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Yip's Chemical Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 408)**

**POSSIBLE MAJOR TRANSACTION AND DEEMED DISPOSAL  
IN RELATION TO  
PROPOSED SPIN-OFF AND SEPARATE LISTING OF  
BAUHINIA VARIEGATA ZHEJIANG**

**THE PROPOSED SPIN-OFF**

The Company proposes, subject to certain conditions, to seek a separate listing of the A shares of Bauhinia Variegata Zhejiang (an indirect 91.76%-owned subsidiary of the Company as at the date of this announcement which is principally engaged in the Ink Business) on the Shenzhen Stock Exchange.

The Board is pleased to announce that as at the date of this announcement, the Company has obtained the approval from the Stock Exchange to proceed with the Proposed Spin-off.

## LISTING RULES IMPLICATIONS

Assuming the number of new A shares to be issued under the Proposed A Share Listing will represent 25% of the enlarged issued share capital of Bauhinia Variegata Zhejiang, it is expected the ownership of the Company in Bauhinia Variegata Zhejiang will be diluted from approximately 91.76% as at the date of this announcement to approximately 68.82% following the Proposed A Share Listing. Accordingly, the Proposed Spin-off, if materialised, will constitute a deemed disposal of the Group's interest in Bauhinia Variegata Zhejiang under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio in respect of the Proposed Spin-off is expected to exceed 25% but all of the applicable percentage ratios are expected to be less than 75%, the Proposed Spin-off, if proceeded with, will constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the requirements of reporting, announcement and Shareholders' approval under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Proposed Spin-off.

A circular containing, among others things, (i) information of the Proposed Spin-off; (ii) the letter of recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Proposed Spin-off; (iii) the letter of advice from Halcyon Capital to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Spin-off; (iv) the financial information of the Group; (v) a notice convening the EGM; and (vi) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 11 August 2020, which has been determined after taking into account of the estimated time required for the Company to prepare relevant information for inclusion in the circular.

**The final structure of the Proposed Spin-off and the Proposed A Share Listing is subject to, among other things, the approval of relevant authorities including the Shenzhen Stock Exchange and CSRC, the market conditions and other considerations. Accordingly, Shareholders and potential investors of the Company should be aware that there is no assurance that the Proposed Spin-off and the Proposed A Share Listing must take place and, if so, when they may take place. Shareholders and potential investors of the Company should exercise caution when dealing in or investing in the securities of the Company.**

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 28 May 2020 in relation to, among other things, the Proposed Spin-off. The Proposed Spin-off involves seeking a separate listing of Bauhinia Variegata Zhejiang, an indirect 91.76%-owned subsidiary of the Company as at the date of this announcement which is principally engaged in the Ink Business, on the Shenzhen Stock Exchange, subject to conditions set out in the section headed “Conditions of the Proposed Spin-off”.

The Board is pleased to announce that as at the date of this announcement, the Company has obtained the approval from the Stock Exchange to proceed with the Proposed Spin-off.

## **THE PROPOSED SPIN-OFF**

It is proposed that, subject to the conditions set out in the section headed “Conditions of the Proposed Spin-off”, Bauhinia Variegata Zhejiang will apply for a separate listing of its A shares on the Shenzhen Stock Exchange and will be spun-off from the Group. The listing of Bauhinia Variegata Zhejiang is expected to involve the issue of new A shares of Bauhinia Variegata Zhejiang by way of public offer and/or placing. It is intended that the number of new A shares to be issued under the Proposed A Share Listing will not be more than 25% of the enlarged issued share capital of Bauhinia Variegata Zhejiang after the aforesaid public offer and/or placing. The actual number of new A shares of Bauhinia Variegata Zhejiang to be issued will be determined at a later stage subject to regulatory approvals by the Shenzhen Stock Exchange and CSRC, discussions among Bauhinia Variegata Zhejiang, the PRC Sponsor and other advisers for the Proposed A Share Listing and in particular, subject to market conditions. In any event, the Group is expected to hold more than 50% of the enlarged issued share capital of Bauhinia Variegata Zhejiang following completion of the Proposed A Share Listing, and Bauhinia Variegata Zhejiang will remain as a subsidiary of the Company.

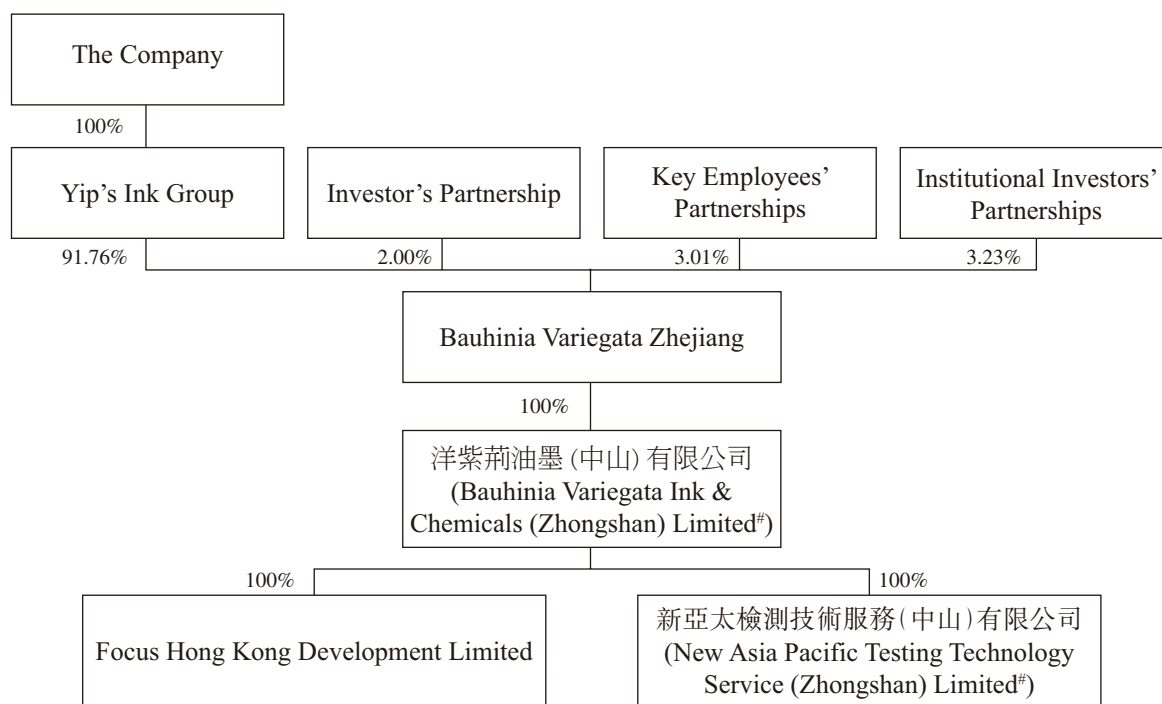
The Company has submitted a proposal in relation to the Proposed Spin-off to the Stock Exchange for approval pursuant to PN15. The Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off and has also granted the Waiver (details of which are set out in the paragraph headed “The Waiver”).

As at the date of this announcement, the listing application for the Proposed A Share Listing is yet to be submitted by Bauhinia Variegata Zhejiang to the relevant regulatory authorities of the PRC. Based on the current expected timetable, the application for the Proposed A Share Listing will be made by Bauhinia Variegata Zhejiang in early 2021 and the listing of the A shares of Bauhinia Variegata Zhejiang on the Shenzhen Stock Exchange, if approved and proceeded with, is expected to be around the end of 2021.

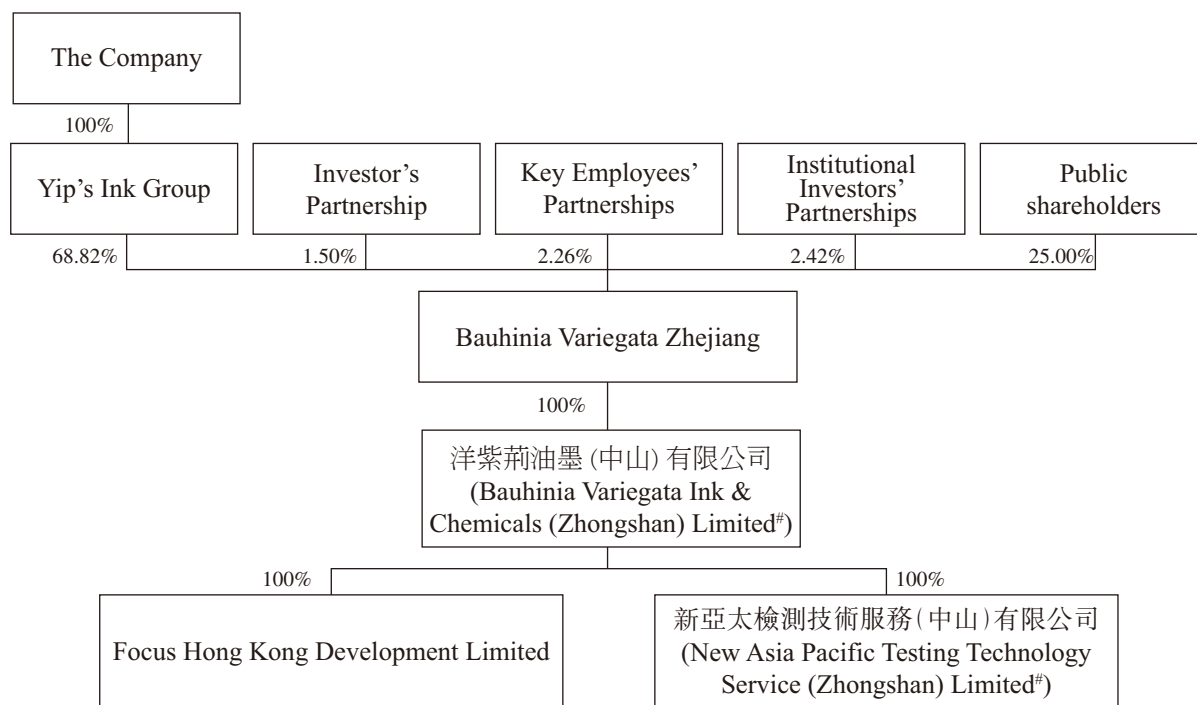
## **Effects of the Proposed Spin-off on the shareholding structure of Bauhinia Variegata Zhejiang**

Reference is made to the announcements of the Company dated 28 May 2020 and 10 June 2020 respectively in relation to, among other things, the Previous Disposals. For the purpose of preparation of the Proposed Spin-off aiming at broadening the shareholders base of Bauhinia Variegata Zhejiang and serving as an employee incentive scheme to align the interest of the key employees of the Group who are involved in the Ink Business with Bauhinia Variegata Zhejiang, the Group entered into separate agreements for the Previous Disposals to dispose of (i) an approximately 2.00% indirect equity interest in Bauhinia Variegata Zhejiang to the Investor for a consideration of approximately RMB16.0 million (equivalent to approximately HK\$17.3 million); (ii) an aggregate of approximately 2.14% indirect equity interest in Bauhinia Variegata Zhejiang to the Employees for an aggregate consideration of approximately RMB17.1 million (equivalent to approximately HK\$18.6 million); (iii) an aggregate of approximately 0.87% indirect equity interest in Bauhinia Variegata Zhejiang to the Senior Management for an aggregate consideration of approximately RMB7.0 million (equivalent to approximately HK\$7.6 million); and (iv) an aggregate of approximately 3.23% indirect equity interest in Bauhinia Variegata Zhejiang to the Institutional Investors for an aggregate consideration of approximately RMB25.8 million (equivalent to approximately HK\$28.0 million). Bauhinia Variegata Zhejiang was a wholly-owned subsidiary of the Company immediately prior to the Previous Disposals. Following completion of the Previous Disposals and as at the date of this announcement, Bauhinia Variegata Zhejiang is held as to approximately 91.76% by Yip's Ink Group, approximately 2.00% by the Investor's Partnership beneficially owned by the Investor, approximately 3.01% by the Key Employees' Partnerships beneficially owned by the Key Employees and approximately 3.23% by the Institutional Investors' Partnerships beneficially owned by the Institutional Investors.

Set out below is a simplified shareholding structure of Bauhinia Variegata Zhejiang as at the date of this announcement:



Set out below is a simplified shareholding structure of Bauhinia Variegata Zhejiang immediately upon completion of the Proposed A Share Listing assuming that the number of A shares of Bauhinia Variegata Zhejiang to be issued at the Proposed A Share Listing represents 25% of the enlarged issued share capital of Bauhinia Variegata Zhejiang:



As shown above, it is expected that immediately upon completion of the Proposed A Share Listing, the Company will indirectly control approximately 68.82% interest in Bauhinia Variegata Zhejiang and Bauhinia Variegata Zhejiang will remain as a non-wholly-owned subsidiary of the Company.

### **Proceeds to be raised from the Proposed A Share Listing and proposed use of proceeds**

On the assumption that the proposed offering size shall represent 25% of the enlarged issued share capital of Bauhinia Variegata Zhejiang, it is currently expected the total gross proceeds to be raised under the Proposed A Share Listing would be around RMB400 million to RMB450 million, while the actual amount of proceeds to be raised cannot be determined at this stage as the actual number of new A shares of Bauhinia Variegata Zhejiang to be issued and the offer price per A share of Bauhinia Variegata Zhejiang will be determined at a later stage subject to regulatory approvals by the Shenzhen Stock Exchange and CSRC, discussions among Bauhinia Variegata Zhejiang, the PRC Sponsor and other advisers for the Proposed A Share Listing and in particular, subject to market conditions. Based on the discussions between the management of Bauhinia Variegata Zhejiang and the PRC Sponsor, the final offer price and the number of A shares to be issued under the Proposed A Share Listing shall take into account (i) the historical operating results and financial performance of the Bauhinia Variegata Zhejiang Group; (ii) the business prospects and the expected performance of the Bauhinia Variegata Zhejiang Group for the year ending 31 December 2020; (iii) the capital needs and proposed use of proceeds as further discussed below; (iv) the then responses to price consultation with potential subscribers in the book-building process for the Proposed A Share Listing; (v) the prevailing market sentiment at the time of the Proposed A Share Listing; and (vi) the reference to be drawn from other comparable companies in the same industry listed in the PRC.

Based on the preliminary estimation of the total gross proceeds to be raised under the Proposed A Share Listing of approximately RMB400 million to RMB450 million, it is expected that the proceeds will be applied as to (i) approximately RMB50 million to RMB60 million for improvement and enhancement of the existing technology of the Bauhinia Variegata Zhejiang Group; (ii) approximately RMB120 million to RMB135 million for constructing a production base of environmentally friendly ink for the Ink Business; (iii) approximately RMB110 million to RMB120 million for setting up a research and development and testing centre for the Bauhinia Variegata Zhejiang Group; and (iv) approximately RMB120 million to RMB135 million as general working capital of the Bauhinia Variegata Zhejiang Group.

Shareholders and potential investors of the Company should be aware that the expected offering size and the estimated gross proceeds as referred to above is for illustration purposes only and the actual amount raised and the proposed use of proceeds shall be subject to the listing application documents to be submitted by Bauhinia Variegata Zhejiang taking into account, among others, the PRC domestic market conditions at the time of the materialisation of the Proposed A Share Listing as well as the business development of the Bauhinia Variegata Zhejiang Group, and may vary substantially from the amounts estimated above.

## **CONDITIONS OF THE PROPOSED SPIN-OFF**

Based on the information available to the Board, the Proposed Spin-off and the Proposed A Share Listing will be conditional upon, among other things, the following:

- (a) the approval by CSRC, the Shenzhen Stock Exchange and other authorities in relation to the Proposed A Share Listing;
- (b) approval by the Independent Shareholders of the Proposed Spin-off at the EGM; and
- (c) any other PRC regulatory approvals for the listing of and permission to deal in the A shares to be issued by Bauhinia Variegata Zhejiang.

If any of the above conditions is not fulfilled, the Proposed Spin-off and the Proposed A Share Listing will not proceed and an announcement will be published by the Company as soon as practicable.

## **INFORMATION ON THE GROUP**

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

## **INFORMATION ON THE BAUHINIA VARIEGATA ZHEJIANG GROUP**

Bauhinia Variegata Zhejiang was established on 28 September 2006 in the PRC with limited liability and is principally engaged in the Ink Business, including the manufacturing of and trading in inks and related products. On 10 July 2020, a shareholders' meeting of Bauhinia Variegata Zhejiang was held at which the shareholders approved, among other things, the change of the company name to Bauhinia Ink Company Limited (洋紫荆油墨股份有限公司). The new company name shall be effective upon registration with and approval by the PRC authority, which process is expected to be completed by the end of July 2020.



## Business

The Bauhinia Variegata Zhejiang Group is the largest ink manufacturer in the PRC in terms of annual sales volume in 2019 and is one of the top 20 ink manufacturers internationally. The principal products of the Bauhinia Variegata Zhejiang Group are plastic printing inks and paper printing inks sold under its proprietary brand name “Bauhinia Variegata” which are mainly used in food and drinks packaging, gift packaging and paper printing. The Bauhinia Variegata Zhejiang Group also supplies post-printing materials such as water-based varnish and buffing oil as part of its business integration initiative. Products of the Bauhinia Variegata Zhejiang Group are mainly sold within the PRC, with a small portion being sold to overseas markets including, among others, the Philippines and Vietnam. The production facilities of the Bauhinia Variegata Zhejiang Group are located in Zhongshan in Guangdong Province and Tongxiang in Zhejiang Province, the PRC.

## Financial information

The following table summarises the unaudited combined financial information of the Bauhinia Variegata Zhejiang Group (as if the group structure had been in existence throughout the two financial years ended 31 December 2018 and 2019) extracted from its management accounts included in the audited consolidated financial statements of the Group for each of the two financial years ended 31 December 2018 and 2019:

	<b>Year ended 31 December</b>	
	<b>2018</b>	<b>2019</b>
	<i>HK\$' million</i>	<i>HK\$' million</i>
Profit before taxation	69.8	128.9
Profit for the year	<u>58.1</u>	<u>110.7</u>

As at 30 June 2020, the unaudited consolidated net asset value of the Bauhinia Variegata Zhejiang Group was approximately HK\$820.1 million.

## INFORMATION ON THE REMAINING GROUP

Upon completion of the Proposed Spin-off, the Remaining Group will continue to be primarily engaged in (i) manufacturing and trading of raw solvents and related products; (ii) manufacturing and trading of coatings and related products; (iii) manufacturing and trading of lubricants and related products; (iv) property investment; and (v) car maintenance operation and other chemical products related business.



## **FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF ON THE GROUP**

Following completion of the Proposed Spin-off, the Group shall remain to hold more than 50% of the enlarged issued share capital of Bauhinia Variegata Zhejiang, and Bauhinia Variegata Zhejiang shall continue to be accounted for as a subsidiary in the consolidated financial statements of the Group.

The Proposed Spin-off, which is expected to involve the issue of new A shares of Bauhinia Variegata Zhejiang, will constitute a deemed disposal of the Group's interest in Bauhinia Variegata Zhejiang. It is expected that the difference between the fair value of the consideration to be received from the issue of new A shares of Bauhinia Variegata Zhejiang and the unaudited consolidated net asset value of the Bauhinia Variegata Zhejiang Group as at completion of the Proposed A Share Listing attributable to the A share shareholders will be recorded in other comprehensive income and accumulated in equity of the Group.

## **REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF**

The Board considers that the Proposed Spin-off will be beneficial to both the Bauhinia Variegata Zhejiang Group as part of the Group and the Group as a whole for the following reasons:

### **(i) New sources of fund raising opportunity**

The cash proceeds to be received from the public offering and/or placing of A shares of Bauhinia Variegata Zhejiang will provide capital to the Bauhinia Variegata Zhejiang Group for its operations and expansion plan. The Proposed Spin-off will also enable the Bauhinia Variegata Zhejiang Group and the Remaining Group to have their own fund raising platforms to directly and independently access both the debt and equity capital markets, which in turn may provide greater aggregate financing capacity to the Group to deploy funds towards the respective developments, operations and investment opportunities of the Bauhinia Variegata Zhejiang Group and the Remaining Group.

### **(ii) Enhancement of business profile**

The Proposed Spin-off and a separate listing of the A shares of Bauhinia Variegata Zhejiang will enhance the Bauhinia Variegata Zhejiang Group's profile amongst its customers, suppliers and other business partners. It also improves the Bauhinia Variegata Zhejiang Group's ability to recruit, motivate and retain key management personnel by enhancing management incentives through adoption of equity-based incentive program such as share option scheme.

**(iii) Alternative valuation for the business**

The Proposed Spin-off separates the Ink Business from the Remaining Businesses, thereby enabling investors and financiers to appraise the strategies, functional exposure, risks and returns of the respective businesses separately and to make their investment decisions accordingly. The Bauhinia Variegata Zhejiang Group and the Remaining Group can be valued on a standalone basis to reflect the true market value of the respective businesses so as to create better return of value to the shareholders of Bauhinia Variegata Zhejiang and the Company.

**(iv) Adoption of different business strategies**

The management teams of the Bauhinia Variegata Zhejiang Group and the Remaining Group may adopt different business strategies and models which they determine to be better suited to their respective businesses, and which, due to the different nature of products, may not always be aligned. On the other hand, the Proposed Spin-off will increase the operational and financial transparency between the Bauhinia Variegata Zhejiang Group and the Remaining Group, providing investors and the market with greater clarity on the businesses and financial status of the respective groups and therefore better identifying and establishing their investment decisions.

**(v) No loss in control of Bauhinia Variegata Zhejiang**

As Bauhinia Variegata Zhejiang is expected to remain as a subsidiary of the Company upon completion of the Proposed Spin-off, the Company will continue to benefit from any potential upside in the Ink Business through consolidation of the Bauhinia Variegata Zhejiang Group's accounts and receipt of dividend distributions (if any).

Having considered the above, the Directors are of the view that the Proposed Spin-off is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

**THE WAIVER**

In accordance with the requirements of paragraph 3(f) of PN15, the Company is required to give due regard to the interests of the existing Shareholders by providing them with an assured entitlement to the A shares of Bauhinia Variegata Zhejiang, if the Proposed A Share Listing proceeds. However, the Board considers that it is not practicable to provide assured entitlement of the A shares of Bauhinia Variegata Zhejiang as further explained below and that the requirement of paragraph 3(f) of PN15 of the Listing Rules cannot be met. Accordingly, the Company made an application for a waiver from strict compliance with paragraph 3(f) of PN15 (i.e. the Waiver) to the Stock Exchange and the Stock Exchange has granted the Waiver.

In determining the venue for the proposed listing of Bauhinia Variegata Zhejiang, the Board has made due and careful consideration, taking into account, among other things, the nature of the Ink Business, the jurisdiction in which Bauhinia Variegata Zhejiang was established and had been operating its business, and the characteristics of different capital markets, and concluded that it is beneficial to seek a listing of Bauhinia Variegata Zhejiang on the Shenzhen Stock Exchange.

Based on the legal advice from the Company's PRC legal counsel, according to applicable PRC laws and regulations, foreign investors which meet certain criteria are allowed to subscribe for or participate in the offering of A shares, which include, among others, (a) foreign investors with permanent residency in the PRC; (b) residents of Hong Kong, the Macao Special Administrative Region or Taiwan who live and work in the PRC; (c) foreign investors who work in the PRC and the securities regulatory authority at his country of nationality has entered into cooperation arrangement with CSRC; (d) foreign investors who are entitled to such A shares as part of an employee incentive scheme which is set up in compliance with 《上市公司股權激勵管理辦法》 (the Administrative Measures for the Incentive Measures of Listed Companies<sup>#</sup>); (e) qualified foreign institutional investors qualified under 《合格境外機構投資者境內證券投資管理辦法》 (QFII); (f) RMB qualified foreign institutional investors qualified under 《人民幣合格境外機構投資者境內證券投資試點辦法》 (RQFII); (g) foreign strategic investors qualified under 《外國投資者對上市公司戰略投資管理辦法》 (Measures for the Administration of Strategic Investment in Listed Companies by Foreign Investors<sup>#</sup>); and (h) parties who are shareholders of the A share issuer before the listing of such issuer on the A share market.

Based on the register of members maintained by the branch share registrar of the Company in Hong Kong, most of the registered Shareholders are individuals with addresses in Hong Kong, and on that basis, the Board believes that most of these Shareholders are not PRC residents. The Board considers it impracticable and unduly burdensome to provide the Shareholders with assured entitlement under the Proposed Spin-off in light of the legal restrictions for foreign investors to subscribe for or participate in the offering of A shares.

It is contemplated that the Group will hold more than 50% of the issued share capital in Bauhinia Variegata Zhejiang and Yip's Ink Group will continue to be the holding company of Bauhinia Variegata Zhejiang after the Proposed Spin-off. The financial results of the Bauhinia Variegata Zhejiang Group will continue to be consolidated into the Group, and the Shareholders will continue to enjoy the contribution from the Bauhinia Variegata Zhejiang Group as well as the benefits of the Proposed Spin-off through their holdings in the Shares. The Board is of the view that the interest of the Shareholders would not be materially prejudiced by the Company not providing assured entitlement to the A shares of Bauhinia Variegata Zhejiang to the Shareholders.

Having considered the above and the reasons for and benefits of the Proposed Spin-off under the section headed "Reasons for and benefits of the Proposed Spin-off", the Board is of the view that the Proposed Spin-off and the Waiver are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company holds approximately 91.76% of the issued share capital of Bauhinia Variegata Zhejiang. It is intended that the number of new A shares to be issued under the Proposed A Share Listing will not be more than 25% of the enlarged issued share capital of Bauhinia Variegata Zhejiang after the public offer and/or placing, following which the ownership of the Company in Bauhinia Variegata Zhejiang will be reduced to approximately 68.82%. Accordingly, the Proposed Spin-off, if materialised, will constitute a deemed disposal of the Group's interest in Bauhinia Variegata Zhejiang under Rule 14.29 of the Listing Rules. Based on the upper bound of the proposed size of offering of RMB450 million under the Proposed Spin-off, the highest applicable percentage ratio in respect of the Proposed Spin-off is expected to exceed 25% but all of the applicable percentage ratios are expected to be less than 75%, the Proposed Spin-off, if proceeded with, will constitute a major transaction of the Company under Chapter 14 of the Listing Rules. The Proposed Spin-off is therefore subject to the requirements of reporting, announcement and Shareholders' approval under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Proposed Spin-off. The Investor, the Institutional Investors and the Key Employees are considered to have a material interest in the Proposed Spin-off by virtue of their indirect interests in Bauhinia Variegata Zhejiang through their respective interests in the Partnerships. Accordingly, they and their respective close associates shall abstain from voting on the resolution in relation to the Proposed Spin-off at the EGM. As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, certain Key Employees and their respective close associates held in aggregate 62,738,248 Shares, representing approximately 11.12% of the total issued share capital of the Company. Apart from them, no other Shareholder has a material interest in the Proposed Spin-off which is different from the other existing Shareholders who shall otherwise be required to abstain from voting on the resolution in relation to the Proposed Spin-off at the EGM.

The Independent Board Committee comprising Mr. Wong Kong Chi, Mr. Ho Pak Chuen, Patrick and Mr. Ku Yee Dao, Lawrence, being all of the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Proposed Spin-off. Halcyon Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others things, (i) information of the Proposed Spin-off; (ii) the letter of recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Proposed Spin-off; (iii) the letter of advice from Halcyon Capital to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Spin-off; (iv) the financial information of the Group; (v) a notice convening the EGM; and (vi) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 11 August 2020, which has been determined after taking into account of the estimated time required for the Company to prepare relevant information for inclusion in the circular.

**The final structure of the Proposed Spin-off and the Proposed A Share Listing is subject to, among other things, the approval of relevant authorities including the Shenzhen Stock Exchange and CSRC, the market conditions and other considerations. Accordingly, Shareholders and potential investors of the Company should be aware that there is no assurance that the Proposed Spin-off and the Proposed A Share Listing must take place and, if so, when they may take place. Shareholders and potential investors of the Company should exercise caution when dealing in or investing in the securities of the Company.**

## DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“A share(s)”	domestic share(s) issued by companies and listed on a stock exchange in the PRC
“Bauhinia Variegata Zhejiang”	洋紫荆油墨(浙江)有限公司 (Bauhinia Variegata Ink & Chemicals (Zhejiang) Limited <sup>#</sup> ), an approximately 91.76%-owned subsidiary of Yip’s Ink Group as at the date of this announcement
“Bauhinia Variegata Zhejiang Group”	Bauhinia Variegata Zhejiang and its subsidiaries
“Board”	the board of Directors
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Yip’s Chemical Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 408)

“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the resolution(s) in relation to the Proposed Spin-off
“Employees”	certain employees of the Bauhinia Variegata Zhejiang Group (including a director of certain subsidiaries of the Company) who together hold an approximately 2.14% indirect equity interest in Bauhinia Variegata Zhejiang through two of the Key Employees’ Partnerships following completion of the Previous Disposals
“Group”	the Company and its subsidiaries
“Halcyon Capital”	Halcyon Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Spin-off
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Independent Shareholders on the Proposed Spin-off
“Independent Shareholders”	Shareholders other than (i) the Investor, the Institutional Investors, the Key Employees and their respective close associates; and (ii) other Shareholders who have a material interest in the Proposed Spin-off
“Independent Third Party(ies)”	third party(ies) who is/are independent of the Company and its connected persons (as defined in the Listing Rules)
“Ink Business”	the manufacturing and trading of inks and related products undertaken by the Bauhinia Variegata Zhejiang Group
“Institutional Investors”	two pre-IPO institutional investors who are Independent Third Parties and hold an aggregate of approximately 3.23% indirect equity interest in Bauhinia Variegata Zhejiang through the Institutional Investors’ Partnerships following completion of the Previous Disposals



“Institutional Investors’ Partnerships”	collectively, (i) 中山市創好投資諮詢合夥企業(有限合夥) (Zhongshan Chuangho Investment Advisory Partnership (Limited Partnership) <sup>#</sup> ); (ii) 中山市超浚投資諮詢合夥企業(有限合夥) (Zhongshan Chaojun Investment Advisory Partnership (Limited Partnership) <sup>#</sup> ); and (iii) 中山市卓迅投資諮詢合夥企業(有限合夥) (Zhongshan Zhuoxun Investment Advisory Partnership (Limited Partnership) <sup>#</sup> ), each a limited partnership established in the PRC
“Investor”	an individual pre-IPO investor who is an Independent Third Party and holds an approximately 2.00% indirect equity interest in Bauhinia Variegata Zhejiang through the Investor’s Partnership following completion of the Previous Disposals
“Investor’s Partnership”	中山市好利投資諮詢合夥企業(有限合夥) (Zhongshan Haoli Investment Advisory Partnership (Limited Partnership) <sup>#</sup> ), a limited partnership established in the PRC
“Key Employees”	the Senior Management and the Employees
“Key Employees’ Partnerships”	collectively, (i) 中山市源邦投資諮詢合夥企業(有限合夥) (Zhongshan Yuanbang Investment Advisory Partnership (Limited Partnership) <sup>#</sup> ); (ii) 中山市溢榮投資諮詢合夥企業(有限合夥) (Zhongshan Yirong Investment Advisory Partnership (Limited Partnership) <sup>#</sup> ); (iii) 中山市盈煌投資諮詢合夥企業(有限合夥) (Zhongshan Yinghuang Investment Advisory Partnership (Limited Partnership) <sup>#</sup> ); and (iv) 中山市裕貿投資諮詢合夥企業(有限合夥) (Zhongshan Yumao Investment Advisory Partnership (Limited Partnership) <sup>#</sup> ), each a limited partnership established in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Partnerships”	collectively, the Investor’s Partnership, the Institutional Investors’ Partnerships and the Key Employees’ Partnerships
“PN15”	Practice Note 15 of the Listing Rules
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan



“PRC Sponsor”	the sponsor acting for Bauhinia Variegata Zhejiang in relation to the Proposed A Share Listing
“Previous Disposals”	collectively, the disposals by the Group of an aggregate of approximately 8.24% indirect equity interest in Bauhinia Variegata Zhejiang to the Investor, the Institutional Investors and the Key Employees (details of which are set out in the announcements of the Company dated 28 May and 10 June 2020 respectively)
“Proposed A Share Listing”	the proposed listing of the A shares of Bauhinia Variegata Zhejiang on the Shenzhen Stock Exchange
“Proposed Spin-off”	the proposed spin-off of the Ink Business by the Company for a separate listing on the Shenzhen Stock Exchange
“Remaining Businesses”	businesses of the Group other than the Ink Business
“Remaining Group”	the Group excluding the Bauhinia Variegata Zhejiang Group
“Senior Management”	certain senior management of the Group (including certain directors of the Company and its subsidiaries) who together hold an approximately 0.87% indirect equity interest in Bauhinia Variegata Zhejiang through two of the Key Employees’ Partnerships following completion of the Previous Disposals
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Stock Exchange”	the ChiNext Board of the Shenzhen Stock Exchange of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Waiver”	the waiver from strict compliance with paragraph 3(f) of PN15 in respect of the assured entitlement under the Proposed Spin-off

“Yip’s Ink Group”	Yip’s Ink & Chemicals (Group) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 21 July 2020

*# In this announcement, the English translation/transliteration of the Chinese names denoted is for illustration purposes only. In the event of any inconsistency, the Chinese names shall prevail.*

*For the purpose of illustration only, amounts denominated in RMB in this announcement are converted into HK\$ at the rate of RMB1=HK\$1.0844. Such translations should not be construed as a representation that the amounts have been, could have been or could be converted at such rate or at all.*

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. Ho Pak Chuen, Patrick\*  
Mr. Ku Yee Dao, Lawrence\*

*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*)

\* *Independent non-executive Directors*