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 FINAL RESULTS
FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2010

HIGHLIGHTS

	For the nine-month period ended 31 December 2010 (audited)	For the nine-month period ended 31 December 2009 (unaudited) *
Turnover	HK$5,654,783,000	HK$4,072,555,000
Net profit attributable to owners	HK$264,509,000	HK$333,082,000
Earnings per share	HK 48 cents	HK 62 cents
Final dividend	HK 10 cents (3 months)	HK 20 cents (6 months) +
Dividend for the period	HK 22 cents (9 months)	HK 32 cents (12 months) +
Gearing ratio	14.9% (at 2010.12.31)	2.1% (at 2010.3.31)

* As the Group changed its financial year end date from 31 March to 31 December in 2010, the unaudited figures of 9-month period ended 31 December 2009 are presented here for comparison.
\+ For the year ended 31 March 2010.

CHAIRMAN'S STATEMENT - REVIEW

In order to better match the Group's reporting period with business needs, the management has decided, starting in 2010, to change the financial year from March year-end to December year-end, in line with the general practice in the Mainland. Accordingly, I am pleased to report to our shareholders the business performance for the nine-month period from April 2010 to December 2010. During the reporting period, aggregate sales volume and revenue rose to 536,000 metric tons and HK$5,654,783,000 respectively, representing a growth of 28% and 39% respectively. These levels are both new record highs in the Group's history.

However, profit attributable to shareholders only reached HK$264,509,000, representing a decline of 21% from the corresponding period a year ago. Nevertheless, this result is still an improvement from the 25% decline which we reported for the first half. During the period in question, turnover continued to grow unabatedly, resulting in a corresponding increase in the demand for working capital. At the same time, the Group has decided to continue to proceed with its large and long-term capital investment programme to cater for future demand growth. However, the Group is firmly committed to its policy of fiscal prudency, enforced through close monitoring of a vast array of internal financial tools, thus allowing the Group to maintain a healthy balance sheet. As at end 2010, the Group's gearing ratio, at 14.9%, is well within planned levels. Taking all these factors into consideration, the Board recommends a final dividend of HK10 cents per share. Together with the interim dividend, the total dividend for the nine months ended December 2010 came to HK22 cents per share.

In retrospect, the Group faced an extremely difficult and challenging operating climate. The global economy remained weak, with recovery slow in coming. In Europe, many countries remain troubled by the debt crisis. Although China still experienced fairly healthy growth, governmental measures to curb inflation and prevent the economy from over-heating have created temporary shock waves in the market. Moreover, a number of provinces have also experienced large scale natural disasters. These events have all adversely affected the Group's businesses to varying degrees. However the central government has acted quickly to reduce reliance on exports and to stimulate the growth of domestic demand, and the Group was able to read the market accurately and to take early action to construct new plants at key strategic cities and locations to expand capacity, build more comprehensive sales and distribution networks, enhance investments in marketing and brand, and set a clear mid-term goal of doubling its turnover over 5 years. Consequently, all the core businesses have expanded sales rapidly, with their prime objectives to increase market penetration within the shortest possible time. During the last two years, the Group's business expansion strategies have actually surpassed our expectations, with sales revenue growing by 39% over the same period in the previous year. Not only is this result encouraging, it also laid the foundation for the Group to reach HK$10 billion in turnover by 2013, well ahead of its original mid-term goal.

Profit attributable to shareholders was unable to keep pace with the growth in turnover. Instead, it showed a 21% decline. One of the reasons is the unusually favourable business conditions in the previous year, setting a very high benchmark for this year. Another reason is the increased front-end investments this year, both in terms of capital investments and investments in brand and marketing. Moreover, extreme and unusual volatilities in raw material prices have adversely impacted on the margins of the Group's core businesses, causing the net margins to decline to unreasonably low levels. We believe that one of the greatest challenges, and one with the greatest room for improvement, is to raise the net operating margins. Accordingly, the consensus within the Group is that our prime task for the year ahead is to reduce costs and to raise operating margins. The Group is determined that through better coordination and exploitation of synergies, effective measures can be taken to reduce the impact of raw materials volatilities, thereby ensuring that the overall margins will return to a reasonable level in two to three years.

PROSPECTS

The rapid growth of the Group's businesses in recent years was founded upon the sustained high growth in China's economy and the development of the market for domestic demand. The Group is highly confident that these trends will continue. Although China has trimmed its economic growth target to 7% in the Twelve 5-year plan which will be implemented this year, it also explicitly states that the development model will be revised to accelerate the urbanization of the rural community which will enhance the spending power of the vast rural population, and that strong domestic demand growth is expected to provide the impetus for the sustained growth of the economy. The Group is determined to ride on the continued development in China's economy and grow to become one of China's top chemicals companies. At the same time that we expect our turnover to reach HK$10 billion by 2013, we would also keep our ears to the ground and follow the market's lead and make early plans for future growth. We expect that we will finish all the new capacity expansions by 2015, and that by then our distribution network will be further enhanced, our brand strength will be even stronger, and the Group will operate from an even more robust platform. At the same time, the Group will remain vigilant towards the recent political instability in the Middle East and in North Africa, with a view to preparing plans to tackle the challenges presented by the uncertainties which may arise.

On the other hand, the size of the China market and the opportunities it offers to business makes it one of the most attractive markets in the world. The pace of its development has also made this one of the most competitive, where eventually only the fittest will survive. Apart from continuing to expand and enhance our market leadership, capitalizing on the advantage of economy of scale and continue our brand investments, we are also establishing the Group's Technology Centre in Shanghai. We plan to develop the Technology Centre to become one of the foremost centres for technological excellence within the next five years, and expect it to continuously enhance the core competitiveness of the Group and to develop advanced products, thus making significant long-term contributions to the development of the Group's businesses. We will also continue to invest in human resources development, and will try to recruit talent to join the Group. We believe that opportunities will only benefit those who are ready to take it, and the Group will always strive to be in a position to take whatever opportunities which may come our way.

This year also marks the Group's 40th Anniversary. As the anniversary year starts to unfold, we have designed a 40th Anniversary logo, and at the same time examined the factors which made the Group grow and become successful. We have distilled these factors into three main themes, which are: "respect for and cooperation with all stakeholders, thirst for talent, and undivided focus on our businesses." Henceforth, we will conduct our business with even more humility, always highly valuing the trust that others place upon us and honouring our commitments. We will respect and care for our employees more, and share the fruits of our success with them. We believe this to be the most important element of our stakeholder relationship, and will guide our way into a more prosperous future.

Lastly, on behalf of the Board, I wish to thank all our employees for their efforts and their contributions, and all our business partners for their trust and their support.

CEO'S STATEMENT - BUSINESS REVIEW

SOLVENTS

During the nine-month period under review, turnover reached HK$3,445,502,000, representing a growth of 56% over the corresponding period of the previous year. Gross margin has started to recover from First Half's levels. At HK$244,312,000, operating profit showed a slight decline of 3% from the same nine-month period a year ago, but it has shown significant improvement over the 23% decline reported in the First Half. During the review period, the business benefited from expansion of production capacity, the continued development of the Group's position in Eastern China, and the increased demand for mixed solvents coming from the growth of the Group's coatings business. These factors combined to allow the total solvents business to increase by 28% in volume over the same nine-month period a year ago. In particular, the raw solvents volume grew to 382,000 metric tons, representing a 30% increase from the same nine-month period a year ago. During the period under review, raw material costs for the acetate solvents experienced unusual volatilities, causing margins to decline. However, the pressures of raw material price volatility on solvents margins have come under control, and the decline in overall solvents margins have narrowed, thus enabling the operating profits to be much closer than last year's levels than at the half-year period.

The Group expects the solvents business to continue to grow. In view of the vast opportunities presented by the sustained development of China's economy, solvents revenue could double within the next five years. To cater for the forecast growth in sales, efforts are underway to upgrade existing plants to add another 100,000 metric tons to the Group's current 500,000 metric tons annual production capacity of raw solvents. At the same time, the additional 300,000 metric tons expansion to the Taixing plant is proceeding according to plan, with the first phase of 150,000 metric tons expecting to be due for commissioning before 2013, and the remaining second phase due for completion before 2015. These expansion plans will enlarge the Group's overall raw solvent capacity to 900,000 metric tons per annum, further enhancing its scale economy and competitive advantage. On mixed solvents, we continue to expect growth to accompany the development of the Group's coatings businesses.

COATINGS

During the nine-month reporting period, the coatings business recorded a turnover of HK$1,947,839,000, representing a 20% increase from the same period a year ago. However, as a result of decline in gross margin, operating profit only reached HK$109,836,000, representing a 43% decline from the corresponding nine-month period of the previous year. During the period under review, inks, resins, industrial paints and household paints all recorded higher growth rates than in the First Half, with overall volume reaching 111,400 metric tons, representing an increase of 17%, but unusual volatilities in raw material prices have caused rising cost pressures, resulting in margins registering a significant decline from the abnormally high levels of the corresponding period a year ago. Although the Group has taken necessary steps to contain costs and improve margins, such efforts were largely offset by continued increases in the prices for raw materials in the second half. Such costs increases, coupled with increased spending on capital expenditures and marketing costs, have caused a decline in operating profits after the extraordinarily large increases in the previous year.

Looking forward, faced with uncertainties in the political and economic situation abroad, rises in oil prices coupled with inflationary pressures in China, the coatings industry will still be facing costs pressures. Competition will be expected to further intensify, and in face of such difficult operating conditions, the market will be expected to further consolidate, with the weaker players facing elimination. To combat rising cost pressures, we will continue to contain costs through optimization of coatings formulations and exploitation of synergies of centralized procurement. At the same time, we will investigate the feasibility of more vertical integration, such as through investing in own-production of certain raw materials in order to enhance our long-term competitiveness and raise margins. We are confident that, with years of cumulative competitive advantage, our coatings businesses can take advantage of the opportunities presented to us at this time to expand market share and to reach our target of doubling our sales by 2014. As regards addition of production capacities, the various projects such as the construction of new facilities on the two hectares of land adjacent to the Zhongshan Inks Plant, the 6 hectares of land adjacent to the Tungxiang Plant, and the new 22-hectare greenfield site at Jinshan are all proceeding on schedule in order to cater for capacity needs as the coatings businesses continue to expand.

On industrial coatings, offset printing inks for magazines, coatings for electronic products, water-based and UV-cured varnishes will provide the main impetus for growth. For household paints, the Bauhinia distribution network has now expanded to over 1,500 single-branded stores, most of which have by now been refurbished with the new Bauhinia signage. Together with the planned expansion in the secondary and tertiary towns, the coverage of the Bauhinia distribution network will be even more comprehensive, which should put the Group in a good position to capture the vast opportunities presented by the urbanization of the rural and village areas. We will continue to invest in web-based and media advertising, as well as Point-Of-Sale (POS) advertisements in the construction materials markets in order to strengthen the brand presence of Bauhinia Paints. Going forward, the Group maintains full confidence in the continued growth and development of our overall coatings businesses.

LUBRICANTS

During the period under review, the lubricants business recorded a turnover of HK$283,742,000, which represented a growth of 27% from the corresponding nine-month period a year ago. Operating profit reached HK$5,799,000, which is a significant improvement over the loss position of the corresponding nine-month period of the previous year. During this period, both the specialty industrial lubricants and automotive lubricants recorded encouraging growth. In particular, sales volume of automotive anti-freeze grew by over threefold in the last three years. We expect that through a more aggressive marketing and sales strategy and exploitation of further synergies in our two lubricants subsidiaries, operating results will continue to improve.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

As the Group's businesses continue to expand, we are always mindful of and are constantly guided by the motto "What comes from the community is to be used for the community". The Group treats corporate social responsibility as part of its mission, and sees it as a worthy, long-term commitment. The Group seeks to proactively fulfill our corporate social responsibilities and to incorporate the concept of sustainability into its business practices and its daily operations, as well as to introduce the concept to its employees and their families, its customers, business partners as well as the public at large. The Group hopes that its efforts can help to facilitate the sustainable development of society from the economic, social and environmental perspectives, thus contributing towards a more and more harmonious society.

<u>Safety First</u>

In early 2010, the Group established a "Group Health, Safety and Environment Department" to better co-ordinate the Group's HSE efforts and to enhance the working environment in order to ensure that all our employees are able to work in a healthy and safe environment. Soon after its establishment, the department carried out safety checks on all of the Group's plants. As at end 2010, the safety checks have covered all of the Group's 17 plants, with improvements proposed to further enhance their safety standards.

<u>Social Responsibility</u>

Since 2008, the Group has been concentrating its efforts on a flagship CSR programme to spearhead our CSR commitment. 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 further donated a second mobile eye surgery centre – "Vision Restoration Centre no.3" in August 2010 to the Jiangsu Province to restore the vision of cataract patients. The programme has proven to be a resounding success. To date, over 1,900 cataract patients in the poor rural regions of the Mainland have been served by these two mobile surgery centres and have their vision restored by undergoing cataract surgery and artificial lenses implants. These two mobile eye surgery centres will be followed by the third mobile eye surgery centre which the Group will be donating to the Shandong Province in March 2011. This mobile surgery centre in Shandong is actually the first centre covered under the "Ten-year Donation Plan" which the Group signed with the China Disabled Persons Association and the Asian Foundation for the Prevention of Blindness at Diaoyutai State Guesthouse in Beijing in May 2010. So in due course, there will be at least 12 mobile eye surgery centres donated by the Group in different provinces, serving the underprivileged cataract patients who live in rural areas of the Mainland, giving them the joy of seeing this colorful world as well as, in many cases, restoring their ability to work and make a living.

The Group is pleased that the concept of CSR is also embraced by its subsidiaries who have also been actively involved in many programmes for the underprivileged community in different regions. The Group's

Bauhinia Paints have always had the vision of bringing hopes to the people for a colorful life. In October 2010, Bauhinia Paints contributed to the renovation of the Shanghai QingCongQuan Autism Training Centre by sending volunteers and donating coating materials to refurbish the centre and allow the disadvantaged children to have a healthy and environmentally friendly training centre to aid in their recovery and training.

Economic Contribution

To keep up with the requirements of a rapidly growing business, the Group currently employs around 4,800 employees, offering them opportunities for training and career development. Over the years, the Group has contributed, via its business activities, to the social and economic development of the community in which it operates.

Environmental Protection

In the past year, the Group has actively participated in environmental protection activities such as the "Tree Planting Challenge" organized by "Friends of the Earth". At the same time, the Group is also committed to efforts to promote energy saving in offices, such as replacing the older fluorescent tubes with more energy efficient T5 tubes. Up to now, 10% of the Group office's lighting in Hong Kong have already been converted to T5 tubes. The Group also replaced all traditional halogen lamps in its Hong Kong office to LED lightings to reduce electricity consumption as well as to lower the temperature.

Apart form the Group, different subsidiaries have also incorporated various elements of environmental friendliness and sustainability into their operations, production and R&D. For instance, in order to meet the increasing demands from consumers for cleaner and healthier products, "Bauhinia Paints" launched a series of environmental products in 2010. An example was a range of paints featuring extremely low VOC (volatile organic compounds), as well as formulated without the hazardous substances such as benzene, mercury and lead etc. Not only does it help to promote cleaner and healthier living of its customers, it also contributes to a cleaner environment.

Awards

FinanceAsia ─ Five Major Awards in "2010 Asia's Best Managed Companies Poll ─ Hong Kong

In April 2010, the Group was cited by FinanceAsia's 10th Annual Poll of Asia's Top Companies in five categories, including:

─ "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

This is the third consecutive year that the Group has been honoured in this regional poll, which is a testimony that the efforts by the Group in the areas of corporate governance, investor relations and corporate social responsibility are well recognised by the investment community.

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. The Group is dedicated to maintaining a high standard of corporate governance, 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.

Hong Kong Productivity Council — "2010 Hong Kong Outstanding Corporate Citizenship Award — Certificate of Merit – Enterprise Sector in Manufacturing Industry"

The Group was awarded the "Certificate of Merit – Enterprise Sector in Manufacturing Industry" of "2010 Hong Kong Outstanding Corporate Citizenship Award" by Hong Kong Productivity Council in November 2010. The purpose of this award by the Hong Kong Productivity Council is to recognise enterprises' achievements in corporate social responsibility, especially those who are able to incorporate the essence of corporate citizenship into their management philosophies and their operations, thus promoting the enterprise's sustainable development in the economic, social as well as environmental areas.

The Asset ─ "Titanium Award for Corporate Governance, Social Responsibility and Investor Relations"

In "The Asset Corporate Award 2010" organised by "The Asset" magazine in December 2010, the Group garnered the "Titanium Award for Corporate Governance, Social Responsibility and Investor Relations". The Group has been honoured by The Asset Corporate Awards for two consecutive years. This year, in addition to highlighting our achievements in corporate governance and investor relations, we also received recognition for our efforts in corporate social responsibility.

Asiamoney ─ Number 3 ranking in the "Best for Shareholders' Rights and Equitable Treatment"
The Group has ranked third in the "Best for Shareholders' Rights and Equitable Treatment" category in the Asiamoney Corporate Governance Poll for Hong Kong in December 2010. Companies in this category are selected on the basis of their efforts in protecting the rights of their shareholders and in ensuring fair treatment of all shareholders. The award is a recognition of the unrelenting efforts made by the Group to fulfill the promises made to its shareholders, to respect their rights and to ensure that they receive equitable treatment which they deserve.

LIQUIDITY AND FINANCIAL RESOURCES

The Group will continue to implement prudent financial management policy and strive to maintain a reasonable gearing ratio during expansion. As at 31 December 2010, the Group's gearing ratio (measured by net bank borrowings as a percentage of equity attributable to owners of the Company) was 14.9% (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 to capture new market and sales opportunity. The Group's business expansion in Eastern China also required longer credit period granted to customers and increased receipts of banks' promissory notes (i.e. bills receivable) as compared to the market practices in Southern China. The Group will closely monitor its liquidity and adopt necessary measures to manage lengthened cash collection cycle.

As at 31 December 2010, the gross bank borrowings of the Group amounted to HK$1,237,261,000 (31 March 2010: HK$1,051,141,000). Out of this amount, HK$945,428,000 (31 March 2010: HK$823,141,000) were short-term loans and repayable within one year. Such loans were denominated in three currencies, namely HK$616,226,000 in Hong Kong Dollar, HK$315,828,000 in US Dollar and HK$13,374,000 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). Long-term loans repayable after one year amounted to HK$291,833,000 (31 March 2010: HK$228,000,000) and they were all denominated in Hong Kong Dollar. Both short-term and long-term loans carried interests at floating or fixed rates.

As at 31 December 2010, a total of 11 banks in Hong Kong, Macau and PRC granted banking facilities totaling HK$2,819,013,000 (31 March 2010: HK$2,413,621,000) to the Group and provided sufficient funds to meet its present working capital and expansion. 69%, 20% and 11% of these banking facilities were denominated in Hong Kong Dollar, Renminbi and US Dollar respectively. The Group is in negotiation with several banks to arrange 5 years bilateral long-term loans of about HK$1.5 billion for the Group's expected growth and development in capital expenditure and working capital requirement.

Since the borrowings of the Group carry interests at floating rate, 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. With the expected increase in long-term bank loans and in view of the current low interest rate, the Group will consider using interest rate swaps 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 minimising currency exposure by structuring an optimal combination of Hong Kong Dollar, US Dollar or Renminbi bank loans.

EMPLOYEES

As at 31 December 2010, there were a total of 4,873 employees, of which 142 were from Hong Kong and Macau, and 4,731 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 General Manager of subsidiary company or Head of functional department.

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 and performance-based bonuses and stock options to attract and retain good performers.

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

During the nine-month period ended 31 December 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to achieve the Group's objectives of maximizing values for its employees, customers, suppliers, business partners and shareholders, and safeguarding their interests. Throughout the nine-month period ended 31 December 2010, the Company has complied with all code provisions of the Code on Corporate Governance Practices (the "Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Further information will also be included in the 2010 Annual Report.

AUDIT COMMITTEE

The Audit Committee was formed in November 1998 and comprises one Non-executive Director and four Independent Non-executive Directors and is chaired by Mr. Wong Kong Chi. Major duties 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 22 March 2011 to review the Group's audited consolidated financial statements for the nine-month period ended 31 December 2010.

REMUNERATION COMMITTEE

The Remuneration Committee, consisting of one Non-executive Director and four Independent Non-executive Directors, is chaired by Mr. Au-Yeung Tsan Pong, Davie and was formed in June 2005. Major roles and functions of the Remuneration Committee include making recommendation to the Board on the Group's policy and structure for the remuneration of Directors and senior management and determining the remuneration packages of all Executive Directors and senior management.

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") as set out in Appendix 10 of the Listing Rules 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 set out in the Model Code during the nine-month period ended 31 December 2010.

The Board of Directors of Yip's Chemical Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the nine-month period ended 31 December 2010, together with comparative figures of last year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**1.4.2010 to 31.12.2010 (9-month)** HK$'000	1.4.2009 to 31.3.2010 (12-month) (Restated) HK$'000
Turnover	3	**5,654,783**	5,455,742
Cost of sales		**(4,718,268)**	(4,175,282)
Gross profit		**936,515**	1,280,460
Other income		**56,668**	59,190
Other gains and losses		**44,048**	778
Selling and distribution expenses		**(256,764)**	(294,752)
Administrative expenses		**(409,536)**	(519,903)
Interest expense		**(12,735)**	(9,175)
Profit before taxation	4	**358,196**	516,598
Taxation	5	**(41,357)**	(82,008)
Profit for the period/year		**316,839**	434,590
Other comprehensive income (expense)			
Exchange differences arising on translation		**107,101**	4,098
Fair value change on cash flow hedges		**(2,007)**	(283)
Total comprehensive income for the period/year		**421,933**	438,405
Profit for the period/year attributable to:			
Owners of the Company		**264,509**	378,064
Non-controlling interests		**52,330**	56,526
		316,839	434,590
Total comprehensive income attributable to:			
Owners of the Company		**356,472**	381,403
Non-controlling interests		**65,461**	57,002
		421,933	438,405
Earnings per share	7		
- Basic		**HK 48.0 cents**	HK 70.3 cents
- Diluted		**HK 47.6 cents**	HK 69.2 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2010 HK$'000	31.3.2010 (Restated) HK$'000
Non-current assets			
Property, plant and equipment		**983,340**	885,848
Prepaid lease payments		**119,922**	97,533
Goodwill		**71,462**	71,462
Intangible assets		**25,178**	21,060
Available-for-sale investment		**22,200**	12,387
Deposits paid for acquisition of property, plant and equipment		**28,225**	28,234
Other non-current asset		**4,600**	4,600
		1,254,927	1,121,124
Current assets			
Inventories		**765,643**	800,867
Trade and bills receivables	8	**1,976,265**	1,358,645
Other debtors and prepayments		**232,305**	191,503
Prepaid lease payments		**2,926**	2,411
Short-term bank deposits			
-with original maturity within three months		**13,155**	52,456
-with original maturity more than three months		**336,599**	387,666
Bank balances and cash		**545,737**	566,196
		3,872,630	3,359,744
Current liabilities			
Creditors and accrued charges	9	**1,185,201**	1,016,825
Taxation payable		**94,310**	78,096
Dividend payable to a non-controlling interest of a subsidiary		**3,496**	-
Derivative financial instruments		**7,777**	730
Bank borrowings - amount due within one year		**944,369**	823,024
Bank overdrafts		**1,059**	117
		2,236,212	1,918,792
Net current assets		**1,636,418**	1,440,952
Total assets less current liabilities		**2,891,345**	2,562,076
Non-current liabilities			
Bank borrowings - amount due after one year		**291,833**	228,000
Deferred taxation liabilities		**6,557**	6,838
		298,390	234,838
		2,592,955	2,327,238
Capital and reserves			
Share capital		**55,304**	54,413
Reserves		**2,241,843**	2,031,566
Equity attributable to owners of the Company		**2,297,147**	2,085,979
Non-controlling interests		**295,808**	241,259
		2,592,955	2,327,238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD FROM 1 APRIL 2010 TO 31 DECEMBER 2010

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS"s) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has applied the following new and revised HKFRSs, Hong Kong Accounting Standards ("HKAS"s), amendments and interpretations ("INT"s) (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA which are or have become effective.

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 32 (Amendments)	Classification of rights issues
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HK(IFRIC)* - INT 17	Distributions of non-cash assets to owners
HK - INT 5	Presentation of financial statements - classification by the borrower of a term loan that contains a repayment on demand clause

* IFRIC represents the International Financial Reporting Interpretations Committee

Except as described below, the adoption of those new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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 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 consolidated financial statements of the Group for the current or prior accounting periods. In addition, HKAS 27 (Revised) requires the total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance for the period beginning from 1 April 2010. Such amendments did not have effect on the consolidated financial statements of the Group.

Results 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 amendments 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 that existed at the inception of these leases. Leasehold land which qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant, and equipment retrospectively. This resulted in prepaid lease payments with the carrying amount of HK$11,878,000 and HK$11,567,000 as at 1 April 2009 and 31 March 2010 respectively being reclassified to property, plant and equipment.

As at 31 December 2010, leasehold land that qualifies for finance lease classification with the carrying amount of HK$11,334,000 has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current period and prior year.

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 31.3.2010 (originally stated)	Adjustments	As at 31.3.2010 (restated)
	HK$'000	HK$'000	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 1.4.2009 (originally stated)	Adjustments	As at 1.4.2009 (restated)
	HK$'000	HK$'000	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

As disclosed above, the changes in accounting policy only have impact on the classification of property, plant and equipment and prepaid lease payments in the consolidated statement of financial position of the Group.

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 issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures - Transfers of financial assets[2]
HKFRS 9	Financial Instruments[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of underlying assets[4]
HKAS 24 (as revised in 2009)	Related party disclosures[5]
HK(IFRIC) - INT 14 (Amendments)	Prepayments of a minimum funding requirement[5]
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments[6]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 July 2011
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 July 2011

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. The Directors anticipate that the application of HKFRS 9 will affect the classification and measurement of the Group's available-for-sale investment and may affect the classification and measurement of other financial assets.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability´s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

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 consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Turnover

Turnover represents the amount received and receivable for goods sold to customers during the year, net of discounts and sales related taxes.

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 of the Group's reportable segments 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 profit represents the profit earned by each segment without allocation of interest income, dividend income, fair value change on derivative financial instruments, gain or loss on disposal of corporate assets, central administration costs and interest expense. This is the information 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/year under review is as follows:

	Solvents HK$'000	Coatings HK$'000	Lubricants HK$'000	Reportable Segment total HK$'000	Others HK$'000	Elimination HK$'000	Consolidated HK$'000
Period from 1 April 2010 to 31 December 2010 (9-month)							
Segment revenue							
External sales	**3,356,111**	**1,947,839**	**283,742**	**5,587,692**	**67,091**	**-**	**5,654,783**
Inter-segment sales	**89,391**	**-**	**-**	**89,391**	**-**	**(89,391)**	**-**
Total	**3,445,502**	**1,947,839**	**283,742**	**5,677,083**	**67,091**	**(89,391)**	**5,654,783**
Results							
Segment result	**244,312**	**109,836**	**5,799**	**359,947**	**4,979**	**4,099**	**369,025**
Fair value change on derivative financial instruments							**(5,954)**
Unallocated income							**23,780**
Unallocated expenses							**(15,920)**
Interest expense							**(12,735)**
Profit before taxation							**358,196**

	Solvents HK$'000	Coatings HK$'000	Lubricants HK$'000	Reportable Segment total HK$'000	Others HK$'000	Elimination HK$'000	Consolidated HK$'000
Year ended 31 March 2010 (12-month)							
Segment revenue							
External sales	2,939,274	2,088,019	292,475	5,319,768	135,974	-	5,455,742
Inter-segment sales	89,719	-	-	89,719	-	(89,719)	-
Total	3,028,993	2,088,019	292,475	5,409,487	135,974	(89,719)	5,455,742
Results							
Segment result	327,044	181,534	7,568	516,146	14,039	(7,402)	522,783
Fair value change on derivative financial instruments							(384)
Unallocated income							17,931
Unallocated expenses							(14,557)
Interest expense							(9,175)
Profit before taxation							516,598

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

4. PROFIT BEFORE TAXATION

	1.4.2010 to 31.12.2010 (9-month) HK$'000	1.4.2009 to 31.3.2010 (12-month) HK$'000
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**4,318**	4,522
Auditor's remuneration		
- current year	**4,071**	4,236
- under (over)provision in prior year	**150**	(277)
Depreciation of property, plant and equipment	**56,408**	67,787
Impairment loss of property, plant and equipment	**120**	991
Operating lease payments in respect of rented premises	**12,425**	16,540
Release of prepaid lease payments	**2,178**	2,684
Staff costs, including directors' remuneration	**363,056**	425,376
and after crediting:		
Interest income	**10,701**	11,000
Government grants recognised	**9,987**	1,371
Net processing fee income	**965**	6,400
Dividend income from available-for-sale investment	**-**	6,742

5. TAXATION

	1.4.2010 to 31.12.2010 (9-month) HK$'000	1.4.2009 to 31.3.2010 (12-month) HK$'000
Current tax - Hong Kong		
Current period/year	**801**	1,689
Underprovision in previous years	**-**	2,528
	801	4,217
Current tax - Mainland China		
Current period/year	**61,568**	78,630
Overprovision in previous years	**(20,729)**	(502)
	40,839	78,128
	41,640	82,345
Deferred taxation		
Hong Kong	**242**	220
Mainland China	**(525)**	(557)
	(283)	(337)
	41,357	82,008

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both reporting periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Mainland China is 25% from 1 January 2008 onwards.

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 enterprise income tax 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 enterprise income tax of Mainland China for the following three years. Enterprise income tax 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%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. DIVIDENDS

	1.4.2010 to 31.12.2010 (9-month) HK$'000	1.4.2009 to 31.3.2010 (12-month) HK$'000
Dividend recognised as distribution during the period/year:		
Interim dividend for the nine months ended 31 December 2010 of HK12.0 cents *(1.4.2009 to 31.3.2010: year ended 31 March 2010 interim dividend of HK12.0 cents)* per share	**66,353**	64,831
31 March 2010 final dividend of HK20.0 cents *(1.4.2009 to 31.3.2010: year ended 31 March 2009 final dividend of HK17.0 cents)* per share	**110,211**	91,262
	176,564	156,093

The final dividend of HK10 cents per share totalling not less than HK$55,000,000 in respect of the nine months ended 31 December 2010 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

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:

	1.4.2010 to 31.12.2010 (9-month) HK$'000	1.4.2009 to 31.3.2010 (12-month) HK$'000
Profit for the period/year attributable to owners of the Company and earnings for the purposes of calculating basic and diluted earnings per share	**264,509**	378,064
	Number of shares	
	'000	'000
Weighted average number of shares for the purpose of calculating basic earnings per share	**550,582**	538,009
Effect of dilutive potential shares: Share options	**5,403**	8,448
Weighted average number of shares for the purpose of calculating diluted earnings per share	**555,985**	546,457

8. TRADE AND BILLS RECEIVABLES

	31.12.2010 HK$'000	31.3.2010 HK$'000
Trade receivables	**1,365,243**	1,047,072
Less: Allowance for doubtful debts	**(24,850)**	(29,581)
	1,340,393	1,017,491
Bills receivables	**635,872**	341,154
	1,976,265	1,358,645

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

	31.12.2010 HK$'000	31.3.2010 HK$'000
0 - 3 months	**1,148,182**	853,311
4 - 6 months	**183,425**	150,717
Over 6 months	**8,786**	13,463
	1,340,393	1,017,491

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.

Bills receivables represent promissory notes issued by PRC banks. The Group accepts the settlement of trade receivables by customers using promissory notes issued by PRC banks on a case by case basis.

These banks' promissory notes are issued to or endorsed to the Group and are due within six months from the date of issuance. Those qualified issuing banks, which are state-owned banks or commercial banks in the PRC, are the primary obligors for payment on the due date of such promissory notes.

9. CREDITORS AND ACCRUED CHARGES

At the end of the reporting period, the balance of creditors and accrued charges included trade creditors of HK$863,801,000 (31 March 2010:HK703,231,000) and consideration payable for acquisition of assets or subsidiaries of HK$3,191,000 (31 March 2010: HK$5,550,000). Remaining balances mainly consist of receipts in advance from customers, payable of staff salaries and benefits, sales commission, storage and transporation etc.

An aged analysis of trade creditors at the end of the reporting period based on the invoice date is as follows:

	31.12.2010 HK$'000	31.3.2010 HK$'000
0 - 3 months	**823,007**	680,469
4 - 6 months	**35,529**	20,429
Over 6 months	**5,265**	2,333
	863,801	703,231

FINAL DIVIDEND

The Board of Directors has resolved to recommend a final dividend of HK 10 cents (31 March 2010: HK20.0 cents) per share for the nine-month period ended 31 December 2010. Upon approval by shareholders in the forthcoming annual general meeting, the final dividend will be payable on 8 July 2011 to shareholders whose names appear on the Register of Members of the Company on 28 June 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 24 June 2011 to 28 June 2011 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the final 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, Wanchai, Hong Kong not later than 4:00 p.m. on 23 June 2011.

PUBLICATION OF FINAL RESULTS AND ANNUAL 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 annual 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
Chairman

Hong Kong, 29 March 2011

As at the date of announcement, Mr. Ip Chi Shing, Mr. Yip Tsz Hin, Mr. Wong Kam Yim, Mr. Li Wai Man, Peter, Mr. Ho Sai Hou, Mr. Ng Siu Ping, Mr. Ting Hon Yam, Mr. Young Man Kim are executive directors of the Company, Mr. Tong Wui Tung is a non-executive director of the Company and Mr. Wong Kong Chi, Mr. Au-Yeung Tsan Pong, Davie, Mr. Li Chak Man, and Mr. Ku Yuen Fun are independent non-executive directors of the Company.