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 2010

HIGHLIGHTS

1. Turnover was HK$3,652,433,000, increased 36%
2. Net profit attributable to owners of the Company were HK$171,493,000, decreased 25%
3. Earnings per share was HK31.2 cents, decreased 27%
4. Interim dividend was HK12.0 cents per share, same with last period
5. Gearing ratio was 13.9%, 2.1% at 31 March 2010

CHAIRMAN'S STATEMENT - REVIEW & PROSPECTS

REVIEW

During the period under review, the Group has been facing an unusually uncertain operating environment. The western economies continued to suffer from weak demand, the debt crisis, and the threat of a double dip. In China, the various control measures taken by the central government to combat inflation and to prevent the economy over-heating, coupled with natural disasters affecting many provinces over vast areas of China all presented severe challenges to the Group's businesses. Nevertheless, the Group's businesses as a whole continued to benefit from its successful efforts in developing new markets and new products. Moreover, with continued improvements in its overall competitiveness, market share continued to expand. Accordingly, total sales volume during the period under review reached 350,000 metric tons, and a record turnover of HK$3,652,433,000 was achieved, representing growths of 25% and 36% respectively over the same period last year.

Regrettably, the profits attributable to owners of the Company suffered a decline to HK$171,493,000, representing a drop of 25%. There are three main reasons for the decline. Firstly, last year's operating environment, with most of the major economies just emerging from the financial crisis, was unusually favourable, thus setting a very high benchmark for comparison. Secondly, in order to enable the Group to reach its stated medium term target of doubling its turnover within the next five years, resources were deployed to upgrading its existing manufacturing facilities, planning and building new plants, and committing resources to expanding its marketing efforts. Thirdly and most importantly, a few of the most heavily-used raw materials showed unusually large price fluctuations, causing temporary but significant pressures on the margins of some of our core products. However, these unusual volatilities in the prices of these raw materials seemed to have returned to a state of relative normalcy since September, and the Group's gross margins have recovered. We are now actively exploring ways of reducing the impact of these unusual fluctuations in supply prices of these raw materials in future.

PROSPECTS

Since the Group's businesses are mainly in the Mainland, we decided to change our financial year to coincide with the calendar year in order to be more in line with the normal business calendar in China. Looking forward to the remaining three months of the current financial year as well as the medium term business prospects, we continue to be positive and the outlook is optimistic. We expect sales to continue to grow on the back of China's expanding domestic markets. Moreover, the results from aggressive efforts to expand our business over the last 5 years have given us reasons to be confident about accomplishing the goal of reaching the target of over HK$10 billion in sales per annum by 2015. Where improving the earning quality is concerned, however, the task would seem to be more challenging. Nevertheless, it is believed that the same strategies which have brought the Group success over the years will ultimately bear fruit, and will be able to drive the Group's sustained growth and development. Whilst we continue to leverage our economy of scale and build the strength of our brand, we have also signed an agreement to establish a Group Research & Development Centre in Shanghai in order to strengthen our R & D efforts in our products and to enhance our competitiveness, making us a petrochemicals company which excels in what we do, because we are completely focused on our core business. Without doubt, in the years to come, economy of scale, brand strength and R & D are the three pillars supporting the Group's continued growth and development.

Lastly, I would like to sincerely thank all our staff for their hard work and all our business partners for their trust and support.

CEO'S STATEMENT - BUSINESS REVIEW

SOLVENTS

Turnover reached HK$2,192,649,000, representing a 54% growth from the same period last year. However, due to lower gross margins, operating profit fell by 23% to HK$116,559,000. During the period under review, the solvents business as a whole continued to grow strongly, and benefited from the expansion in capacity, the successful development of the Group's position in Eastern China, as well as increased demand from coatings and the accompanying mixed solvents business. As a result of these factors, sales volumes for the solvents business grew by 25%, and raw solvents sales reached a new six-month height of 248,000 metric tons. Unfortunately, raw materials experienced highly unusual and remarkably large volatilities in prices. In particular, the price of one of the key raw materials for raw solvents, normal butanol, experienced a drastic decline in prices, leading to a one-off inventory loss. At the same time, the higher cost of sales for mixed solvents could not be completely passed onto the market because they are generally sold along with our coatings, hence are also subject to the lagging effect in price adjustments. These two factors combined to cause a nine percentage point decline in earnings for the solvents business.

It is expected that, in view of the continued growth, coupled with the opportunities presented by expansion in our market position in Eastern China, the Group's solvents business will continue to grow in the years ahead. As we enter the second half of the financial year, the pressure of raw material prices on gross margins has shown signs of easing, and some improvements in operating results are expected. Plans are now underway to expand the acetate solvents production capacity to 800,000 metric tons. Current capacities now stands at 500,000 metric tons through continued upgrading of our facilities, and the first phase of the expansion in East China on the newly acquired land adjacent to the Taixing Plant will be on stream by end 2012, enabling the solvents business to further exploit its scale economy and to enhance our competitiveness in Eastern China.

As far as mixed solvents are concerned, it is expected that it will grow steadily along with the coatings business, providing further impetus to the sustained growth of the overall solvents business.

COATINGS

During the first half, the coatings business recorded a turnover of HK$1,289,096,000, representing a growth of 18% over the same period last year. However, the business also suffered from a drop in gross margins, resulting in a net operating profit of HK$89,743,000, which was a decline of 39% as compared to the same time last year. During this period, despite the macro economic measures adopted by the Central Government to control inflation, coupled with the impact of regional natural disasters, the Group's coatings business continued to grow according to plan. The efforts to aggressively expand sales and grow markets in all areas of coatings – no matter whether it is inks, resins, industrial or household paints – are generally on track to achieve their expected goals. Total coatings volumes registered a 16% increase, which is an even higher growth rate than last year. However, as a result of unusual volatilities in raw material prices, cost pressures have caused the gross margin to retreat from the very high levels of last year. Consequently, after recording a triple-digit increase in operating profits last year, lower gross margins coupled with higher operating expenses associated with increased efforts in brand management led to a decline in operating profits in the coatings business this year. However, the pressures on gross margins have eased towards the latter half of the reporting period. Firstly, the surge in raw materials prices from the low levels following the financial crisis have begun to moderate. Secondly, through continued efforts to optimize product formulations and in exploiting the scale economies in our procurement operations, the decline in gross margins have been arrested, and costs pressures have started to come under control. Thirdly, after a lag of a number of months, cost pressures are now beginning to be passed onto the market. Lastly, the challenging operating environment, with declining margins during this first half period, may yet turn out to be a blessing in disguise, as the consolidation of the coatings market is expected to accelerate, which should offer us opportunities to further increase market share.

Looking forward, our confidence in the coatings business will not be shaken by the special circumstances which led to a short-term decline in operating profits . We believe that the target of doubling its turnover of this core business by 2014 will be achievable, possibly even ahead of schedule. We will press ahead with the laid-down plans to develop this business, to invest in the brand, in customer service, in expanding our distribution network, in adding value to our brands and in research and development. In household coatings, close to 1,000 Bauhinia sole distributorship stores have been refurbished, and we expect this store revamping project to be fully completed by next year. At the same time, we will systematically add new distributorships in the secondary and tertiary towns in order to strengthen our overall distribution network and to capture the business opportunities presented by the move to urbanize the rural population. To further our efforts in brand management, we will continue to invest in web-based and TV advertising.

At the same time, in order to further enhance our research and development capacity, we have decided to locate the Group Research and Development Centre in the Zhangjiang Hi-Tech Park in Pudong, Shanghai. We expect that the Centre will be officially opened next year. Longer term, we plan to develop this Research and Development Centre into a first class R & D company with over 100 research personnel by 2015.

In order to cater for the rapid development of the coatings business, we will proceed with our plans to expand production capacity. The new water-based household coatings production line in Shanghai will be commissioned in mid 2011. Expansion of production facilities in the Zhongshan plant and the Tungxiang plant for offset printing inks are in progress. In the post-printing chemicals area, plans for a new production plant next to the Tungxiang plant are also underway, with work expected to commence next year. Moreover, to allow for the long term development of Bauhinia household paints, we have signed an agreement to purchase 22 hectares of land in the Jinshan Fine Chemicals Park in Shanghai in July, with a view to building a new plant with sufficient capacity to support a RMB4 billion paints business. Construction will be completed in two phases, with the first phase to commence in early next year, with overall completion by 2013, to support the planned rapid business expansion.

LUBRICANTS

The lubricants business has seen improvements during the reporting period. In the first half, turnover was HK$174,666,000, representing a growth of 27% over the same period last year. Profit from operations was HK$3,768,000, which represents a definite improvement over the loss position last year. During the period under review, specialty lubricants have returned to growth, while automotive lubricants recorded close to 20% growth on the strength of aggressive marketing strategies and benefiting from the strong auto sales. In particular, anti-freeze sales have recorded a three-fold increase over the last three years, and we expect this business to continue to grow strongly. The Group's overall lubricants business has now basically achieved breakeven. We expect that, with continued growth in sales and with further enhancements in synergies between the two lubricants businesses, the operating environment will continue to show improvements.

CORPORATE SOCIAL RESPONSIBILITY

The Group treats corporate social responsibility as part of its mission, and sees it as a long term task and a worthy cause. As the Group continues to expand, not only do we strive to grow hand-in-hand with society, we also endeavour to proactively fulfill our corporate social responsibilities and to contribute to the sustainable development of the economy, society and environment. The Group seeks to mobilize various stakeholders, including employees, shareholders, customers, suppliers and business partners, to join hands in fulfilling their social responsibilities and to incorporate the concept of sustainability into its business operations and management strategies. In a bid to improve the Group's CSR performance, it will step up efforts to listen to its stakeholders in order to understand their CSR requirements, so that a balance among the different aspects of sustainability can be achieved in the pursuit of the Group's business objectives.

Following the donation of the first mobile eye surgery centre to the Ningxia Hui Autonomous Region through the Asian Foundation for the Prevention of Blindness in 2008, the Group inaugurated its second mobile eye surgery centre -"Vision Restoration Centre no. 3" (「復明三號」) in August this year to the Jiangsu Province to help cataract patients restore their eye sight. We appreciate the strong support from the government and people of Jiangsu to enable the Group's solvent and coating businesses to expand rapidly in the Province, and we hope that, by helping patients afflicted with cataracts to restore their sight and see this colorful world through "Vision Restoration Centre no. 3 (「復明三號」), we can make a contribution to the healthcare of its local people while at the same time driving the economic development of Jiangsu with our investments.

To date, over 1,500 cataract patients in poor regions of the PRC have successfully restored their sight after undergoing cataract surgery and artificial lenses implant via the Group's flagship CSR program. Shandong Province will be the next beneficiary province following Ningxia Hui Autonomous Region and Jiangsu Province. The Group has already donated the fund to prepare for the mobile eye surgery centre in Shandong Province. It is expected that it will commence operation in the first quarter of 2011. "Yip's Chemical Ten-year Mobile Eye Surgery Centre Donation Project" will continue to help underprivileged cataract patents who live in rural areas of the PRC restore sight. With the expansion in the number of mobile eye surgery centres, the Group will mobilize employees, distributors and customers to jointly participate in initiatives such as blindness prevention education and patient visits in order to allow stakeholders to understand and to experience the significance of this landmark CSR program.

Looking ahead, guided by the motto "What comes from the community, to be used for the community", the Group will continue to promote CSR and bring about positive influence to society.

Awards

FinanceAsia - Five Major Awards in "2010 Asia's Best Managed Companies Poll – Hong Kong"
The Group achieved prominent rankings in the FinanceAsia's 10th Annual Poll of Asia's Top Companies in April 2010. Rankings include:
- "Best Managed Companies" (Hong Kong) – ranked 9th;
- "Best Corporate Social Responsibility" (Hong Kong) – ranked 8th;
- "Best Investor Relations" (Hong Kong) – ranked 9th;
- "Best Corporate Governance" (Hong Kong) – ranked 9th;
- "Most Committed to a Strong Dividend Policy" (Hong Kong) – ranked 10th.

The Group has been honoured in the regional poll for the third consecutive year. Its inclusion within five categories indicates the recognition by the investment community of the Group's efforts on many fronts in steering its growth into a well-governed corporation.

Corporate Governance Asia –"6th Corporate Governance Asia Recognition Awards 2010"
The Group won the"6th Corporate Governance Asia Recognition Awards 2010" presented by Corporate Governance Asia in June 2010. Dedicated to maintaining a high standard of corporate governance, the Group spares no efforts in adopting the best business practice to ensure transparency, accountability and integrity. To win this award, the awarded companies must have implemented significant and specific corporate governance-related reforms, and must have been involved in a specific publicly-known activity directly related to improving the standards of corporate governance during the past 12 months.

LIQUIDITY AND FINANCIAL RESOURCES

The Group will continue to implement prudent financial management policy and maintain a reasonable gearing ratio during expansion. As at 30 September 2010, the Group's gearing ratio (measured by net bank borrowings as a percentage of equity attributable to owners of the Company) was 13.9% (31 March 2010: 2.1%). The increase in gearing ratio was mainly attributable to the Group's additional bank borrowings for its investments in new factories and production facilities. The Group's business expansion in Eastern China also required longer credit period granted to customers and increased receipts of banker's acceptance bills (i.e. bills receivable) as compared to the market practices in Southern China. The cash collection cycle was thus lengthened.

As at 30 September 2010, the gross bank borrowings of the Group amounted to HK$1,246,698,000 (31 March 2010: HK$1,051,141,000). Out of this amount, HK$906,698,000 (31 March 2010: HK$823,141,000) was repayable within one year, of which HK$486,414,000 was denominated in Hong Kong Dollar, HK$341,792,000 in US Dollar and HK$78,492,000 in Renminbi (31 March 2010: HK$382,337,000 was denominated in Hong Kong Dollar, HK$378,367,000 in US Dollar and HK$62,437,000 in Renminbi). Loans repayable after one year amounted to HK$340,000,000 (31 March 2010: HK$228,000,000) and they were all denominated in Hong Kong Dollar. These loans carried interests at floating or fixed rates.

As at 30 September 2010, a total of 11 banks in Hong Kong, Macau and PRC granted banking facilities totaling HK$3,067,496,000 (31 March 2010: HK$2,413,621,000) to the Group and provided sufficient funds to meet its present working capital and expansion. 65%, 18% and 17% of these banking facilities were denominated in Hong Kong Dollar, US Dollar and Renminbi respectively. If major investments or mergers and acquisitions opportunities emerge in the future, the Group may obtain funding by either drawing bank loans or raising funds in the equity market.

Since the borrowings of the Group carry interests at floating or fixed rates, some of our funding costs are subject to interest rate fluctuation. Following the launch of another round of quantitative easing measures by the United States, continuous inflow of hot money to Hong Kong has maintained the three months or shorter Hong Kong Dollar inter-bank interest rate at a very low level and this helped the Group to reduce its borrowing costs. Interest rate swaps may be used to hedge against interest rate fluctuation of bank loans according to the currency, amount and duration of the loans. Besides, the Group is exposed to Renminbi exchange rate risk as the Group's assets are mainly located on the mainland China and most of its income is generated in Renminbi. It is expected that economic development in China will remain strong and Renminbi will appreciate at a steady pace. Thus, the management considers that no hedging measure against Renminbi exchange rate exposure is necessary at this stage but will closely monitor its fluctuations. The Group will strike a balance between lowering borrowing cost and minimizing currency exposure by structuring an optimal combination of Hong Kong Dollar, US Dollar or Renminbi bank loans.

EMPLOYEES

As at 30 September 2010, there were a total of 4,919 employees, of which 141 were from Hong Kong and Macau, and 4,778 were from Mainland China.

The Group places a high degree of emphasis on the management of human capital, from the identification of the talent pool, to providing training and development and all the way to offering proper opportunities for them to perform to their fullest potential. Through both in-house and external training programs, on-the-job training and participation in subsidized educational courses, employees are able to improve their performance and enhance their value to the Group. We offer excellent opportunities for development of those employees who have the potential and the commitment, regardless of their background, geographical region or educational levels. Through versatile experience in challenging roles, the current leadership of the Group has come through the ranks to advance to positions of management. In addition to promotion from within, the Group seeks to attract talent from outside and also recruit top graduates from the best tertiary institutions in Hong Kong, in the Mainland and abroad, and provide them with training and development opportunities. The Group has been running the Management Trainee program for some years, and some of the former trainees have already advanced to positions of leadership within the Group, either as a General Manager of a subsidiary company or a member of the Group Management Committee.

The Group offers a challenging work environment, and has a variety of programs to encourage employees to strive for their best and to upgrade their skills in order that the Group has sufficient talent to move forward and to continue its business development. Based on references to the market trend analysis, the Group seeks to provide reasonable and competitive remuneration packages which include basic salary, performance-based bonuses and stock options to attract and retain good performers.

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

During the six months ended 30 September 2010, 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 ended 30 September 2010, 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. The composition of the Board has also undergone the following changes since 1 April 2010:

(1) Ms. Ip Fung Kuen retired from the office of deputy chairman and an executive director on 1 April 2010; and
(2) Mr. Ng Siu Ping, George's role as chief financial officer was transferred to Mr. Ho Sai Hou on 30 August 2010. Mr. Ng will focus his attention on the coordination of all corporate governance issues of the Company and continue to serve as an executive director, a member of the board executive committee, company secretary and authorized representative of the Company.

AUDIT COMMITTEE

The Audit Committee was formed in November 1998 and comprises of one 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 the relationship between the Group and its external auditors.

An audit committee meeting was held on 17 November 2010 to review the Group's unaudited interim financial statements for the six months ended 30 September 2010. 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 2010, 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 2010.

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 2010, 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 STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Six months ended 30 September 2010 (Unaudited) HK$'000**	2009 (Unaudited) HK$'000
Turnover	3	**3,652,433**	2,675,814
Cost of sales		**(3,064,502)**	(2,012,711)
Gross profit		**587,931**	663,103
Other income		**39,102**	19,044
Other gains and losses		**30,571**	740
Selling and distribution expenses		**(170,050)**	(145,604)
Administrative expenses		**(266,596)**	(238,219)
Interest expense		**(8,555)**	(3,708)
Profit before taxation	4	**212,403**	295,356
Taxation	5	**(14,426)**	(45,976)
Profit for the period		**197,977**	249,380
Other comprehensive income (expense)			
Exchange differences arising on translation		**65,837**	36
Fair value change on cash flow hedges		**(1,267)**	-
Total comprehensive income for the period		**262,547**	249,416
Profit for the period attributable to:			
Owners of the Company		**171,493**	227,724
Non-controlling interests		**26,484**	21,656
		197,977	249,380
Total comprehensive income attributable to:			
Owners of the Company		**228,114**	227,767
Non-controlling interests		**34,433**	21,649
		262,547	249,416
Earnings per share	7		
- Basic		**HK 31.2cents**	HK 42.5 cents
- Diluted		**HK 30.9cents**	HK 42.0 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2010 (Unaudited) HK$'000	At 31 March 2010 (Audited and restated) HK$'000
Non-current assets			
Property, plant and equipment		**941,672**	885,848
Prepaid lease payments		**118,820**	97,533
Goodwill		**71,462**	71,462
Intangible assets		**26,617**	21,060
Available-for-sale investment		**21,834**	12,387
Deposits paid for acquisition of property, plant and equipment		**26,468**	28,234
Other non-current asset		**4,600**	4,600
		1,211,473	1,121,124
Current assets			
Inventories		**681,258**	800,867
Trade and bills receivables	8	**1,819,096**	1,358,645
Other debtors and prepayments		**204,746**	191,503
Prepaid lease payments		**2,884**	2,411
Short-term bank deposits			
-with original maturity within three months		**163,291**	52,456
-with original maturity more than three months		**227,059**	387,666
Bank balances and cash		**546,797**	566,196
		3,645,131	3,359,744
Current liabilities			
Creditors and accrued charges	9	**1,020,522**	1,016,825
Taxation payable		**76,479**	78,096
Derivative financial instruments		**4,847**	730
Bank borrowings - amount due within one year		**906,284**	823,024
Bank overdrafts		**414**	117
		2,008,546	1,918,792
Net current assets		**1,636,585**	1,440,952
Total assets less current liabilities		**2,848,058**	2,562,076
Non-current liabilities			
Bank borrowings - amount due after one year		**340,000**	228,000
Deferred tax liabilities		**6,545**	6,838
		346,545	234,838
		2,501,513	2,327,238
Capital and reserves			
Share capital		**55,164**	54,413
Reserves		**2,175,751**	2,031,566
Equity attributable to owners of the Company		**2,230,915**	2,085,979
Non-controlling interests		**270,598**	241,259
		2,501,513	2,327,238

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

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 Group's annual financial statements for the year ended 31 March 2010, except as described below.

In the current interim period, the Group has applied, for the first time, the following revised Hong Kong Financial Reporting Standards ("HKFRS"s), revised Hong Kong Accounting Standards ("HKAS"s), amendments and interpretation ("INT") (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of rights issues
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC)* - INT 17	Distributions of non-cash assets to owners

*IFRIC represents the International Financial Reporting Interpretations Committee.

The Group applies HKFRS 3 (Revised) “Business Combinations” prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Result of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

In accordance with the transitional provisions of HKAS 17 "Leases", the Group reassessed the classification of land elements of unexpired leases at 1 April 2010 based on information which existed at the inception of these leases. Leasehold lands which met finance lease classification have been reclassified from prepaid lease payments to property, plant, and equipment retrospectively, resulting in a reclassification of prepaid lease payments with previous carrying amount of HK$11,878,000 as at 1 April 2009 as property, plant and equipment that are measured at cost model. The application of this amendment has no significant financial impact to the Group's profit for the current and prior periods.

The effect of changes in accounting policy described above on the financial position of the Group as at 31 March 2010 is as follows:

	As at 31 March 2010 (originally stated) HK$'000	Adjustments HK$'000	As at 31 March 2010 (restated) HK$'000
Property, plant and equipment	874,281	11,567	885,848
Prepaid lease payments	111,511	(11,567)	99,944
	985,792	-	985,792

The effect of changes in accounting policy described above on the financial position of the Group as at 1 April 2009 is as follows:

	As at 1 April 2009 (originally stated) HK$'000	Adjustments HK$'000	As at 1 April 2009 (restated) HK$'000
Property, plant and equipment	775,543	11,878	787,421
Prepaid lease payments	114,311	(11,878)	102,433
	889,854	-	889,854

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related party disclosures[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 Disclosures for first-time adopters[2]
HKFRS 7 (Amendment)	Disclosures - transfers of financial assets[4]
HKFRS 9	Financial instruments[5]
HK(IFRIC) - INT 14 (Amendment)	Prepayments of a minimum funding requirement[3]
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

For management purposes, the Group's operations are currently classified under the following business divisions, namely solvents, coatings, lubricants and others. These divisions are the basis on which the Group reports its operating 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

Segment result represents the profit earned or loss incurred by each segment without allocation of interest income, fair value change on derivative financial instruments, gain on corporate assets, central administration costs and interest expense. This is the measure reported to the Chief Executive Officer, the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

Segment revenue and results

An analysis of the Group's turnover and results by operating segments for the period under review is as follows:

	Solvents HK$'000	Coatings HK$'000	Lubricants HK$'000	Others HK$'000	Segment total HK$'000	Elimination HK$'000	Consolidated HK$'000
Six months ended 30 September 2010							
Segment revenue							
External sales	**2,131,384**	**1,289,096**	**174,666**	**57,287**	**3,652,433**	**-**	**3,652,433**
Inter-segment sales	**61,265**	**-**	**-**	**-**	**61,265**	**(61,265)**	**-**
Total	**2,192,649**	**1,289,096**	**174,666**	**57,287**	**3,713,698**	**(61,265)**	**3,652,433**
Results							
Segment result	**116,559**	**89,743**	**3,768**	**3,075**	**213,145**	**7,491**	**220,636**
Fair value change on derivative financial instruments							**(3,696)**
Unallocated income							**15,711**
Unallocated expenses							**(11,693)**
Interest expense							**(8,555)**
Profit before taxation							**212,403**

	Solvents HK$'000	Coatings HK$'000	Lubricants HK$'000	Others HK$'000	Segment total HK$'000	Elimination HK$'000	Consolidated HK$'000
Six months ended 30 September 2009							
Segment revenue							
External sales	1,372,661	1,092,724	138,024	72,405	2,675,814	-	2,675,814
Inter-segment sales	53,056	-	-	-	53,056	(53,056)	-
Total	1,425,717	1,092,724	138,024	72,405	2,728,870	(53,056)	2,675,814
Results							
Segment result	151,344	146,657	(552)	6,792	304,241	(979)	303,262
Fair value change on derivative financial instruments							(1,544)
Unallocated income							4,850
Unallocated expenses							(7,504)
Interest expense							(3,708)
Profit before taxation							295,356

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

4. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2010	**2009**
	HK$'000	HK$'000 (Restated)
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**2,724**	2,249
Depreciation of property, plant and equipment	**37,053**	32,984
Fair value change on derivative financial instruments	**3,696**	1,544
Net loss on disposal of property, plant and equipment	**1,333**	257
Release of prepaid lease payments	**1,438**	1,323
and after crediting:		
Government grants recognised	**6,107**	584
Interest income	**7,341**	4,833
Net exchange gain	**35,600**	2,541
Processing fee income	**709**	5,600

5. TAXATION

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
The charge comprises:		
Current tax - Hong Kong	**-**	1,678
Current tax - Mainland China		
Current period	**39,272**	48,682
Overprovision in previous years	**(24,553)**	(1,241)
	14,719	47,441
	14,719	49,119
Deferred taxation		
Current period	**(293)**	(3,143)
	14,426	45,976

No provision for Hong Kong Profits Tax was made in this period as the Group has no assessable profit derived from Hong Kong for the period.

Enterprise income tax ("EIT") in Mainland China has been provided at the rates prevailing in the respective jurisdictions.

The Group's subsidiaries operating in Mainland China are eligible for certain tax holidays and concessions. Pursuant to the relevant laws and regulations in Mainland China, certain subsidiaries of the Company in Mainland China are entitled to exemption from EIT of Mainland China for the first two years commencing from their first profit-making year of operation and thereafter, these subsidiaries in Mainland China will be entitled to a 50% relief from EIT of Mainland China for the following three years. EIT of Mainland China has been provided for after taking these tax incentives into account.

Overprovision in previous years mainly included tax refund from tax bureau to certain subsidiaries of the Company in Mainland China for successfully claiming during the current period as High and New Technology Enterprise status since 2009. The income tax rate of these subsidiaries is thus reduced to 15%.

Deferred taxation has not been provided for in respect of the temporary differences attributable to the undistributed retained profits earned by the subsidiaries in Mainland China amounting to HK$934,345,000 (31 March 2010: HK$764,224,000) starting from 1 January 2008 under the Law of Mainland China on EIT that requires withholding tax upon the distribution of such profits to the overseas shareholders as 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 HK20.0 cents per share in respect of the year ended 31 March 2010 amounting to HK$110,211,000 was paid (six months ended 30 September 2009: HK17.0 cents per share was paid for the year ended 31 March 2009 amounting to HK$91,262,000).

Subsequent to 30 September 2010, the directors resolved to declare an interim dividend of HK12.0 cents per share totalling not less than HK$66,000,000 for the six months ended 30 September 2010 (six months ended 30 September 2009: HK12.0 cents per share totalling HK$64,831,000). The interim dividend is payable on 21 December 2010 to the shareholders of the Company whose names appear on the Company's register of members on 13 December 2010.

7. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
Earnings for the purposes of calculating basic and diluted earnings per share	**171,493**	227,724
	Number of shares	
	'000	'000
Weighted average number of shares for the purpose of calculating basic earnings per share	**549,698**	535,961
Effect of dilutive potential ordinary shares: Share options	**5,658**	5,624
Weighted average number of shares for the purpose of calculating diluted earnings per share	**555,356**	541,585

8. TRADE AND BILLS RECEIVABLES

An aged analysis of trade and bills receivables at the end of the reporting period is as follows:

	At 30 September 2010	At 31 March 2010
	HK$'000	HK$'000
0 - 3 months	**1,451,381**	1,054,352
4 - 6 months	**279,032**	225,472
Over 6 months	**88,683**	78,821
	1,819,096	1,358,645

The Group allows a credit period ranging from 30 to 90 days to its trade customers. A longer credit period may be granted to large or long-established customers with good payment history.

9. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of HK$722,653,000 (31 March 2010: HK$703,231,000), the aged analysis of which is as follows:

	At 30 September 2010 HK$'000	At 31 March 2010 HK$'000
0 - 3 months	**683,561**	680,469
4 - 6 months	**33,167**	20,429
Over 6 months	**5,925**	2,333
	722,653	703,231

10. ACQUISITION OF ASSETS

On 30 June 2010, Bauhinia Variegata Ink & Chemicals Limited ("BVIC") and its subsidiary, indirect wholly-owned subsidiaries of the Company, entered into agreements with Union Inks (HK) Company Limited (the "Vendor") and its subsidiaries (collectively referred to the "Vendors"), companies not connected to the Group, to purchase certain assets relating to the manufacturing and trading of the screen printing products held by the Vendors, including trademarks, proprietary knowhow, non-competition covenant, certain inventories and property, plant and equipment from the Vendors. The purchase consideration for the intangible assets acquired was HK$7,977,000 after taking into account of the sales guarantee (i.e. RMB12,000,000 (equivalent to HK$13,922,000) for the first year after completion of the acquisition of the assets) provided by the Vendor in respect of the revenue generated from these intangible assets will be achievable.

	HK$'000
Assets acquired:	
Property, plant and equipment	220
Inventories	3,791
Intangible assets	7,977
	11,988
Satisfied by:	
Cash	7,474
Consideration payable	4,514
	11,988

The consideration payable included an amount of HK$3,191,000 in relation to the deferred consideration for the acquisition of intangible assets (i.e. trademark, proprietary knowhow and non-competition covenant) 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 will be fully achieved.

INTERIM DIVIDEND

The directors have declared an interim dividend of HK12.0 cents per share for the six months ended 30 September 2010 (six months ended 30 September 2009 : HK12.0 cents per share). The interim dividend is payable on 21 December 2010 to shareholders whose names appear on the Register of Members of the Company on 13 December 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 10 December 2010 to 13 December 2010 (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 9 December 2010.

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 2010 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, 23 November 2010

As at the date of announcement, Mr. Ip Chi Shing, Tony, 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.