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Yip's Chemical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 408)

DISCLOSEABLE TRANSACTION

**DISPOSAL OF ENTIRE EQUITY INTEREST IN 紫荊花制漆(上海)有限公司
(BAUHINIA PAINTS MANUFACTURING (SHANGHAI) COMPANY LIMITED*)**

THE DISPOSAL

On 18 January 2019, the Vendor entered into the Agreement with the Purchaser and the Purchaser's First Guarantor, under which the Vendor agreed to sell and the Purchaser agreed to purchase the entire equity interest in the Target Company at a consideration of RMB269,946,938.64 (equivalent to approximately HK\$307,335,000).

As at the date of this announcement, the Target Company is wholly-owned by the Vendor and is an indirect wholly-owned subsidiary of the Company. Upon the Completion, the Vendor and the Company will cease to have any interest in the Target Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but all are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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The principal terms of the Agreement are summarised below:

Date

18 January 2019

Parties

1. the Vendor
2. the Purchaser
3. the Purchaser's First Guarantor
4. the Target Company

Subject matter

The entire equity interest in the Target Company (which was the owner of the Property as at the date of the Agreement).

Debt and receivables of the Target Company

The debt or potential debt of the Target Company arisen on or before the Completion Date shall be borne by the Vendor, while the Target Company shall bear its own debt or potential debt arisen thereafter.

The Vendor shall be entitled to those receivables of the Target Company (i) arisen after the Valuation Date but on or before the Completion Date; or (ii) not within the scope of the Valuation Report albeit arisen on or before the Valuation Date, while the Target Company shall retain its ownership of all such other receivables.

Consideration

The consideration of RMB269,946,938.64 (equivalent to approximately HK\$307,335,000) shall be paid to the Vendor by the Purchaser in cash by instalment in the following manner:

1. The first instalment, being 40% of the Consideration, i.e. RMB107,978,775.50 (equivalent to approximately HK\$122,934,000) shall be paid by the Purchaser to the Vendor's designated bank account within 15 Business Days upon confirmation that the

1st Instalment Conditions have been satisfied or waived by the Purchaser, as the case may be.

2. The second instalment, being 40% of the Consideration, i.e. RMB107,978,775.50 (equivalent to approximately HK\$122,934,000) shall be paid by the Purchaser to the Vendor's designated bank account within 15 Business Days upon confirmation that the 2nd Instalment Conditions have been satisfied or waived by the Purchaser, as the case may be.
3. The last instalment, being 20% of the Consideration i.e. RMB53,989,387.64 (equivalent to approximately HK\$61,467,000) shall be paid by the Purchaser to the Vendor within 20 Business Days upon confirmation that the 3rd Instalment Conditions have been satisfied or waived by the Purchaser, as the case may be in accordance with the following payment manner:
 - (i) RMB36,172,889.78 (equivalent to approximately HK\$41,183,000) shall be paid to the Vendor's designated bank account; and
 - (ii) RMB17,816,497.86 (equivalent to approximately HK\$20,284,000) shall be paid by the Purchaser to the Vendor Uphold Bank Account which shall be upheld for a period of six months.

Instalment Conditions

The 1st Instalment Conditions include, among others, the following:

1. the Target Company, the equity interest in the Target Company and the Premises have been free from encumbrances, unless otherwise specified in the Agreement;
2. the tenancies between the Target Company and the tenant(s) of the Premises have been released, and that the relevant documents in relation to the release have been passed to the Purchaser;
3. the tenancies between the tenant(s) and the sub-tenant(s) of the Premises have been released, and that the relevant documents in relation to the release have been passed to the Purchaser, unless otherwise specified in the Agreement;
4. the Vendor and the Purchaser have signed a confirmation of vacant possession after a joint inspection of the Premises;
5. completion of the change of registered address of a tenant of the Premises to the effect that its registered address ceases to be the Premises; and
6. the Vendor has provided guarantee to the Target Company and the Purchaser for (i) those debts which shall be resolved by the Vendor prior to the Completion as stated in the Agreement and (ii) those contractual obligations of the Target Company which shall subsist post-Completion.

The 2nd Instalment Conditions include, among others, the following:

1. continuing satisfaction of the 1st Instalment Conditions;

2. completion of the change in equity interest of the Target Company (including but not limited to the internal procedures of the Target Company and registration with relevant authorities) to the effect that the Purchaser has become the sole shareholder of the Target Company;
3. completion of the relevant procedures and registration for change of director, supervisor, manager and authorized person of the Target Company to the designated personnel of the Purchaser, and that the Vendor or the Target Company has delivered the new business licence of the Target Company to the Purchaser;
4. completion of termination of employment relationship by the Target Company with its employees; the Target Company has paid all sums payable to the relevant employees in relation thereto; and relevant documents have been delivered by the Vendor or the Target Company to the Purchaser;
5. the repayment by the Target Company of a loan to be provided by the Purchaser in the sum of RMB5,000,000 (equivalent to approximately HK\$5,693,000) for clearing the outstanding tenancies of the Premises, and
6. all branches of the Target Company have completed the relevant procedures for deregistration.

The 3rd Instalment Conditions include, among others, the following:

1. continuing satisfaction of the 1st Instalment Conditions and the 2nd Instalment Conditions; and
2. the Completion has taken place in accordance with the terms of the Agreement.

Completion

The Completion shall take place upon satisfaction of certain conditions, which include, inter alia, the 2nd Instalment Conditions (or waived by the Purchaser, as the case may be).

On the date of the Completion, the Vendor shall deliver all relevant documents relating to the Target Company to the Purchaser.

The Purchaser shall within the tenth Business Day from the date of receiving all relevant documents from the Vendor to either confirm if all the conditions precedent have been satisfied (or waived by the Purchaser, as the case may be) or request the Vendor to provide further documents or information so as to proceed to Completion.

The Purchaser will be deemed to have confirmed that all conditions precedent have been satisfied and that the Disposal has been duly completed if it fails to confirm whether the conditions precedent have been satisfied or otherwise request for further documents or information within the above prescribed time period.

Guarantees

The Target Company unconditionally provides a corporate guarantee to the Vendor for the performance and observance of the obligations owed by the Purchaser to the Vendor as set out

in the Agreement in relation to the Disposal for a period of 3 years from the expiry date of the end of the credit period of the relevant principal debts in favour of the Vendor.

The Purchaser's First Guarantor unconditionally provides a corporate guarantee to the Vendor for the performance and observance of the obligations relating to payment of the Consideration owed by the Purchaser to the Vendor as set out in the Agreement in relation to the Disposal for a period of 3 years from the expiry date of the end of the credit period of the relevant principal debts in favour of the Vendor.

The Vendor, being the guarantor of the Target Company, unconditionally provides a corporate guarantee to the Purchaser for the settlement of all liabilities arising from those contracts of the Target Company which shall remain subsisting post-Completion pursuant to the Agreement for a period of 3 years from the expiry date of the credit period of the relevant principal debts in favour of the Target Company.

FURTHER GUARANTEE BY THE PURCHASER'S SECOND GUARANTOR

On 18 January 2019, the Purchaser's Second Guarantor executed a letter of guarantee, pursuant to which it agreed to provide a corporate guarantee to the Vendor for the performance and observance of the obligations owed by the Purchaser to the Vendor as set out in the Agreement in relation to the Disposal for a period of 3 years from the expiry date of the end of the credit period of the relevant principal debts in favour of the Vendor.

BASIS OF THE CONSIDERATION

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to the Valuation Report.

INFORMATION OF THE GROUP, THE PURCHASER, THE PURCHASER'S FIRST GUARANTOR, THE PURCHASER'S SECOND GUARANTOR AND THE TARGET COMPANY

The Group is principally engaged in the manufacture of and trading in solvents, coatings, inks, and lubricants as well as property investment.

The Purchaser is principally engaged in various businesses including real estate development, corporate management consultancy, marketing planning, exhibition service, business consultancy, property management, environmental protection construction engineering, landscaping projects and self-owned property leasing.

The Purchaser's First Guarantor is principally engaged in asset management, consulting services, department store business and sales of construction materials.

The Purchaser's Second Guarantor is principally engaged in sales of commodity goods, business consultancy, corporate management consultancy, conference services, exhibition services, construction engineering, marketing planning, etiquette services, advertising design, production, agency and publishing.

As of the date of this announcement, the Target Company is a wholly foreign-owned enterprise incorporated under the laws of the PRC with limited liability and is principally engaged in the business of property investment holding the Property as its major asset.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser, the Purchaser's First Guarantor, the Purchaser's Second Guarantor and their respective ultimate beneficial owner(s) are independent of the Company and its connected persons.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The following table summarises the unaudited financial information of the Target Company prepared in accordance with Hong Kong Financial Reporting Standards for the financial years ended 31 December 2016 and 2017 and the 11-month period ended 30 November 2018:

	For the 11-month period ended 30 November Unaudited 2018 RMB'000	For the year ended 31 December	
		Unaudited 2017 RMB'000	Unaudited 2016 RMB'000
Profit/(Loss) before taxation	1,955	11,292	(2,543)
Profit/(Loss) after taxation	2,655	11,589	(2,543)

As at 5 December 2018, the carrying value of the Group's investment in the Target Company was approximately RMB149,899,000 (equivalent to approximately HK\$170,660,000).

FINANCIAL EFFECT OF THE DISPOSAL

As a result of the Disposal, the Company is expected to record an unaudited gain before tax on the Disposal of approximately RMB109,248,000 (equivalent to approximately HK\$124,379,000), which is calculated by deducting (i) the carrying value of the Group's investment in the Target Company as at 5 December 2018; and (ii) the estimated transaction costs directly attributable thereto of approximately RMB10,800,000 (equivalent to approximately HK\$12,296,000) from the Consideration. The actual gain on the Disposal to be recorded is subject to audit and may be different from the estimated amount as it will depend on, amongst other factors, the actual net assets of the Target Company as at Completion and the actual transaction costs incurred.

The sales proceeds from the Disposal will be used for general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors are of the view that the Disposal is on normal commercial terms and the terms of the Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

In view of the potential financial gain from the Disposal as disclosed hereinabove, the Board considers that it is an appropriate time to dispose of the entire equity interest in the Target Company to realise the investment which in effect will dispose of the Group's beneficial interest in the Property. Also, the Board believes that the Disposal would strengthen the financial position of the Group, enhance its cash flow, maintain liquidity and conserve more financial resources for the funding of future investments of the Group when opportunities arise.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but all are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meanings:

“1st Instalment Conditions”	the conditions for payment of the 1st instalment of the Consideration
“2nd Instalment Conditions”	the conditions for payment of the 2nd instalment of the Consideration
“3rd Instalment Conditions”	the conditions for payment of the last instalment of the Consideration
“Agreement”	the share purchase agreement pursuant to which, among other things, the Vendor agreed to sell and the Purchaser agreed to purchase 100% of the unlisted equity interest in the Target Company entered into between the Vendor and the Purchaser on 18 January 2019
“Board”	the board of Directors
“Business Day”	a day on which licensed banks in the PRC are open to conduct business generally throughout their normal business hours, excluding Saturdays, Sundays and statutory holidays of the PRC
“Company”	Yip's Chemical Holdings Limited
“Completion”	completion of the Disposal under the Agreement
“Completion Date”	the date of Completion pursuant to the Agreement
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“Consideration”	the total consideration of RMB269,946,938.64 payable by the Purchaser to the Vendor for the Disposal pursuant to the Agreement
“Directors”	director(s) of the Company
“Disposal”	the disposal of the entire equity interest in the Target Company pursuant to the terms of the Agreement
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan for the purposes of this announcement
“Premises”	上海市青浦區重固鎮北青公路 6511 號 (6511 Beiqing Highway, Chonggu Town, Qingpu Area, Shanghai, PRC*)
“Property”	rights to use the land and immovable property located at the Premises
“Purchaser”	上海重固新雲尚置業有限公司, a company established under the laws of the PRC with limited liability
“Purchaser’s First Guarantor”	上海青浦重固資產經營有限公司, a company established under the laws of the PRC with limited liability and an immediate shareholder of the Purchaser
“Purchaser’s Second Guarantor”	上海重固儲御實業發展有限公司, a company established under the laws of the PRC with limited liability and a subsidiary of the Purchaser’s First Guarantor
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	Any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “subsidiaries” shall be construed accordingly
“Target Company”	紫荊花制漆(上海)有限公司 (Bauhinia Paints Manufacturing (Shanghai) Company Limited*), a wholly foreign-owned enterprise incorporated under the laws of the PRC with limited liability
“Valuation Date”	5 December 2018, being the reference date of the Valuation Report
“Valuation Report”	the valuation report of the Target Company issued by a PRC property valuer dated 21 December 2018
“Vendor”	Bauhinia Paints Manufacturing Limited (大中漆廠有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company

“Vendor Uphold Bank Account” a designated bank account in the name of the Vendor’s subsidiary in the PRC, which shall be jointly operated by the Purchaser and the Vendor

“%” per cent

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

Hong Kong, 18 January 2019

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

Non-executive Directors:

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

Executive Directors:

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

* *For identification purposes only*

** *Independent Non-executive Directors*

Unless otherwise specified in this announcement, amounts denominated in RMB have been converted into Hong Kong dollars at RMB1 to HK\$1.1385 for illustration purpose only. No representation has been made by the Company that any amount has been, could have been or could be converted at the above rate or at any other rates or at all. All figures so converted have been rounded up to the nearest thousand.