oriented. The Group is the market leader in the respective segments in China in its core businesses of coatings, inks and lubricants. In 2023, with a strong focus on healthy and sustainable growth, the Group's core businesses demonstrated a significant improvement compared to that of the preceding year. We also exited underperforming investments to avoid further negative effects on the Group's future performance.

In the next two years, we will continue to focus our resources on strengthening our core businesses through organic growth. This will involve expanding our sales reach, improving recognition of our brands, and increasing higher-end product supplies. At the same time, Yip's Chemical maintains a strong financial position with a relatively low gearing ratio and significant deployable financial resources. We will leverage the Group's solid reputation and track record as a leading chemicals enterprise in China to look for strategic investments or acquisition opportunities in niche areas that further augment our core businesses. Furthermore, our minority stake in the solvents associate will continue to generate significant returns as the new plant in Hubei is expected to become operational in 2025.

The Group believes that this approach will further solidify profit growth and add new dimensions to our businesses, driving the Group towards a successful future.

Ip Kwan (Francis)
22 March 2024

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group's gearing ratio (measured by net bank borrowings as a percentage of equity attributable to owners of the Company) was 14.0% (31 December 2022: 24.8%), representing a decline of 10.8 percentage points as compared to that as at year end of 2022. With the receipt of sales proceeds from the disposal of 51% effective interest in the solvents business which was completed by the end of 2022, the Group's gearing ratio has further improved. The Group will leverage its low borrowing ratio in the current high interest rate environment to continue to seek business development opportunities.

The RMB exchange rate recorded a depreciation of 1.7% in 2023. The Group remained prudent in managing its foreign exchange exposure so as to minimise the impact of RMB fluctuation on its results. As for operating cash flow, the Group recorded a net cash inflow of HK$236,544,000 during the year under review (2022: net cash inflow of HK$413,892,000). As compared with the preceding year, due to the disposal of 51% effective interest in the solvents business, the profit before tax and net effect of change in working capital had declined, and these resulted in a decrease in net cash inflow for the current year.

As at 31 December 2023, gross bank borrowings of the Group amounted to HK$1,401,793,000 (31 December 2022: HK$2,180,475,000). Gross bank borrowings substantially decreased as compared to the amount as at year end of 2022 as part of the sales proceeds from disposal of 51% effective interest in solvents business were used for loan repayments. After the deduction of short-term bank deposits, bank balances and cash amounting to HK$854,247,000 (31 December 2022: HK$1,088,116,000), net bank borrowings amounted to HK$547,546,000 (31 December 2022: HK$1,092,359,000). Of the gross bank borrowings, HK$930,787,000 (31 December 2022: HK$1,743,650,000) were short-term loans due for repayment within one year. Such loans were denominated in two currencies, HK$721,667,000 in Hong Kong Dollars and HK$209,120,000 in RMB (31 December 2022: $1,541,167,000 in Hong Kong Dollars and HK$202,483,000 in RMB). Long-term loans due for repayment after one year amounted to HK$471,006,000 (31 December 2022 HK$436,825,000), and they were denominated in two currencies, HK$460,000,000 in Hong Kong Dollars and HK$11,006,000 in RMB (31 December 2022: HK$416,667,000 in Hong Kong Dollars and HK$20,158,000 in RMB). The short-term bank deposits, bank balances and cash were denominated in the following currencies: HK$179,991,000 in Hong Kong Dollars, HK$392,694,000 in RMB, HK$272,974,000 in US Dollars and HK$8,588,000 in other currencies (31 December 2022: HK$20,330,000 in Hong Kong Dollars, HK$433,270,000 in RMB, HK$632,534,000 in US Dollars and HK$1,982,000 in other currencies).

The Group received substantial cash proceeds from the disposal of the solvents business during the year under review. Part of the sales proceeds has been used to repay bank loans, fund business development and distribute dividends. The Group has also invested approximately US$20 million in a portfolio of various medium to long term investment grade bonds from diversified industries to capture a higher yield for such funds.

In order to refinance the previous medium to long term loans that were due for repayment, the Group has entered into a three-year sustainability-linked syndicated loan facility agreement in the principal amount of HK$460 million with banks to provide liquidity for further business development and strategic investments.

As at 31 December 2023, medium to long term loans (including portions due for repayment within one year which amounted to HK$106,667,000) accounted for 41.2% of the total bank loans. The Group will monitor the interest rate fluctuation closely and enter into interest rate swaps or fixed rate arrangement with the banks to hedge against the risk of interest rate fluctuation. As at 31 December 2023, the Group's loans under fixed rate arrangement constituted 33% of its medium to long term loans.

As at 31 December 2023, a total of 21 banks in Hong Kong and Mainland China granted banking facilities of an aggregate amount of HK$2,276,847,000 to the Group. Of these banking facilities, 62% and 38% were denominated in Hong Kong Dollars and RMB respectively. The Group will continue to increase its RMB bank borrowings in Mainland China to finance its local operations to take advantage of the lower interest costs there as well as to mitigate the risk of RMB rate fluctuation. The Group will continue to strike an optimal balance between lowering borrowing costs and minimising currency exposure by structuring a favourable combination of Hong Kong Dollars, US Dollars, RMB or other foreign currency bank loans in Hong Kong and Mainland China.

As at 31 December 2023, the Group did not have any pledged assets and significant contingent liabilities. Other than those disclosed in this announcement, the Group did not have any concrete plans for future material investments or capital assets.

HUMAN RESOURCES

As of 31 December 2023, the Group has a total number of 2,561 employees (2022: 2,642 employees), among which 63 and 9 of them are from Hong Kong and other countries respectively while the remaining 2,489 are from different provinces in Mainland China.

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

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2023.

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 the code provisions of Part 2 of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year under review.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in November 1998. Major duties of the Audit Committee include reviewing financial information of the Group, overseeing the Group's financial reporting system, risk management and internal control procedures and monitoring the relationship between the Group and its external auditors. The audited consolidated financial statements of the Group for the year ended 31 December 2023 have been reviewed by the Audit Committee. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Ku Yee Dao, Lawrence who is also the chairman of the Audit Committee, Mr. Wong Yuk (who resigns with effect from the date of this announcement), Mr. Ho Pak Chuen, Patrick and Ms. Yau Ching Man (who is appointed with effect from the date of this announcement).

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established in June 2005. Major duties of the Remuneration Committee include establishing a formal and transparent procedure for formulating 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 comprises two independent non-executive Directors, namely Mr. Ho Pak Chuen, Patrick who is also the chairman of the Remuneration Committee, and Mr. Wong Yuk (who resigns with effect from the date of this announcement) and Ms. Yau Ching Man (who is appointed with effect from the date of this announcement).

NOMINATION COMMITTEE

The nomination Committee of the Company (the "Nomination Committee") was established on 20 December 2021. Major duties of the Nomination Committee include the nomination and appointment of new directors, review of composition and membership of the Board and other functions performed by a nomination committee under the CG Code. As at the date of this announcement, the Nomination Committee comprises one non-executive Director, Mr. Ip Chi Shing (the Chairman of the Board) who is also the chairman of the Nomination Committee and two independent non-executive Directors, namely Mr. Wong Yuk (who resigns with effect from the date of this announcement), Mr. Ho Pak Chuen, Patrick and Ms. Yau Ching Man (who is appointed with effect from the date of this announcement).

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

The health, safety and environment ("HSE") committee of the Company (the "HSE Committee") was formed on 1 January 2012 in order to enhance the awareness of the importance of the health, safety and environment protection works to the Group. Major duties of the HSE Committee include the adoption and review of the Group's HSE policies, and review of 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 and substantiable development. As at the date of this announcement, the HSE Committee comprises two Directors, namely Mr. Wong Yuk who is also the chairman of the HSE Committee and resigns with effect from the date of this announcement, Mr. Ip Kwan (who is appointed as the chairman of the HSE Committee with effect from the date of this announcement) 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 C3 to the Listing Rules as its own code of conduct governing dealing by all Directors in the securities of the Company. After making specific enquiries, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the year under review.

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2023, together with comparative figures of the preceding year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	**2023** ***HK$'000***	2022 *HK$'000* (Restated)
Continuing operations			
Revenue	3	**3,217,138**	3,358,509
Cost of sales		**(2,434,868)**	(2,640,783)
Gross profit		**782,270**	717,726
Other income	4a	**104,609**	35,397
Other gains and losses	4b	**453**	4,319
Selling and distribution expenses		**(205,490)**	(221,749)
General and administrative expenses		**(571,624)**	(563,354)
Finance costs		**(63,521)**	(49,468)
Reversal of impairment loss recognised for debt instrument at fair value through other comprehensive income ("FVTOCI")		**–**	13,178
Impairment loss recognised on goodwill and intangible assets		**(57,504)**	–
Share of result of associates		**94,672**	(174)
Profit (loss) before taxation	5	**83,865**	(64,125)
Taxation	6	**(23,269)**	(12,997)
Profit (loss) for the year from continuing operations		**60,596**	(77,122)
Discontinued operations			
Gain on disposal of subsidiaries, net of tax	12	**–**	1,184,156
Profit for the year from discontinued operations	8	**–**	188,773
Profit for the year		**60,596**	1,295,807

	2023	2022
	HK$'000	*HK$'000*
		(Restated)
Other comprehensive expense:		
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation to presentation currency	**(91,885)**	(397,341)
Fair value changes on financial assets at FVTOCI	**(1,506)**	(12,896)
	(93,391)	(410,237)
Items that may be reclassified subsequently to profit or loss:		
Net adjustment arising from hedging instruments	**(3,264)**	7,098
Exchange differences arising on translation of foreign operations	**35,149**	(128,841)
Fair value changes on debt instruments at FVTOCI	**1,394**	–
	33,279	(121,743)
Other comprehensive expense for the year	**(60,112)**	(531,980)
Total comprehensive income for the year	**484**	763,827
Profit (loss) for the year attributable to owners of the Company		
– from continuing operations	**86,623**	(62,802)
– from discontinued operations	**–**	1,280,576
	86,623	1,217,774

	NOTE	**2023** **HK$'000**	2022 HK$'000 (Restated)
(Loss) profit for the year attributable to non-controlling interests			
– from continuing operations		**(26,027)**	(14,320)
– from discontinued operations		**–**	92,353
		(26,027)	78,033
		60,596	1,295,807
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**25,566**	763,318
Non-controlling interests		**(25,082)**	509
		484	763,827
Total comprehensive income (expense) attributable to owners of the Company			
– from continuing operations		**25,566**	(290,556)
– from discontinued operations		**–**	1,053,874
		25,566	763,318
Earnings (loss) per share			
From continuing and discontinued operations			
– Basic		**HK15.2 cents**	HK214.2 cents
– Diluted		**HK15.2 cents**	HK214.2 cents
From continuing operations	9		
– Basic		**HK15.2 cents**	(HK11.0 cents)
– Diluted		**HK15.2 cents**	(HK11.0 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	NOTE	2023 HK$'000	2022 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment		**1,032,307**	1,130,285
Investment properties		**222,900**	195,710
Interests in associates		**1,241,342**	1,209,492
Financial assets at FVTOCI		**20,444**	11,098
Financial assets at fair value through profit or loss ("FVTPL")		**857,411**	177,318
Debt instruments at FVTOCI		**22,492**	–
Debt instruments at amortised cost		**135,200**	–
Goodwill		**55,105**	95,201
Intangible assets		**60,794**	82,097
Amounts due from associates		**76,817**	78,164
Deposits paid for acquisition of property, plant and equipment and investment properties		**37,883**	51,037
Derivative financial instruments		**97**	1,164
Deferred tax assets		**2,727**	7,327
		3,765,519	3,038,893
Current assets			
Inventories		**393,246**	416,857
Trade receivables	10	**1,240,923**	1,249,911
Other debtors and prepayments		**163,561**	2,213,996
Derivative financial instruments		**1,531**	3,728
Short-term bank deposits with original maturity more than three months		**238,154**	–
Bank balances and cash		**616,093**	1,088,116
		2,653,508	4,972,608

	NOTE	2023 HK$'000	2022 HK$'000 (Restated)
Current liabilities			
Creditors and accrued charges	11	**961,029**	1,038,790
Contract liabilities		**31,956**	35,258
Taxation payables		**28,270**	233,244
Lease liabilities		**15,170**	16,925
Borrowings – amount due within one year		**930,787**	1,820,317
		1,967,212	3,144,534
Net current assets		**686,296**	1,828,074
Total assets less current liabilities		**4,451,815**	4,866,967
Non-current liabilities			
Lease liabilities		**27,689**	24,281
Borrowings – amount due after one year		**471,006**	360,158
Deferred tax liabilities		**38,018**	23,615
		536,713	408,054
		3,915,102	4,458,913
Capital and reserves			
Share capital		**56,848**	56,848
Reserves		**3,869,501**	4,350,107
Equity attributable to owners of the Company		**3,926,349**	4,406,955
Non-controlling interests		**(11,247)**	51,958
		3,915,102	4,458,913

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	**2023** **HK$'000**	2022 *HK$'000*
Net cash from operating activities		**236,544**	413,892
Cash flows from investing activities			
Purchase of property, plant and equipment		**(21,648)**	(133,622)
Purchase of investment properties		**–**	(35,359)
Acquisition of financial assets at FVTPL		**(670,287)**	(42,838)
Acquisition of financial assets at FVTOCI		**(11,319)**	(8,735)
Proceeds from disposal of financial assets at FVTPL		**–**	6,640
Acquisition of debt instruments at amortised cost		**(135,126)**	–
Acquisition of debt instruments at FVTOCI		**(21,351)**	–
Dividend received from associates		**43,120**	–
Loan to an entity		**(34,520)**	–
Settlement of foreign exchange forward contracts		**–**	(58,236)
Net cash outflow on acquisition of subsidiaries	12	**–**	(8,469)
Net cash outflow on acquisition of interest in a subsidiary from non-controlling shareholders		**(78,137)**	–
Net proceeds from disposal of subsidiaries	13	**1,795,206**	338,478
Deposits paid for acquisition of property, plant and equipment and investment properties		**(10,215)**	(52,815)
Proceeds from disposal of property, plant and equipment		**668**	63,661
Interest received		**37,145**	8,822
Placement of bank deposits with original maturity more than three months		**(238,154)**	–
Net cash from investing activities		**655,382**	77,527

	2023	2022
	HK$'000	*HK$'000*
Cash flows used in financing activities		
Borrowings raised	**1,888,563**	1,762,739
Repayment of borrowings	**(2,667,245)**	(1,598,871)
Dividends paid	**(466,158)**	(159,175)
Interest paid	**(67,432)**	(61,815)
Dividends paid to non-controlling shareholders of subsidiaries	**(16,526)**	(52,509)
Payment of lease liabilities	**(17,918)**	(37,206)
Cash received from (paid) the settlement of the derivative financial instruments used to hedge interest rate risk	**3,558**	(544)
Net cash used in financing activities	**(1,343,158)**	(147,381)
Net (decrease) increase in cash and cash equivalents	**(451,232)**	344,038
Cash and cash equivalents at beginning of the year	**1,076,006**	758,317
Effect of foreign exchange rate changes	**(8,681)**	(26,349)
Cash and cash equivalents at end of the year	**616,093**	1,076,006
Analysis of balances of cash and cash equivalents		
Short-term bank deposits with original maturity within three months	**229,166**	656,182
Cash and cash equivalents	**386,927**	419,824
	616,093	1,076,006

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company is an exempted company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its principal subsidiaries and associates are engaged in the manufacture of and trading in solvents, coatings, inks and lubricants, property investment and holding as well as other businesses including provision of car maintenance service and manufacturing of and trading in other chemical products. During the last year, the Group disposed of its 51% effective interest in solvents business, and presented the operation of solvents as discontinued operations. Further details are set out in note 8.

2. 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

In 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, which are mandatorily effective for the Group's annual periods beginning on 1 January 2023 for the preparation of the consolidated financial statements:

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

Except as described below, the application of the new and amendments to HKFRSs 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 consolidated financial statements.

2.1 Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* ("HKAS 12") so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

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

2.2 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

2.3 Impacts of application of amendments to HKFRSs on the consolidated financial statements

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

	For the year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Impact on profit for the year from continuing and discontinued operations		
Increase in income tax expense	**307**	103
Net decrease in profit for the year	**307**	103
Increase in total comprehensive expense for the year attributable to:		
– Owners of the Company	**175**	56
– Non-controlling interests	**132**	47
	307	103

	For the year ended 31 December	
	2023	2022
	HK cents	*HK cents*
Impact on basic and diluted earnings per share from continuing and discontinued operations		
Basic and diluted earnings per share before adjustments:	**15.2**	214.2
Net adjustments arising from change in accounting policy in relation to:		
– Deferred tax impact on leasing transactions *(note)*	**–**	–
Reported basic and diluted earnings per share	**15.2**	214.2

Note: Impact to basic and diluted earnings per share from continuing and discontinued operations is less than HK0.1 cent.

The effects of the changes in accounting policy as a result of application of amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* on the consolidated statement of financial position as at the end of the immediately preceding financial year, i.e. 31 December 2022 and the beginning of the comparative period, i.e. 1 January 2022, are as follows:

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

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

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

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

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.

2 Effective for annual periods beginning on or after 1 January 2024.

3 Effective for annual periods beginning on or after 1 January 2025.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)* (the "2020 Amendments") and Amendments to HKAS 1 *Non-current Liabilities with Covenants* (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

3. REVENUE AND SEGMENT INFORMATION

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

(a) Disaggregation of revenue

	2023	2022
	HK$'000	*HK$'000*
Continuing operations		
Recognised at a point in time:		
Revenue from sales of products		
– coatings	**1,584,770**	1,639,321
– inks	**1,205,915**	1,340,140
– lubricants	**344,282**	298,318
– car maintenance and other chemical products	**33,734**	31,843
Recognised over time:		
Car maintenance service	**37,795**	38,574
Revenue from contracts with customers	**3,206,496**	3,348,196
Rental income from properties	**10,642**	10,313
	3,217,138	3,358,509
Geographical market based on location of customers:		
People's Republic of China (the "PRC")	**3,113,792**	3,229,278
Hong Kong	**69,692**	74,326
Overseas (mainly including countries in South East Asia)	**33,654**	54,905
	3,217,138	3,358,509

Performance obligations for contracts with customers

Sales of products

Revenue from sales of products is recognised at a point in time when control of the goods has transferred, being when the goods have been delivered or shipped to the customer's specific location (delivery). Transactions and handling activities that occur before the customer obtains control are considered as fulfilment activities. Following the delivery, the customer has full discretion to use and sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 90 days upon delivery.

Car maintenance service

Generally, the car maintenance services are completed within the same day and there is no credit term granted for these services. The Group's performance enhances the assets controlled by the customers as the assets are enhanced. Revenue from the provision of car maintenance service is recognised over time based on the Group's right to invoice.

The Group uses a practical expedient for not disclosing the information including the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period as these sales or services have an original expected duration of one year or less.

(b) Segment revenue and results

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

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

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

In addition, the Group's operation relating to the manufacture of and trading in other chemical products together with the business engaging in trading of car maintenance products and car maintenance services do not meet the quantitative threshold for reportable segment in both current and prior year. Accordingly these were aggregated and presented in 'Others'.

Segment results represent the profit earned or loss incurred for the year by each segment without allocation of share of result of associates, interest income, impairment loss recognised on interest in an associate, central administration expenses, 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.

An analysis of the Group's segment revenue and results by reportable and operating segments for the year under review is as follows:

Continuing operations

	Coatings	Inks	Lubricants	Properties	Reportable segment total	Others	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2023								
Segment revenue								
Revenue from contracts with customers								
External sales	**1,584,770**	**1,205,915**	**344,282**	**–**	**3,134,967**	**71,529**	**–**	**3,206,496**
Inter-segment sales	**37**	**321**	**662**	**–**	**1,020**	**4**	**(1,024)**	**–**
External rental income (under HKFRS 16)	**–**	**–**	**–**	**10,642**	**10,642**	**–**	**–**	**10,642**
Inter-segment rental income	**–**	**–**	**–**	**356**	**356**	**–**	**(356)**	**–**
Total	**1,584,807**	**1,206,236**	**344,944**	**10,998**	**3,146,985**	**71,533**	**(1,380)**	**3,217,138**
Results								
Segment results	**57,250**	**37,861**	**10,849**	**30,869**	**136,829**	**(44,759)**	**–**	**92,070**
Share of result of associates								**94,672**
Impairment loss recognised on goodwill and intangible assets								**(57,504)**
Unallocated income								**72,777**
Unallocated expenses								**(54,629)**
Finance costs								**(63,521)**
Profit before taxation from continuing operations								**83,865**
Year ended 31 December 2022								
Segment revenue								
Revenue from contracts with customers								
External sales	1,639,321	1,340,140	298,318	–	3,277,779	70,417	–	3,348,196
Inter-segment sales	127	58	708	–	893	3,598	(4,491)	–
External rental income (under HKFRS 16)	–	–	–	10,313	10,313	–	–	10,313
Inter-segment rental income	–	–	–	372	372	–	(372)	–
Total	1,639,448	1,340,198	299,026	10,685	3,289,357	74,015	(4,863)	3,358,509
Results								
Segment results	8,526	9,424	(2,113)	6,247	22,084	(34,141)	(186)	(12,243)
Share of result of an associate								(174)
Impairment loss recognised on interest in an associate								(4,496)
Unallocated income								16,639
Unallocated expenses								(14,383)
Finance costs								(49,468)
Loss before taxation from continuing operations								(64,125)

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

4. OTHER INCOME AND OTHER GAINS AND LOSSES

Continuing operations

(a) The Group's other income mainly comprises:

	2023	2022
	HK$'000	*HK$'000*
Interest income	**47,239**	5,166
Government grants recognised *(note (i))*	**23,232**	18,070
Dividend income from financial assets at FVTPL	**17,855**	–

(b) The Group's other (losses) gains comprises:

	2023	2022
	HK$'000	*HK$'000*
Net exchange loss arising from foreign currency balances and transactions	**(18,656)**	(5,429)
Net loss on disposals/written off of property, plant and equipment	**(937)**	(1,887)
Gain relating to termination of lease contracts	**553**	–
Impairment loss recognised on property, plant and equipment	**(14,967)**	–
Impairment loss recognised on interest in an associate	**–**	(4,496)
Gain on fair value change of investment properties	**27,891**	–
Net reversal of impairment loss recognised on trade and other receivables under expected credit loss ("ECL") model	**37**	9,407
Gain from change in fair value of financial assets at FVTPL	**7,172**	6,724
Impairment loss recognised on debt instruments at FVTOCI and amortised cost under ECL model	**(640)**	–
	453	4,319

Note:

(i) The amounts mainly represent government grants received as other tax benefits and encouragement for local business development, employment support and research and development activities in the PRC. The amounts were fully credited to profit or loss for the years ended 31 December 2023 and 2022.

During the year ended 31 December 2022, the Group recognised government grants of HK$1,816,000 (2023: nil) in respect of Covid-19 related subsidies, which were related to Employment Support Scheme provided by the government in Hong Kong.

5. PROFIT (LOSS) BEFORE TAXATION

Continuing operations

	2023	2022
	HK$'000	*HK$'000*
Profit (loss) before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**124,066**	132,899
Less: capitalised in inventories	**(61,015)**	(64,513)
	63,051	68,386
Staff costs, including directors' remuneration	**528,217**	580,353
Less: capitalised in inventories	**(171,364)**	(183,582)
	356,853	396,771
Short-term leases expense	**5,578**	5,869
Amortisation of intangible assets	**2,863**	2,905
Auditor's remuneration	**1,600**	2,600
Cost of inventories recognised as cost of sales *(note a)*	**2,434,868**	2,640,783
Other expenses *(note b)*	**–**	4,653

Notes:

(a) During the year ended 31 December 2023, reversal of allowance on slow-moving inventories amounting to HK$356,000 (2022: provision of allowance of HK$6,078,000) and written off of inventories amounting to HK$4,758,000 (2022: HK$7,339,000) was recognised as cost of sales.

(b) The amount represented the professional fee in relation to the proposed separate listing of the subsidiary engaging in manufacturing and trading of inks and related products on a stock exchange in the PRC during the year ended 31 December 2022. The Group resolved to withdraw the application for such proposed separate listing during the year ended 31 December 2022.

6. TAXATION

Continuing operations

	2023	2022
	HK$'000	*HK$'000*
		(Restated)
Current tax – the PRC		
Current year	**7,974**	11,055
Withholding tax	**395**	986
Current tax – overseas		
Current year	**1,000**	370
	9,369	12,411
Overprovision in respect of prior years – the PRC	**(4,999)**	(3,723)
	4,370	8,688
Deferred tax charge (credit)		
Hong Kong	**(30)**	1,001
The PRC	**18,929**	3,308
	18,899	4,309
	23,269	12,997

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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% from 2021 to 2030. EIT of the PRC has been provided for after taking these tax incentives into account.

The withholding tax mainly 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% (2022: 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% (2022: 5%) for dividend upon the distribution of such profits to the shareholders.

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

7. DIVIDENDS

	2023	2022
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Interim dividend for 2023 of HK2 cents (2022: interim dividend for 2022 of HK10 cents) per share	**11,370**	56,848
Final dividend for 2022 of HK5 cents (2022: Final dividend for 2021 of HK18 cents) per share	**28,425**	102,327
Special dividend for 2022 of HK75 cents (2022: nil) per share	**426,363**	–
	466,158	159,175

Final dividend for the year ended 31 December 2023 of HK10 cents (2022: HK5 cents) per share with total amount of approximately HK$56,848,000 (2022: HK$28,425,000) has been recommended by the directors of the Company and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

8. DISCONTINUED OPERATIONS

On 15 July 2022, Yip's H.C. (Holding) Limited ("Yip's H.C."), an indirect wholly-owned subsidiary of the Company, the Company and Handsome Chemical Development Limited ("HSD"), a then indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, in relation to the proposed disposal of 68% equity interest of HSD, for the consideration of RMB2,295,000,000.

HSD directly owned an approximately 38.88% equity interest in, and indirectly through its 75%-owned subsidiary, Yip's Industrial Holding Limited, owned approximately 48.17% equity interest in Handsome Chemical Group Limited. Accordingly, HSD owned a 75% effective interest in Handsome Chemical Group Limited and the Group disposed of a 51% effective interest in Handsome Chemical Group Limited and its subsidiaries.

HSD and its subsidiaries ("HSD Group") were engaged in the manufacturing and trading of raw solvents and related products operations. The disposal was completed during the year ended 31 December 2022, with control of HSD passed to the acquirer on completion date.

The profit for the year from the discontinued operations of solvents business is set out below.

	Year ended 31/12/2022 *HK$'000*
Profit of operation of manufacturing and trading in solvents for the year	188,773
Gain on disposal of subsidiaries *(see note 13)*	1,382,862
Income tax expense on disposal of subsidiaries	(198,706)
	1,372,929

The results of the solvents manufacturing and trading operation which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Year ended 31/12/2022 *HK$'000*
Revenue	10,666,671
Cost of sales	(9,832,834)
Gross profit	833,837
Other income	24,040
Other gains and losses	49,628
Selling and distribution expenses	(399,413)
General and administrative expenses	(276,208)
Finance costs	(15,917)
Profit before taxation	215,967
Taxation	(27,194)
Profit for the year	188,773
Profit for the year from discontinued operations has been arrived at after charging (crediting):	
Depreciation of property, plant and equipment	93,546
Net reversal of impairment loss under ECL model recognised on trade and other receivables	(452)
Reversal of allowance for slow-moving inventories	(7,145)
Written off of inventories	4,049
Net gain on disposals/written off of property, plant and equipment	(43,243)
Amount included in the measurement of assets of the discontinued operations:	
Additions to non-current assets	29,578

During the year ended 31 December 2022, HSD Group contributed approximately HK$255 million to the Group's net operating cash flows, paid approximately HK$25 million in respect of investing activities and paid approximately HK$276 million in respect of financing activities.

The carrying amounts of the assets and liabilities of HSD Group on completion date are disclosed in note 13.

9. EARNINGS (LOSS) PER SHARE

For continuing operations

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

	2023	2022
	HK$'000	*HK$'000*
		(Restated)
Profit for the year attributable to owners of the Company	**86,623**	1,217,774
Less: Profit for the year from discontinued operations	**–**	(1,280,576)
Profit (loss) for the purpose of calculating basic and diluted earnings (loss) per share from continuing operations	**86,623**	(62,802)

	Number of shares	
	'000	*'000*
Weighted average number of shares for the purpose of calculating basis and diluted earnings (loss) per share	**568,484**	568,484

The computation of diluted earnings (loss) per share does not assume the exercise of the Company's options of exercise prices of HK$5.942 (2022: HK$5.942) because the exercise prices of those options were higher than the average market price for shares for the year ended 31 December 2022 and from 1 January 2023 until lapse of share options on 10 January 2023.

From discontinued operations

For the year ended 31 December 2022, basic and diluted earnings per share for the discontinued operations are HK225.2 cents per share, based on the profit for the year attributable to owners of the Company from the discontinued operations of approximately HK$1,280,576,000 and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

10. TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables from contracts with customers	**1,298,050**	1,307,648
Less: allowance for ECL	**(57,127)**	(57,737)
	1,240,923	1,249,911

As at 1 January 2022, trade receivables from contracts with customers amounted to HK$4,598,944,000.

Bills received by the Group amounting to HK$325,187,000 (2022: HK$376,281,000) refer to 銀行承兑匯票 ("banker's acceptances") which are accepted and guaranteed for payment by 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.

An aged analysis of trade receivables net of allowance for credit losses (excluding bills held by the Group for future settlement), presented based on the invoice date at the end of the reporting period is as follows:

	2023	2022
	HK$'000	*HK$'000*
0 – 3 months	**590,704**	580,917
4 – 6 months	**239,962**	216,299
Over 6 months	**85,070**	76,414
	915,736	873,630

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 2023, approximately 71% (2022: 71%) of the trade receivables (excluding bills held by the Group for future settlement) 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.

11. CREDITORS AND ACCRUED CHARGES

	2023	2022
	HK$'000	*HK$'000*
Trade creditors	**716,290**	689,129
Other creditors and accrued charges	**244,739**	349,661
	961,029	1,038,790

Other creditors and accrued charges mainly consist of payables of acquisition of property, plant and equipment of HK$5,945,000 (2022: HK$12,394,000), payables of staff salaries and benefits (including sales commission) of HK$89,154,000 (2022: HK$85,304,000) and payable of storage and transportation of HK$25,849,000 (2022: HK$31,770,000). Accrued fees and expenses related to disposal of subsidiaries of HK$44,972,000 and dividend payable to a non-controlling shareholder of HK$15,959,000 at 31 December 2022 were settled during the year ended 31 December 2023.

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

	2023	2022
	HK$'000	*HK$'000*
0 – 3 months	**548,586**	538,853
4 – 6 months	**161,121**	147,991
Over 6 months	**6,583**	2,285
	716,290	689,129

12. ACQUISITION OF SUBSIDIARIES

On 17 January 2022, the Group entered into two agreements to respectively subscribe for RMB1,074,000 paid-up capital of 山西燚煜電子商務有限公司 ("山西燚煜") at RMB3,750,000 (equivalent to approximately HK$4,590,000) and to acquire additional interest of RMB1,333,357 paid-up capital of 山西燚煜 at a consideration of RMB3,250,000 (equivalent to approximately HK$3,978,000). Upon completion of the transaction, the Group's direct equity interest in 山西燚煜 increased to 70%, and 山西燚煜 and its subsidiary became indirect non-wholly owned subsidiaries of the Company. The purpose of the acquisition was considered to be an expansion and increase in market shares of the Group's car maintenance business. The amount of goodwill arising as a result of acquisition was HK$7,020,000.

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

	At date of acquisition *HK$'000*
Intangible assets	5,508
Inventories	260
Trade receivables	5
Other receivables	366
Amount due from a group company	3,978
Bank balances and cash	99
Trade payables	(1,486)
Other payables	(5,137)
Deferred tax liabilities	(1,377)
Tax payable	(5)
	2,211

The fair value of trade receivables at the date of acquisition amounted to HK$5,000. The gross contractual amounts of those trade receivables acquired amounted to HK$5,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

Consideration transferred:

	HK$'000
Cash	8,568

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	8,568
Plus: non-controlling interests	663
Less: net assets acquired	(2,211)
Goodwill arising on acquisition	7,020

The non-controlling interests (30%) in 山西焱煜 and its subsidiary recognised at acquisition date was measured at the non-controlling interests' proportionate share of the recognised amounts of the identifiable net assets of 山西焱煜 and its subsidiary.

In addition, the consideration paid for the acquisition included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of 山西焱煜 and its subsidiary. These benefits were not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill arising from this acquisition was not expected to be deductible for tax purposes.

Net cash outflows arising on acquisition:

	HK$'000
Consideration paid in cash	8,568
Less: Bank balances and cash acquired	(99)
	8,469

Impacts of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2022, loss amounting of HK$1,559,000 was attributable to the business operation from 山西焱煜 and its subsidiary. Revenue for the year ended 31 December 2022 included HK$3,323,000 which was generated from 山西焱煜 and its subsidiary.

Had the acquisition been completed on 1 January 2022, revenue for the year ended 31 December 2022 of the Group would have been HK$3,359,525,000, and profit for the year ended 31 December 2022 of the Group would have been HK$1,295,631,000. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor was it intended to be a projection of future results.

13. DISPOSAL OF SUBSIDIARIES

As referred in note 8, for the year ended 31 December 2022, the Group discontinued its solvent operations at the time of disposal of its subsidiary, HSD.

The net assets of HSD Group at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	1,044,985
Goodwill	57,671
Deposits paid for acquisition of property, plant and equipment	255
Inventories	765,252
Trade receivables	2,075,964
Other debtors and prepayments	271,760
Derivative financial instruments	2,209
Bank balances and cash	272,588
Creditors and accrued charges	(982,828)
Contract liabilities	(59,570)
Taxation payables	(11,504)
Lease liabilities	(61,638)
Borrowings	(133,268)
Deferred tax liabilities	(5,662)
Net assets disposed of	3,236,214

Gain on disposal of subsidiaries:

	HK$'000
Consideration received or receivable	2,651,032
Add: Interests in associates	1,209,492
Add: Non-controlling interest	806,051
Less: Net assets disposed of	(3,236,214)
Less: Transaction costs	(47,499)
Gain on disposal of subsidiaries	1,382,862
Less: Income tax expense	(198,706)
Gain on disposal of subsidiaries, net of tax	1,184,156

Net cash inflow arising on disposal:

	HK$'000
Cash consideration received	611,066
Less: Bank balances and cash disposed of	(272,588)
	338,478

Net cash inflow arising on disposal received in current year:

	2023 ***HK$'000***
Cash consideration received	**2,039,966**
Less: Transaction costs and income tax paid	**(244,760)**
	1,795,206

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK10 cents in cash per Share, payable to Shareholders whose names appear on the register of members of the Company on Friday, 14 June 2024. The final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the "AGM") to be held on Monday, 3 June 2024. Subject to the aforesaid approval, the recommended final dividend for the year ended 31 December 2023 will be payable on or around Monday, 15 July 2024.

CLOSURE OF REGISTER OF MEMBERS

For entitlement to the final dividend:

The Hong Kong branch register of members of the Company will be closed from Thursday, 13 June 2024 to Friday, 14 June 2024 (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 proposed final dividend, all transfer forms accompanied by the relevant Share certificates should be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 12 June 2024.

For attendance of 2024 AGM:

The Hong Kong branch register of members of the Company will be closed from Tuesday, 28 May 2024 to Monday, 3 June 2024 (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 attending and voting at the AGM, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 27 May 2024.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.yipschemical.com). The Company's 2023 annual report containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 22 March 2024

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

Non-executive Directors:
Mr. Ip Chi Shing *(Chairman)*
Mr. Wong Yuk*
Mr. Ku Yee Dao, Lawrence*
Mr. Ho Pak Chuen, Patrick*

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

* *Independent Non-executive Directors*