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Yip's Chemical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 408)

PROFIT WARNING

This announcement is made by Yip's Chemical Holdings Limited (the "Company" and, together with its subsidiaries, the "Group") pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

The board of directors of the Company (the "Board") wishes to inform the shareholders of the Company (the "Shareholders") and potential investors that based on preliminary assessment of the unaudited consolidated management accounts of the Group for the six months ended 30 June 2023 (the "2023 Interim Period") and the information currently available to the Board, the net profit of the Group for the 2023 Interim Period is expected to be substantially lower than that for the six months ended 30 June 2022 (the "2022 Interim Period") by over 80% which is mainly attributable to the following:

- 1) As the Group's effective interests in the solvents business had been reduced by 51% from 75% to 24% upon the completion of the Group's disposal of such interests to PAG in 2022, the financial results of entities within the solvents business are no longer consolidated into the financial results of the Group but shared to the Group as associates. Hence profit contribution of the solvents business as associates of the Group in the 2023 Interim Period was significantly less as compared to the 2022 Interim Period.
- 2) Net exchange loss (of which about two-third was unrealised exchange difference from revaluation of foreign currency balances) of approximately HK\$23 million was recorded in the 2023 Interim Period due to a depreciation of Renminbi of about 3.75% during the first half year of 2023 as compared to net exchange gain, after offsetting loss from change in fair value of foreign exchange forward contracts (including those from the solvents business), of approximately HK\$14 million in the 2022 Interim Period.

- 3) Revenue and operating profit of the Group's businesses in the 2023 Interim Period were adversely affected by the slower-than-expected post-COVID recovery of economy in Mainland China. However, there has been notable improvement in gross profit margin of the continuing operations of the Group in the 2023 Interim Period, especially in its coatings business, as compared to the 2022 Interim Period.

In response to the current challenging operation environment under the post COVID-19 pandemic and volatile international economic conditions stemmed from geopolitical conflicts, the Group will continue to closely monitor the market situations and make necessary adjustments to its strategies and operations to improve efficiency and profitability.

As the Company is now preparing the interim results of the Group for the 2023 Interim Period, the information contained in this announcement is only based on the preliminary assessment by the Board with reference to the unaudited consolidated management accounts of the Group for the 2023 Interim Period and information currently available to the Board. Such information has not been audited or reviewed by the Company's auditor or audit committee. Further details of the financial information of the Group for the 2023 Interim Period will be published pursuant to the requirements of the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 25 July 2023

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

Non-executive Directors:

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

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*