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 INTERIM RESULTS FOR SIX MONTHS ENDED 30 SEPTEMBER 2008

HIGHLIGHTS

1. Turnover was HK$3,084,885,000, increased by 31% compared to same period last year
2. Net profit attributable to equity holders was HK$157,952,000, an increase of 2%
3. Earnings per share was HK29.7 cents
4. Interim dividend was HK8.0 cents per share
5. Gearing ratio as at 30 September 2008 was 1%, improved from 10% of last year

CHAIRMAN'S STATEMENT - REVIEW

After much internal discussion and preparation, a new management structure was implemented at the start of the current financial year. Under this new structure, the Board and the newly reconstituted Group Management Committee have clearly defined roles and responsibilities which are distinctly different and yet designed to work seamlessly together. The aim of the restructuring is to herald in a new management culture and philosophy, to lay a firm foundation for the Group's longer term healthy development. After six months of successful operation, it is clear that our initial objectives have been achieved. We are confident that as we gather more experience and move forward with the new structure, the new structure will play a significant role in raising the stand of corporate governance. Accordingly, starting with this report, this part of the annual report (formerly the Chairman's Statement) will be composed of two separate parts, to be written by the Chairman and the CEO respectively.

The financial turmoil which has taken the world by storm has had a major impact on the global economy. Factors such as the tightening of credit, the weakening of demand, unprecedented volatilities in raw materials prices, the sustained strength of the Renminbi, across-the-board rises in operational costs have all adversely affected the Group's operations. Although turnover growth has exceeded our expectations and reached a level of HK$3,084,885,000, representing a growth of 31%, profit attributable to shareholders, at HK$157,952,000, only registered a slight growth of 2%. However, it is pleasing to see that the Group still has a strong cash flow even with such strong turnover growth : the Group's gearing at 30 September was only 1%. With the usual seasonal factors coming into play with a series of measures taken by the Group, it is expected that the Group's cash flow position to remain positive during the remainder of this financial year.

PROSPECTS

Following co-ordinated efforts by governments all over the world to restore liquidity and confidence in the financial markets, there now appears to be signs that the financial crisis may have stabilized to some degree. However, the impact of the crisis on the economy seems to be just starting to manifest itself. The world appears to be facing a credit crunch and weakening consumption demand, with a prolonged depression becoming a very real possibility. At the same time, faced with the prospect of a global economic recession leading to a slow-down in exports and a decline in its economic growth, the Chinese Government is planning to unleash even more pro-active measures to greatly increase domestic infrastructure constructions and to further stimulate domestic consumption in order to ensure sustained steady growth in its economy. However, the effect of these measures may not be felt immediately, and it is quite possible that during the immediate future, the Chinese economy will still be shackled by the earlier Macroeconomic Control measures. Given that we are faced with the financial turmoil and the prospect of the beginning of a severe economic recession, it may be inevitable that the Group's business will be affected to some extent in the short term. We anticipate that the operating environment in the second half will be even more difficult and challenging. However, in the mid to long term, we remain confident of the prospects for the Group. We have been well established in the China market over all these years, and our core products have a very close relationship to China's domestic economic development, hence it is self-evident that as China resumes its economic progress, we should have abundant business opportunities. On the other hand, after almost 40 years of sustained efforts in upgrading our corporate image and our capabilities in the areas of financing, cost control, together with our excellent financial position and our commitment to staying close to our chosen field of chemicals manufacturing and marketing, we believe that these factors will become even more important competitive advantages in a difficult operating environment.

Facing an extremely uncertain second half, the Group will adopt a even more prudent business development strategy. At the same time that we seek to consolidate the businesses which have been growing rapidly over the recent years, we will also endeavour to enhance the quality of our business, to implement various measures to maintain a even stronger cash flow. Further resources will be devoted to enhancing our economy of scale and to brand building, the twin pillars of our Group's development, in order that we can be better prepared to take advantage of the many business opportunities in future.

To sum it all up, the short term is likely to be filled with challenges, while the mid to long term is full of hope. I wish to take this opportunity to thank all our business partners for their confidence in us and their support, and to thank all our employees for their dedication and contribution to the success of the Group.

CEO'S STATEMENT - BUSINESS REVIEW

SOLVENTS

The solvents division experienced steady growth in the first half, with a turnover of HK$1,902,163,000, the highest half year sales performance ever recorded and an increase of 40% over the same period last year. The significant turnover growth can be attributed to the continued increase in production capacity, in particular, the capacity for raw solvents in South China alone reached 310,000 metric tons, further strengthening our competitive advantage through economy of scale. Operating profit, on the other hand, was HK$143,438,000, only a 6% increase from the same period last year. The reasons contributing to the growth in operating profits failing to match turnover growth are threefold: (1) The operating results of Taixing Jinjiang Chemical Industry Company in Jiangsu, which we acquired in February this year, have not matched our expectations. Due to an unusual reversal in the relative price of tapioca and corn, the cassava technique used by Taixing to produce ethanol became uncompetitive compared to the corn technique, resulting in a slight loss. (2) The export business, which has a lower margin than the domestic sales, has increased significantly in proportion to the overall acetate solvents turnover. (3) During the period under review, the increasing prices of oil and other commodities led to an increase in operating costs. In particular, coal, which is used to generate steam in solvents production, has stayed at a high level, leading to operational cost increases.

Faced with the credit crunch and weakening demand brought about by the financial crisis, the solvents business will be adversely affected in the short term. However, in the mid to longer term, with China taking a series of active and effective measures to stimulate the economy, it is believed that China's domestic economy will be able to maintain continued growth. While continuing to operate under the principle of prudency, the Group will continue its plans to build 120,000 metric tons of acetate solvents capacity at Taixing. The planned acetate solvents production facilities will not only allow the Group to reap the benefits of vertical integration (from ethanol to ethyl acetate), but will also provide a platform for the Group to expand into Eastern China, and enable the Group to become the world's largest acetate solvents producer and further strengthen the Group's overall competitiveness as a result of our unmatched economy of scale.

COATINGS

During the first half, turnover stood at HK$1,063,686,000 representing a growth of 22%, while operating profit was HK$64,144,000, a decline of 9% from the same period last year. Factors allowing the coatings business to maintain satisfactory growth in face of a competitive market and rising expectations from customers included: (1) Our vast distribution network for domestic architectural coatings, coupled with increased investments in brand marketing, has contributed towards sales growth. (2) Although the business environment in the Pearl River Delta has been adversely affected by the changes in the Government's policies regarding the processing trade, our industrial coatings business can still benefit from increases in the Group's core competitiveness, while our market development outside of Guangdong has been proceeding according to plan. Moreover, the acquisition of the electronic casing coatings business of Pak Lam Chemical in May this year has brought benefits which enabled the industrial coatings business to sustain its steady growth. However, incessant increases in the price of crude during the period under review have caused most major coatings raw materials prices to rise, thus depressing margins. Moreover, the period surrounding the Beijing Olympics Games in August not only affected trade in the East China and North China markets, it also caused increases in transport logistics costs. Additionally, increases in our brand investments also contributed to increases in operating costs, thus resulting in profits being slightly below our expectations.

The outlook for the second half gives us little room for complacency. The operating environment is expected to become even more difficult. The recession caused by the "Financial Tsunami" is expected to severely impact on China's exports, leading to a decline in demand. The Pearl River Delta, already under very difficult conditions, is expected to be particularly hard hit. At the same time, the housing market in China is still going through a period of adjustment. In view of generally weak consumer demand, it is expected that the series of economic stimulus measures from the Central Government will take time to take effect. All these factors point to a weakening in the demand for coatings in the short term. With major international brands entering the China market through mergers and acquisitions during recent years leading to stronger competition, and the "melamine incident" with powder milk probably affecting the demand for food packaging ink products, all stand to pose increased challenges to the coatings business. Nevertheless, in the mid to longer term, we are confident that our core competitive advantages cumulated through the years, such as having the most advanced production and testing technologies and equipment, stringent quality management systems, good sales network and brand pull and so on, we should be well prepared for the challenges ahead. Our future plans include the coatings plant in Tungsiang, Zhejiang, being commissioned in early 2009, giving us up to 230,000 metric tons of coatings capacity, and also providing us with an ideal platform to develop the electronic casing coating and furniture coating business in Eastern China. We will further strengthen our investment in our brands and to consolidate our sales network, especially in secondary cities and towns. We believe the Group will be well positioned to take advantage of the economic stimulus packages, both announced and planned, from the Central Government to meet future challenges and to grasp future opportunities.

LUBRICANTS

During the period under review, the operating environment for lubricants remained difficult. Driven by the soaring crude oil prices, the prices of major raw materials such as base oils and additives increased to unprecedented heights coupled with supply shortages. At the same time, competition has been extremely keen. Fortunately, the business restructuring efforts in recent years have resulted in a business which is much more robust. The lubricants division recorded a turnover of HK$154,214,000, an increase of 30% from the same period last year, and operating profits reached HK$7,502,000, a major increase of 3.8 times from the same period last year. At the same time, as a result of the restructuring efforts, specialty lubricants, automotive lubricants and OEM processing business all recorded significant growth. With improvements in logistics and procurement synergies between the two lubricants subsidiaries, margins saw further improvements. With clearer definition of the roles and the market positions of the two subsidiaries, Pacoil has planned to further develop its specialty lubricants market in Eastern and Northern China, while Best Lubricants has put its efforts into augmenting its sales network for automotive lubricants in the second and third-tier cities and towns. Best Lubricants is also actively developing new products to meet different requirements in the market and in developing the anti-freeze business in the north. In July this year, Best Lubricants became the lubricants partner of "Shanghai Maple Automobile Company", a subsidiary of "Geely Automobile Holdings". After passing the most stringent tests, Shanghai Maple was selected out of six competitors to win the approval of The Ministry of Science and Technology to develop a methanol-powered vehicle.

The outstanding quality of the lubricant for methanol engines developed by Best Lubricants enabled it to be selected by Maple Automobile as their designated engine oil supplier. With the anticipated growing popularity of methanol-powered cars in future, it is expected that the new product will bring new growth opportunities for Best Lubricants.

Looking forward towards the second half, the financial tsunami coupled with the consolidation in the automotive industry in China, it is expected that the market conditions will be even more daunting, and even greater challenges will lie ahead. Although base oil prices have followed crude oil to decline, the lubricants market has shown clear signals of decline. At the same time, competitors are flooding the market with sales promotions. Accordingly, during the short to medium term, this business will continue to face cost and sales pressures. However, the Group will continue its efforts to consolidate, to extract synergies, and to further expand business development efforts according to the agreed business segmentation and the positioning of its two subsidiaries, in order to grasp new business opportunities as and when the market recovers.

CORPORATE SOCIAL RESPONSIBILITY

The group regards corporate social responsibility as a long-term, meaningful task. As a company listed on the Hong Kong Stock Exchange and engaged in the business of chemicals manufacturing, the Group not only places great importance on the safe working conditions of its work force, but also endeavours to give back to society through actively participating in and holding a variety of charity functions, such as the Green Christmas campaign, tree planting, Walk-for-a-Million and so on. The Group also encourages the staff to participate, and to build a better, more harmonious society together.

With the principles of charity and the social responsibility in mind, the Group has continued to participate in even more China-related charity projects. In September 2008, the Group donated a mobile eye surgery centre to the Ningxia Hui Autonomous Region through the Asian Foundation for the Prevention of Blindness. This mobile eye surgery center, at a cost of over HK$2.2 million, is designed to perform cataract removal and implants of artificial lenses for between 1,500 and 2,000 cataract patients every year, helping them to restore their eye sight. The Group believes that the mobile eye surgery center is an effective vehicle to reach patients in the rural areas and to provide them with high quality eye surgical operations.

Award

"Hong Kong Corporate Governance Excellence Awards"
In December 2008, Yip's Chemical was awarded the "Hong Kong Corporate Governance Excellence Awards 2008 – Other Main Board & GEM Board Companies" by The Chamber of Hong Kong Listed Companies (CHKLC). The award honours listed companies which have demonstrated outstanding commitments to shareholder rights, compliance, integrity, fairness, responsibility, accountability, transparency, board independence and leadership, and corporate social responsibility.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to implement prudent financial management strategy with particular emphasis on the control of accounts receivable, inventory levels and capital expenditures. With the strong cash inflow generated from the profit of the Group and the net proceeds from the placing and the subscription in April 2008, gearing ratio of the Group continued to improve. As at 30 September 2008, the Group's gearing ratio (measured by net bank borrowings as a percentage of equity attributable to equity holders of the Company) was 1%, a further improvement of 9% over the 10% at 31 March 2008.

As at 30 September 2008, the gross bank borrowings of the Group was HK$946,523,000 (at 31 March 2008: HK$875,716,000). Out of this amount, HK$850,745,000 (at 31 March 2008: HK$738,799,000) was repayable within one year, of which HK$488,079,000 was denominated in Hong Kong Dollars, HK$358,767,000 in US Dollar and the balance in Renminbi (at 31 March 2008: HK$435,236,000 was denominated in Hong Kong Dollars, HK$291,002,000 in US Dollar and the balance in Renminbi). Loans repayable after one year at 30 September 2008 was HK$95,778,000 (at 31 March 2008: HK$136,917,000). All these loans carried interest at floating rates.

As at 30 September 2008, a total of 12 banks in Hong Kong, Macau and PRC granted banking facilities totaling HK$1,801,205,000 (at 31 March 2008: HK$2,037,988,000) to the Group, 72% of these facilities were denominated in Hong Kong Dollar and the rest in Renminbi or US Dollar. In April 2008, the Company successfully raised net proceeds of about HK$268,233,000 by placing 50,000,000 shares to independent investors at a price of HK$5.50 per share. The placing was a timely boost to the capital base of the Group and the shares issued represent approximately

9.3% enlarged issued share capital of the Company. The proceeds from this placing exercise, together with banking facilities available to the Group, will provide ample funds to the Group to meet its present operational requirements and organic growth in the coming few years. If major investment or mergers and acquisitions opportunities emerge in the future, the Group may obtain bank loans or raise funds from the equity market.

Borrowings of the Group are all at floating rate so the funding cost of the Group is subject to interest rate fluctuation. At the start of the global financial crisis, loss of confidence among the banks in Hong Kong dried up liquidity in the money market and pushed up the inter-bank interest rate, the rate on which the Group's borrowing cost is based. Condition has improved as banks gradually regain confidence and the inter-bank interest rate is gradually returning to normal. Majority of the Group's assets are located in the Mainland China, and most of its income is generated in Renminbi, so the Group is also facing Renminbi exchange rate risk. Renminbi exchange rate has been strengthening in the past few years but has stabilised in the recent few months. As China's trade surplus continued to rise, the Renminbi exchange rate is expected to remain stable in the near future. Thus, the management considers that no hedging measures are necessary at this stage. The Group will continue to strike a balance between lowering borrowing cost and minimizing currency exposure by funding it's investments through either Hong Kong Dollar, US Dollar or Renminbi bank loans.

EMPLOYEES

As at 30 September 2008, the Group employed a total of 4,337 staff of which 160 were based in Hong Kong and 4,177 were based in different provinces of the PRC.

Employees receive competitive remuneration packages including salary, variable bonus that is linked to attainment of the Group and individual performance as well as share options. The remuneration and incentive systems are reviewed from time to time to ensure that the Group is able to attract and retain competent employees.

The Group pledges always to enable our employees to achieve continuous self-improvement. With the Trainee Program already in place for several years, top graduates from tertiary institutes in Hong Kong, China and overseas are recruited and trained to prepare them for management jobs or to become technical experts, thereby sharpening the competitive edge of the Group in management and technology. The Group promotes lifelong learning. In-house and external training programs are offered to enrich the competencies of our employees. Moreover, the Group has an educational subsidy scheme to encourage employees to upgrade themselves both in their work and in personal development.

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

During the six months ended 30 September 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the six months period ended 30 September 2008, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Audit Committee was formed in November 1998 and currently consists of a Non-Executive Director and four Independent Non-executive Directors, and is chaired by Mr. Wong Kong Chi. Major roles and functions of the Audit Committee include reviewing financial information of the Group, overseeing the Group's financial reporting system and internal control procedures and monitoring of the relationship between the Group and its external auditors.

An audit committee meeting was held on 1 December 2008 to review the Group's unaudited interim financial statements for the six months ended 30 September 2008. Deloitte Touche Tohmatsu, the Group's external auditors, have carried out a review of the Group's unaudited interim financial statements for the six months ended 30 September 2008, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as its own code of conduct regarding Directors' securities transactions. After making specific enquiry, all Directors have confirmed that they have fully complied with the required standard as set out in the Model Code during the six months ended 30 September 2008.

UNAUDITED INTERIM RESULTS

The Board of Directors of Yip's Chemical Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2008, together with comparative figures for the corresponding period of last year. The interim financial report has not been audited, but has been reviewed by the Company's auditors and audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**Six months ended 30 September 2008 (Unaudited) HK$'000**	2007 (Unaudited) HK$'000
Turnover	3	**3,084,885**	2,350,385
Cost of sales		**(2,575,947)**	(1,903,467)
Gross profit		**508,938**	446,918
Other income		**75,411**	43,107
Selling and distribution expenses		**(83,923)**	(65,070)
Administrative expenses		**(240,500)**	(201,613)
Profit from operations	3 & 4	**259,926**	223,342
Interest expense		**(16,005)**	(12,271)
Profit before taxation		**243,921**	211,071
Taxation	5	**(51,669)**	(30,830)
Profit for the period		**192,252**	180,241
Attributable to:			
Equity holders of the Company		**157,952**	155,383
Minority interests		**34,300**	24,858
		192,252	180,241
Earnings per share	7		
- Basic		**HK 29.7 cents**	HK 32.1 cents
- Diluted		**HK 29.4 cents**	HK 31.6 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 September 2008 (Unaudited) HK$'000	At 31 March 2008 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**768,671**	674,165
Prepaid lease payments		**112,351**	108,611
Goodwill		**71,462**	71,462
Intangible assets		**31,614**	14,419
Available-for-sale investment		**12,500**	12,209
Deposit paid for acquisition of a subsidiary		**-**	9,989
Deposit paid for acquisition of property, plant and equipment		**12,116**	6,696
Other non-current assets		**4,600**	4,600
		1,013,314	902,151
Current assets			
Inventories		**571,856**	486,995
Trade debtors	8	**1,224,624**	961,554
Other debtors and prepayments		**146,859**	117,405
Prepaid lease payments		**2,684**	2,950
Derivative financial instruments		**13,133**	-
Pledged bank deposits		**4,887**	12,764
Short-term bank deposits			
-with original maturity within three months		**55,844**	95,819
-with original maturity more than three months		**440,605**	263,483
Bank balances and cash		**422,973**	359,956
		2,883,465	2,300,926
Current liabilities			
Creditors and accrued charges	9	**795,106**	614,757
Taxation payable		**80,606**	56,958
Derivative financial instruments		**-**	13,940
Consideration payable for acquisition of subsidiaries and assets - amount due within one year		**11,811**	-
Bank borrowings - amount due within one year		**847,817**	738,282
Bank overdrafts		**2,928**	517
		1,738,268	1,424,454
Net current assets		**1,145,197**	876,472
Total assets less current liabilities		**2,158,511**	1,778,623
Non-current liabilities			
Bank borrowings - amount due after one year		**95,778**	136,917
Deferred taxation liabilities		**7,497**	7,337
Consideration payable for acquisition of subsidiaries - amount due after one year		**2,172**	5,404
		105,447	149,658
		2,053,064	1,628,965
Capital and reserves			
Share capital		**53,884**	48,741
Reserves		**1,786,941**	1,400,036
Equity attributable to equity holders of the Company		**1,840,825**	1,448,777
Minority interests		**212,239**	180,188
		2,053,064	1,628,965

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2008.

In the current interim period, the Group has applied, for the first time, amendments and new interpretations issued by the HKICPA, which are effective for the Group's financial year beginning 1 April 2008. The adoption of these amendments and interpretations has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), amendments of Hong Kong Accounting Standards ("HKASs") or interpretations ("INTs") that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of financial statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[2]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[2]
HKFRS 3 (Revised)	Business combinations[3]
HKFRS 8	Operating segments[2]
HK(IFRIC)* - INT 13	Customer loyalty programmes[4]
HK(IFRIC) - INT 15	Agreements for the construction of real estate[2]
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation[5]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 July 2009.
[4] Effective for annual periods beginning on or after 1 July 2008.
[5] Effective for annual periods beginning on or after 1 October 2008.

*IFRIC represents the International Financial Reporting Interpretations Committee.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27(Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

(a) Business segments

For management purposes, the Group's operations are currently classified under three business divisions, namely solvents, coatings and lubricants. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Solvents - manufacture of and trading in solvents and related products
Coatings - manufacture of and trading in coatings and related products
Lubricants - manufacture of and trading in lubricants products

(i) An analysis of the Group's turnover and results by business segments is as follows:

	Solvents HK$'000	**Coatings HK$'000**	**Lubricants HK$'000**	**Others HK$'000**	**Elimination HK$'000**	**Consolidated HK$'000**
Six months ended 30 September 2008						
Segment revenue						
External sales	**1,855,725**	**1,039,520**	**154,214**	**35,426**	**-**	**3,084,885**
Inter-segment sales	**46,438**	**24,166**	**-**	**-**	**(70,604)**	**-**
Total	**1,902,163**	**1,063,686**	**154,214**	**35,426**	**(70,604)**	**3,084,885**
Results						
Segment result	**143,438**	**64,144**	**7,502**	**2,752**	**338**	**218,174**
Interest income						**11,612**
Unallocated corporate income						**40,771**
Unallocated corporate expenses						**(10,631)**
Profit from operations						**259,926**
Interest expense						**(16,005)**
Profit before taxation						**243,921**
Taxation						**(51,669)**
Profit for the period						**192,252**

	Solvents HK$'000	Coatings HK$'000	Lubricants HK$'000	Others HK$'000	Elimination HK$'000	Consolidated HK$'000
Six months ended 30 September 2007						
Segment revenue						
External sales	1,327,298	844,204	118,826	60,057	-	2,350,385
Inter-segment sales	33,830	25,469	239	66	(59,604)	-
Total	1,361,128	869,673	119,065	60,123	(59,604)	2,350,385
Results						
Segment result	135,479	70,298	1,560	6,053	(380)	213,010
Interest income						3,668
Unallocated corporate income						11,591
Unallocated corporate expenses						(4,927)
Profit from operations						223,342
Interest expense						(12,271)
Profit before taxation						211,071
Taxation						(30,830)
Profit for the period						180,241

Inter-segment sales are charged at the similar terms as outsiders.

(ii) Other information

	Solvents HK$'000	**Coatings HK$'000**	**Lubricants HK$'000**	**Others HK$'000**	**Corporate level HK$'000**	**Consolidated HK$'000**
Six months ended 30 September 2008						
Capital additions	**35,686**	**93,242**	**2,031**	**-**	**5,896**	**136,855**
Depreciation and amortisaton of property, plant and equipment	**11,026**	**14,997**	**2,305**	**-**	**891**	**29,219**
Release of prepaid lease payments	**560**	**805**	**-**	**-**	**167**	**1,532**
Amortisation of intangible assets	**1,052**	**911**	**-**	**-**	**-**	**1,963**

	Solvents HK$'000	Coatings HK$'000	Lubricants HK$'000	Others HK$'000	Corporate level HK$'000	Consolidated HK$'000
Six months ended 30 September 2007						
Capital additions	19,030	20,323	1,397	-	303	41,053
Depreciation and amortisaton of property, plant and equipment	7,269	13,485	2,123	-	780	23,657
Release of prepaid lease payments	216	754	-	-	166	1,136
Amortisation of intangible assets	197	534	-	-	-	731

(b) Geographical segments

As the Group's turnover and trading results are principally derived from Mainland China, an analysis of the consolidated turnover and trading results by geographical location is not presented.

4. PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2008 HK$'000	2007 HK$'000
Profit from operations has been arrived at after charging:		
Amortisation of intangible assets	**1,963**	731
Depreciation and amortisation of property, plant and equipment	**29,219**	23,657
Release of prepaid lease payments	**1,532**	1,136
and after crediting:		
Change in fair value of derivative financial instruments	**22,517**	-
Gain on disposal of available-for-sale investment	**-**	11,591
Interest income	**11,612**	3,668
Net gain on disposal of property, plant and equipment	**6,208**	-
Net exchange gain	**9,756**	2,466

5. TAXATION

	Six months ended 30 September	
	2008 HK$'000	2007 HK$'000
The charge comprises:		
Current tax		
Hong Kong	**1,370**	2,342
Mainland China	**50,345**	28,780
	51,715	31,122
Deferred taxation		
Hong Kong		
- current period	**64**	(292)
- attributable to change in tax rate	**(110)**	-
	(46)	(292)
	51,669	30,830

Hong Kong Profits Tax has been provided at the rate of 16.5% (17.5% for the six months ended 30 September 2007) on the estimated assessable profit for the period. Enterprise income tax in Mainland China has been provided at the rates prevailing in the respective jurisdictions.

On 16 March 2007, Mainland China promulgated the Law of Mainland China on Enterprise Income Tax (the "New Law") by Order No. 63 of Mainland China. On 6 December 2007, the State Council of Mainland China issued Implementation Regulations of the New Law. The New Law and Implementation Regulations have changed the existing tax rates from 15% to 25% progressively over 5 years for certain subsidiaries from 1 January 2008 and 27% and 33% to 25% for certain subsidiaries from 1 January 2008 respectively.

Certain of the Group's subsidiaries that are currently entitled to exemption and reduction from enterprise income tax rate of Mainland China would continue to enjoy such tax benefits until the exemption and reduction period expire, but not beyond 2012.

Deferred taxation has not been recognised in respect of the temporary differences attributable to the undistributable retained profits earned by the subsidiaries in Mainland China amounting to HK$284,485,000 (31 March 2008: HK$69,283,000) starting from 1 January 2008 under the New Law of Mainland China that requires withholding tax upon the distribution of such profits to the shareholders as the directors are of the opinion that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

6. DIVIDENDS

During the period, a final dividend of HK 15.0 cents per share in respect of the year ended 31 March 2008 amounting to HK$80,827,000 was paid (six months ended 30 September 2007: HK12.0 cents per share was paid for the year ended 31 March 2007 amounting to HK$58,343,000).

Subsequent to 30 September 2008, the directors resolved to declare an interim dividend of HK8.0 cents per share for the six months ended 30 September 2008 (six months ended 30 September 2007: HK10.0 cents per share). The interim dividend is payable on 5 January 2009 to the shareholders of the Company whose names appear on the Company's register of members on 23 December 2008.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
Earnings for the purposes of calculating basic and diluted earnings per share	**157,952**	155,383
	Number of shares	
	'000	'000
Weighted average number of shares for the purpose of calculating basic earnings per share	**532,606**	484,256
Effect of dilutive potential ordinary shares: Share options	**5,271**	7,122
Weighted average number of shares for the purpose of calculating diluted earnings per share	**537,877**	491,378

8. TRADE DEBTORS

An aged analysis of trade debtors at the balance sheet date is as follows:

	At 30 September 2008 HK$'000	At 31 March 2008 HK$'000
0 - 3 months	**1,034,184**	783,227
4 - 6 months	**180,686**	164,338
Over 6 months	**9,754**	13,989
	1,224,624	961,554

The Group generally 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.

9. CREDITORS AND ACCRUED CHARGES

At the balance sheet date, the balance of creditors and accrued charges included trade creditors of HK$548,717,000 (31 March 2008: HK$388,490,000). The aged analysis of trade creditors at the balance sheet date is as follows:

	At 30 September 2008 HK$'000	At 31 March 2008 HK$'000
0 - 3 months	**544,264**	385,882
4 - 6 months	**4,036**	1,512
Over 6 months	**417**	1,096
	548,717	388,490

10. ACQUISITION OF SUBSIDIARY

On 17 June 2008, Yip's Ink & Chemicals (Group) Limited, which is an indirect 100% interest owned subsidiary of the Company, acquired the entire equity interest of Fusen Ink Chemical Co., Ltd. ("Fusen"), a private limited company established in Mainland China. Fusen is primarily engaged in the manufacture of and trading in coating in Mainland China. The purchase consideration for the entire equity interest in Fusen was RMB17,804,000 (equivalent to approximately HK$19,936,000). This acquisition has been accounted for using the purchase method.

	HK$'000
Net assets acquired:	
Property, plant and equipment	21,688
Prepaid lease payments	4,350
Inventories	851
Trade debtors	1,303
Other debtors and prepayments	1,844
Intangible assets	811
Bank balances and cash	68
Trade creditors	(990)
Other creditors and accrued charges	(1,947)
Bank borrowings	(7,839)
Deferred taxation liabilities	(203)
Total	19,936
Satisfied by:	
Cash	5,913
Consideration payable	4,034
Deposit paid for acquisition of a subsidiary	9,989
	19,936
Net cash outflow arising on acquisition:	
Cash consideration	(5,913)
Cash and cash equivalents acquired	68
	(5,845)

Other than the intagible assets and the corresponding effect on deferred taxation liabilities, the acquiree's net assets were revalued to fair value before the acquisition. Accordingly, no fair value adjustments are required.

The fair value of the intangible assets acquired, which relates to the non-competition covenant given by the vendors of Fusen for not establishing, directly or indirectly, within Mainland China any enterprise to produce or trade coating products for a period of three years after the acquisition, has been determined by reference to professional valuations.

Fusen contributed a loss of HK$2,968,000 for the period from the date of acquisition to the balance sheet date.

If the above acquisition had been completed on 1 April 2008, total group turnover for the period ended 30 September 2008 would have been HK$3,103,214,000 and profit for the period ended 30 September 2008 would have been HK$190,132,000. The proforma information is for illustrative purpose only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2008, nor it intended to be a projection of future results.

11. ACQUISITION OF ASSETS

On 30 May 2008, Hang Cheung Petrochemical Limited ("HCP"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Pak Lam Chemical Company Limited and Mayland Chemical Company limited (the "Sellers"), both Hong Kong incorporated companies not connected to the Group, to purchase certain assets relating to the manufacturing, selling, promoting, trading and testing of coatings for electronic appliances, machine cases, toys and corresponding solvent products which are under the name and style of "Pak Lam Group", "Pak Lam" and "Mayland", including technology and intellectual property rights from the Sellers.The purchase consideration for the assets was HKD23,170,000.

	HK$'000
Net assets acquired:	
Intangible assets	18,000
Inventories	5,170
Total consideration	23,170
Satisfied by:	
Cash	18,686
Consideration payable	4,484
	23,170

The consideration payable included an amount of HK$3,600,000 in relation to the deferred consideration for the acquisition of intangible assets (i.e. customer relationship, trademarks and patent brands, and proprietary knowhow) subject to the revenue warranty adjustment in respect of the revenue generated from these intangible assets for one year after the date of acquisition.

The value of intangible assets is based on the assumption that the revenue warranty is achieved.

INTERIM DIVIDEND

The directors have declared an interim dividend of HK8.0 cents per share for the six months ended 30 September 2008 (six months ended 30 September 2007 : HK10.0 cents per share). The interim dividend is payable on 5 January 2009 to shareholders whose names appear on the Register of Members of the Company on 23 December 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 19 December 2008 to 23 December 2008 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, should be lodged with the Company's Share Registrars in Hong Kong, Tricor Secretaries Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00p.m. on 18 December 2008.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the HKEx website (http://www.hkex.com.hk) and the Company's website (http://www.yipschemical.com). The 2008-09 interim report containing all the information required by the Rules Governing the Listing of Securities on The Stock Exchange will be published on the HKEx website and the Company's website in due course.

By Order of the Board
Ip Chi Shing, Tony
Chairman

Hong Kong, 3 December 2008

As at the date of announcement, Mr. Ip Chi Shing, Tony, Ms. Ip Fung Kuen, Mr. Yip Tsz Hin, Stephen, Mr. Ting Hon Yam, Mr. Young Man Kim, Robert, Mr. Wong Kam Yim, Kenny, Mr. Ng Siu Ping, George and Mr. Li Wai Man, Peter are executive directors of the Company, Mr. Tong Wui Tung, Ronald is a non-executive director of the Company and Mr. Wong Kong Chi, Mr. Au-Yeung Tsan Pong, Davie, Mr. Li Chak Man, Chuck and Mr. Ku Yuen Fun, Andy are independent non-executive directors of the Company.