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 JUNE 2011

HIGHLIGHTS

	For the six-month period ended 30 June 2011 (unaudited)	For the six-month period ended 30 June 2010 (unaudited)
Turnover	HK$3,768,244,000	HK$3,154,809,000
Net profit attributable to owners of the Company	HK$103,119,000	HK$116,245,000
Earnings per share	HK 18.6 cents	HK 21.3 cents
Interim dividend	HK 12 cents#	HK 12 cents+
Gearing ratio	27.3%	14.9% *

Including a special dividend of HK 4 cents per share.

+ For the six-month period ended 30 September 2010.

* As at 31 December 2010.

CHAIRMAN'S STATEMENT - REVIEW & PROSPECTS

REVIEW

During the period under review, the Group faced what can probably be described as the most challenging business climate in recent years. The global economic recovery has been weaker than expected while Europe continues to be plagued by the debt crisis as fears of contagion persist. Even in the heartland of the Group's business – China – the outlook is not entirely rosy: in an attempt to prevent the economy over-heating and to keep inflation under control, the Government has taken repeated measures to raise interest rates and bank reserve requirement ratios. These measures have begun to take the steam out of a vibrant economy. At the same time, raw materials prices have continued to surge despite the faltering global economy. These factors have continued to negatively impact upon the Group's businesses, in particular the margins for coatings. Moreover, the slow-down in demand growth as a result of the tight-money policies has caused competition to intensify, with competitors sacrificing margins to gain market share. Increasing raw materials costs, more intensive competition coupled with the rising cost of doing business have all affected the Group's results. Consequently, although turnover continued to grow strongly, reaching HK$3,768,244,000, representing a growth of 19%, profit attributable to shareholders declined to only HK$103,119,000, or 11% decrease compared to the corresponding period last year. Net margin was at 3%.

PROSPECTS

Despite the fact that the first half results did not quite meet our own expectations, the Group remains undaunted in its determination to seize the opportunities and to grow the business quickly, and in its confidence in the future prospects ahead. Barring any unusual circumstances unforeseen at this time, the Group should reach its target of HK$8 billion in sales this year, and we are confident of reaching our mid-term target of HK$10 billion turnover before 2013. At the same time, the Group has made the necessary preparations for even bigger and more far-reaching plans for future business growth. Based on the plans already approved at this time, which involve both the expansion of existing plants and the construction of new ones, we expect that by 2015, our total production capacity will be increased to a level which will be able to support an annual turnover of HK$20 billion. Our commitment to continuing to developing our business and our confidence in the future is primarily based on our belief in these two underlying factors: (1) the vastness of the Chinese market, coupled with the continuation and deepening of the expansion of the domestic consumption market will naturally lead to many years of sustained economic growth; (2) efforts by the authorities to tighten the regulation of petrochemical industries in areas will inevitably work to the benefits of companies which are stronger and more well managed. Although we have recently seen some moderation in the unusual price volatilities of raw materials which have haunted the Group for the past year, we remain firm in our belief that only through continuing to raise our competitiveness and to pass on the increased costs to the market, we can overcome the fundamental problems facing us. The management has taken action to further improve its management structure and its operations in areas such as effectively lowering operational costs, maximizing its advantages in procurement and logistics, as well as increasing efforts in research and product development. We expect that the results of these efforts will be realized over the next few years, and are accordingly confident that within the next two years, the Group's profitability should return to more satisfactory levels. I would like to take this opportunity to sincerely thank all our employees for their dedicated hardwork and their contributions, and to thank all our partners for their support and their continued confidence in us.

SPECIAL DIVIDENDS

Despite the less-than-satisfactory results for the period under review, we remain optimistic about the Group's future development outlook, and the Board has recommended an interim dividend of HK8.0 cents per share. At the same time, after due consideration of the Group's demand for funds for future growth, the Board has recommended a special dividend of HK4.0 cents per share to celebrate the Group's 40th anniversary and also to maintain a steady dividend return to our shareholders. The Group further reiterates that there will be no changes to the policy to share the fruits of our success with our shareholders via the dividend policy to which we have adhered for many years.

THE RETIREMENT OF MR. GEORGE NG AS EXECUTIVE DIRECTOR AND HIS ELECTION AS NON-EXECUTIVE DIRECTOR

Mr. George Ng retired from his position as executive director on 1 July 2011, after 20 years of service with the Group. During this time, he has served the Group with dedication and distinction, and has made numerous contributions during the various phases of the Group's development. On behalf of the Board, I would like to thank Mr. George Ng sincerely for all his contributions, and at the same time I am delighted that he has accepted the appointment as a Non-executive Director of the Group as from the same date. I welcome his appointment and look forward to his continued service to the Group.

FORTIETH ANNIVERSARY OF THE FOUNDING OF THE GROUP

On the occasion of this 40th Anniversary year, we have summed up the experience of our notable journey and attributed it to three factors: (1) "Renhe" which refers to the harmony and common purpose of everyone involved; (2) The thirst for talent; and (3) Focus on the core business. Of these three factors, "Renhe" is the most important. It is my hope and my fervent wish that in future, Yip's Chemical will be known externally as a company which abides by the principles of humility, trustworthiness, and honouring its commitments. Internally, Yip's Chemical should be a company which cares for and respects its employees, and is happy to share with them the fruits of its success. As a token of the appreciation of the founding shareholders for the dedication and commitment of the employees in making this company successful, as well as to turn this appreciation into a continuing and deepening culture within the Company, I, together with Ms. Ip Fung Kuen and Mr. Stephen Yip, have decided to donate 4 million shares of the Company's stock to set up a "Yip's Care Extension Foundation". The fund will be managed by an independent committee set up by the employees, with its main source of revenue being the dividends from the shares. The first priority in distributing the fund is to assist the children of our employees in pursuing better education. In future, depending on circumstances, the types of assistance to employees may be expanded to other areas. Applications for subsidy in its first year of operation will be accepted in mid September this year. In future, the management committee of the fund will report to shareholders regarding the operation of the fund on a regular basis.

CEO'S STATEMENT - BUSINESS REVIEW

SOLVENTS

In the first half, the Group's solvents business performance can best be described as "fair". At HK$2,351,372,000, turnover grew by 23% compared to the same period last year, while operating profit reached HK$132,808,000, representing an increase of only 8%. During the period under review, raw material costs continued to be volatile. Oil prices rose significantly during the early part of this year, and the solvents business benefited from its ability to pass on the cost increases to the market in a timely manner. However, oil prices peaked in the second quarter, and selling prices for solvents declined along with raw material prices in the latter part of that period, resulting in margins being squeezed. Such volatilities also contributed to the slower growth in operating profit compared to revenues.

Growth in the solvents business is expected to continue, and the Group is confident that solvents turnover will double in the next five years. The upgrading of our existing production facilities have been completed in July, bringing our current capacity for raw solvents to 600,000 metric tons per annum. Moreover, the planned expansion in the area adjacent to our Taixing Plant is expected to be completed in two phases, with the final phase due for completion by 2014. These expansions will bring our total capacity to 900,000 metric tons per annum and should further improve our economy of scale and strengthen our dominant market position. At the same time, the Group is actively planning to expand the product range of our raw solvents business, with a view to developing new markets for our products.

COATINGS

During the first half, coatings recorded a turnover of HK$1,251,954,000, representing a growth of 16% over the same period last year. However, due to margin pressures coupled with cost increases, operating profit was only HK$18,401,000, which was a reduction of 31% from the same period last year. In retrospect, the operating challenges faced by the coatings business were even more severe than we had expected. Among the factors contributing to the stringent business environment were: inflationary pressures coupled with measures taken by the authorities to tighten money supply and reduce demand, leading to a slow down in demand growth and more intense competiton, as well as incessant increases in the cost of raw materials and operating costs. These factors have all brought tremendous pressures on the coatings industry. The Group's coatings business was not immune from these pressures. Thus, although growth continued for the coatings business, we were nevertheless affected by the increases in raw materials and operating costs, resulting in declines in gross and net margins and accordingly, the overall performance of the business.

However, the Group's long term confidence in the development of our coatings business remains unshaken by the challenges facing us at this time. Since the latter part of the second quarter, most raw material prices have shown signs of retreat, thus helping to alleviate the cost pressures. Moreover, the normal lagging effect of passing on the cost increases to the market has begun to take effect. Together with successes in cost reductions via improvements in product formulations, we have seen the early signs of margin improvements. At the same time, the Group has taken timely measures to reduce operating costs and to make necessary adjustments to our operating budget, which helped to relieve some of the pressures on our profit margins. The Group believes that, with the coatings businesses entering the traditional peak demand period in the second half, improvements in the performance of this business will be forthcoming.

Looking forward to the mid to long term future, the Group remains highly confident about the sustained growth of the coatings business. The vastness and the sustained growth of the domestic market in China gives the Group ample room for growth and development in both the industrial and household coatings markets. The increasingly stringent regulations in the coatings industry will surely lead to faster market consolidation. With its new world-scale plants, quality products and services, and a strong distribution network, the Group is in a good position to take advantage of its competitive advantages cumulated over the past years and turn them into market share gains, thus achieving its goal of doubling its turnover by 2014. At the same time, in order to meet the requirements for future business growth, the Group will continue to invest resources in brand management, expansion of its distribution network, capacity expansion and in product research and development. With regard to plant expansions, the expansion of the inks plants in Zhongshan and Tungxiang are both expected to be completed by the middle of next year, while the plant for post-printing varnish products in Tungxiang and the new coatings plant in Jinshan, Shanghai are both proceeding according to plan. At the same time, the Group R&D Centre in Zhangjiang, Shanghai will also become operational by the end of this year.

LUBRICANTS

During the period under review, both specialty lubricants and automotive lubricants recorded satisfactory growths. Total revenue reached HK$191,831,000, representing a growth of 21% over the same period last year. Operating profit reached HK$2,808,000, which, after accounting for last year's one-off exceptional profits arising from the acquisition of interest in the lubricants blending plant in Zhanjiang, is at a similar level to last year's performance. In June this year, the Group acquired all the minority interests in Yip's Pacific Limited. It is expected that this acquisition will contribute towards improving the operational efficiency of the business in future. In automotive lubricants, our efforts in developing the sales network and in stimulating sales have paid off, with double-digit growth in both turnover and sales volumes. We anticipate that anti-freeze sales will register a sales increase of more than 50% over last year. In order to meet the growing capacity needs for anti-freeze, the Group is planning to expand the production facility for this product to meet its growing requirements.

CORPORATE SOCIAL RESPONSIBILITY

As the Group's businesses continue to grow, not only do we treat Corporate Social Responsibility ("CSR") as part of our mission, we also see it as a worthy and long-term commitment. The Group seeks to mobilize various stakeholders, including employees, clients, suppliers and business partners, to join hands in fulfilling their social responsibilities and becoming a responsible corporate citizen. We incorporate the concept of sustainability into our business operations and management strategies in order to contribute to the sustainable development of the economy, society and environment, and play a more active role in taking on greater social responsibilities. In a bid to carry out social responsibilities more thoroughly and effectively, the Group takes the lead in understanding the community's needs in where we operate and listening to the local people's CSR requirements, so that each of our CSR initiatives can address the needs of the local communities and facilitate harmonious development of different aspects.

Helping the underprivileged groups is the effective channel to implement our motto "What comes from the community is to be used for the community". We have been supporting the Asian Foundation for the Prevention of Blindness, a non-profit organization in Hong Kong, for its China Mobile Eye Treatment Centre project for three years. The project is to provide surgeries for poor cataract patients in the remote areas of the Mainland to restore eye sight. To date, over 4,000 surgeries have been carried out, justifying the Group's unwavering efforts to promote a harmonious society.

Following the donation of the first mobile eye surgery centre to the Ningxia Hui Autonomous Region in 2008, the Group donated the second mobile eye surgery centre to Jiangsu Province in 2009 and the centre started serving cataract patients in the province in August 2010. In March this year the Group donated "Vision Restoration Centre No. 4" mobile eye surgery centre to Shandong Province, so as to help at least 1,500 cataract patients from six poverty-stricken counties this year, to restore their sight. Shandong Province is where the Group kicked off the flagship CSR programme "Yip's Chemical Ten-Year Donation Plan for Mobile Eye Surgery Centres", and this year marks the launch of this project. "Vision Restoration Centre No. 4" was also emblazoned with the purple iconic symbol of "Bauhinia Paints", a household paint brand of the Group. The Group hopes that the mobile eye surgery centre will serve its purpose in helping to restore the sight of cataract patients in Shandong Province, thus bringing brightness and hope to them.

To sustain its devotion to CSR, the Group has formed a volunteer team to channel its passion and encourage the staff of its subsidiaries, distributors and customers to contribute to society. Not only will the team promote voluntary services, care for and assist those in need, these efforts will also help to build a more harmonious society. The first mission of the volunteer team is to visit cataract patients in the Mainland and promote the prevention of blindness. The visit is expected to be held in September this year.

In addition to dedicating its efforts on the flagship CSR programme, the Group has actively participated in environmental protection activities such as charity walk and "Tree Planting Challenge" organized by the local environmental protection group, Friends of the Earth, in January and April this year respectively. The Group hopes to arouse its staff's attention to climate change, and take action to reduce carbon footprint while mitigating the effects of global warming.

This year is of particular significance to Yip's Chemical as it marks the 40th anniversary of its founding as well as the 20th anniversary of its public listing. To express the care and appreciation for its employees, the Chairman, Mr. Ip Chi Shing, the Deputy Chairman, Mr. Stephen Yip, and Ms. Ip Fung Kuen, donated 4 million shares of the Company's stocks to set up a "Yip's Care Extension Foundation" to subsidize the children of its employees in their education. For further details, please visit www.yipsCFF.com.hk.

The Group's enduring effort in promoting CSR has been gradually recognized and appreciated by external parties. In June this year, the Group was awarded the "2010 GoldenBee Honor Roll Listed Company Award" and "2011 Good Enterprise Fulfilling Corporate Social Responsibility Award". These awards manifested the support that we gained from different stakeholders in view of our CSR development in China. It also acts as a strong encouragement to us in further promoting CSR in the future.

Awards
Our continuous and effective efforts in maintaining high corporate governance standard and undertaking CSR has won us extensive recognition from society.

Corporate Governance Asia – "7th Corporate Governance Asia Recognition Awards 2011"
After last year's success, the Group scored once again this year at the "7th Corporate Governance Asia Recognition Awards 2011" presented by Corporate Governance Asia, one of the region's most authoritative journals focusing on corporate governance. The award recognizes companies' continuing commitment to the development of corporate governance in the region. Since its establishment 40 years ago, the Group has provided an open, ethical and fair business environment for all stakeholders. The Group will continue to thrive in corporate governance endeavors to lay a stronger foundation for its growth and success in the future.

Asiamoney - Prominent Ranking in Corporate Governance Poll 2010
The Group has achieved third place in "Best for Shareholders' Rights and Equitable Treatment" in the eighth annual Asiamoney Corporate Governance Poll for Hong Kong in 2010. This selection testifies to the Group's unrelenting efforts to fulfill its promises to the shareholders while ensuring transparency. Leveraging the booming domestic market in the Mainland, the Group is confident of achieving continued growth through enhancing economies of scale, brand development, sales network and R&D capability, thereby delivering fruitful returns continuously to the shareholders.

China WTO Tribune - "2010 GoldenBee Honor Roll Listed Company Award"
The Group has been awarded the "2010 GoldenBee Honor Roll Listed Company Award" by China WTO Tribune. This award is a social responsibility selection activity that was launched in 2007 by China WTO Tribune to promote the development of CSR in the Mainland. Leveraging on unwavering commitment and dedication to good corporate citizenship, the Group managed to outcompete various award participants to become a role model in fulfilling corporate social obligations.

"2011 Good Enterprise Fulfilling Corporate Social Responsibility Award"
The Group has garnered another significant CSR award in the Mainland "2011 Good Enterprise Fulfilling Corporate Social Responsibility Award", which is co-organized by different organizations including China Association of Enterprises with Foreign Investment, China Foundation of Consumer Protection, Chinese People (Private) Business Organization and China Forum of Environmental Journalists. The purpose of this award is to recognize enterprises' achievements in areas of corporate governance and ethical value, protection of employment, rights and interests of staff, environmental protection, energy conservation and emission reduction, and good public image.

Hong Kong Council of Social Service - "Caring Company" logo for Fifth Consecutive Year
Since 2006, the Group has been awarded the "Caring Company" logo by the Hong Kong Council of Social Service for five consecutive years. This achievement serves as recognition for the continuous efforts of the Group in this area. The Group continues to positively influence society and care for the well-being of its staff and their families. At the same time, the Group promotes environmental protection and integrates sustainable development principles into practice.

LIQUIDITY AND FINANCIAL RESOURCES

The Group will continue to implement prudent financial management policy and closely monitor its gearing ratio within acceptable level during expansion. As at 30 June 2011, the Group's gearing ratio (measured by net bank borrowings as a percentage of equity attributable to owners of the Company) was 27.3% (31 December 2010: 14.9%). The increase in gearing ratio was mainly attributable to the Group's additional long-term bank loans 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 banker's acceptances (bills receivables) as compared to the market practices in Southern China. The Group will continue to monitor its liquidity and adopt necessary measures to manage lengthened cash collection cycle.

As at 30 June 2011, the gross bank borrowings of the Group amounted to HK$1,537,021,000 (31 December 2010: HK$1,237,261,000). Out of this amount, HK$966,188,000 (31 December 2010: HK$945,428,000) were short-term loans and repayable within one year. Such loans were denominated in two currencies, namely HK$632,597,000 in Hong Kong Dollar and HK$333,591,000 in US Dollar (31 December 2010: HK$616,226,000 in Hong Kong Dollar, HK$315,828,000 in US Dollar and HK$13,374,000 in Renminbi). Long-term loans repayable after one year amounted to HK$570,833,000 (31 December 2010: HK$291,833,000) 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 30 June 2011, the short-term bank deposits, bank balances and cash of the Group amounted to HK$884,359,000 (31 December 2010: HK$895,491,000), resulting in net bank borrowings of HK$652,662,000 (31 December 2010: HK$341,770,000).

As at 30 June 2011, a total of 11 banks in Hong Kong, Macau and PRC granted banking facilities totaling HK$3,992,983,000 (31 December 2010: HK$2,819,013,000) to the Group and provided sufficient funds to meet its present working capital and expansion. 70%, 16% and 14% of these banking facilities were denominated in Hong Kong Dollar, Renminbi and US Dollar respectively. The Group's plan to arrange 5-year bilateral long-term loans proceeded smoothly, in which HK$1,150,000,000 were secured at competitive interest rates. Part of these loans were drawn down to meet the current capital expenditure and working capital requirements.

Since some of the borrowings of the Group carry interests at floating rate, our funding costs are subject to interest rate fluctuation. With quantitative easing measures by the United States to help recovery of its economy in the period under review, hot money continued to remain in Hong Kong. The three months or shorter Hong Kong Dollar inter-bank interest rate was still kept at a very low level and benefited the Group in reducing its borrowing costs. With the increase in long-term bank loans and current low interest environment, the Group has entered into interest rate swap contracts for the above-mentioned 5-year bilateral long-term loans drawn to hedge against interest rate fluctuation. Besides, the Group is exposed to Renminbi exchange rate risk as the Group's assets are mainly located in 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 of 30 June 2011, the total number of employees in the Group is 4,974. 139 of the employees are from Hong Kong and Macau and 4,835 of the employees are from provinces within China.

The Group places great emphasis on the management of human capital. The employees are encouraged to strive for improvement through internal and external training program, on-the-job training and participation in the Group's educational subsidies, allowing for self-development in knowledge and skills and to maximize their potential in their work. We offer excellent platform for development of highly committed and capable employees, 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. Besides the focus of developing employees internally, the Group seeks to attract talent from outside and also recruit top graduates from the best tertiary institutions in Hong Kong, in the Mainland China, and abroad and provide them with training and development opportunities. The Management Trainee Program has been implemented for many years. Management trainees have demonstrated excellence 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 Head of functional department.

The Group offers a challenging work environment, sets up different programs to motivate employees to strive for improvement and to upgrade their skills in order to sustain the development of business. From time to time, the Group will make reference to market trends in remuneration policy, providing reasonable and competitive compensation and benefits. This includes basic salary, performance-based bonus and share options to attract and retain talents.

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

During the six months ended 30 June 2011, 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 June 2011, the Company has complied with the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the deviation from Code provision A.5.4 in relation to the compliance of the Model Code as mentioned in the paragraph headed "Model Code for Securities Transaction by Directors" below.

The following changes occurred since 1 January 2011 :-

(1) Mr. Ho Sai Hou, chief financial officer of the Company, was appointed as an executive director of the Company on 1 January 2011;

(2) Ms. So Sze Wan, Lisa was appointed to replace Mr. Ng Siu Ping as the company secretary of the Company on 1 April 2011; and

(3) Mr. Ng Siu Ping retired as an executive director of the Company and was re-designated as a non-executive director of the Company on 1 July 2011.

AUDIT COMMITTEE

The Audit Committee was formed in November 1998 and comprises of two Non-Executive Directors and four Independent Non-executive Directors, and is chaired by Mr. Wong Kong Chi. In July this year, the board of directors appointed Mr. Ng Siu Ping, a non-executive director of the Company, as a member of the Audit Committee. 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 23 August 2011 to review the Group's unaudited interim financial statements for the six months ended 30 June 2011. 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 June 2011, 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") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange as its own code of conduct regarding Directors' securities transactions. On 15 March 2011, Mr. Li Chak Man, an independent non-executive director of the Company, sold and purchased shares of the Company, 4,000 each time. As those sale and purchase occurred during the black-out period which constituted non-compliance to the Model Code, Mr. Li promptly reported such inadvertence to the Stock Exchange on 16 March 2011. Having reviewed and considered the submission and the background of the case, the Stock Exchange confirmed that no disciplinary action would be taken against Mr. Li for the said non-compliance. After making specific enquiry, all directors of the Company have confirmed that, save for the incident described above, they have fully complied with the required standard set out in the Model Code during the six months ended 30 June 2011.

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 June 2011, 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

		Six months ended	
		30.6.2011	30.6.2010
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
Turnover	3	**3,768,244**	3,154,809
Cost of sales		**(3,249,022)**	(2,612,238)
Gross profit		**519,222**	542,571
Other income	4	**58,581**	49,872
Other gains and losses	4	**35,299**	26,377
Selling and distribution expenses		**(156,836)**	(151,604)
Administrative expenses		**(296,527)**	(284,606)
Interest expense		**(10,352)**	(8,132)
Profit before taxation	5	**149,387**	174,478
Taxation	6	**(17,029)**	(29,728)
Profit for the period		**132,358**	144,750
Other comprehensive income (expense)			
Exchange differences arising on translation		**47,935**	43,816
Fair value change on hedging instruments designated in cash flow hedges		**(5,165)**	(639)
Total comprehensive income for the period		**175,128**	187,927
Profit for the period attributable to:			
Owners of the Company		**103,119**	116,245
Non-controlling interests		**29,239**	28,505
		132,358	144,750
Total comprehensive income attributable to:			
Owners of the Company		**138,630**	153,857
Non-controlling interests		**36,498**	34,070
		175,128	187,927
Earnings per share	8		
- Basic		**HK 18.6 cents**	HK 21.3 cents
- Diluted		**HK 18.5 cents**	HK 21.0 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30.6.2011 (Unaudited) HK$'000**	31.12.2010 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**1,032,319**	983,340
Prepaid lease payments		**122,722**	119,922
Goodwill		**71,462**	71,462
Intangible assets		**22,136**	25,178
Available-for-sale investment		**22,657**	22,200
Deposits paid for acquisition of property, plant and equipment		**40,676**	28,225
Other non-current asset		**4,600**	4,600
		1,316,572	1,254,927
Current assets			
Inventories		**979,223**	765,643
Trade and bills receivables	9	**2,140,968**	1,976,265
Other debtors and prepayments		**362,480**	232,305
Prepaid lease payments		**3,004**	2,926
Short-term bank deposits			
-with original maturity within three months		**3,776**	13,155
-with original maturity more than three months		**312,455**	336,599
Bank balances and cash		**568,128**	545,737
		4,370,034	3,872,630
Current liabilities			
Creditors and accrued charges	10	**1,299,967**	1,185,201
Taxation payable		**68,627**	94,310
Dividend payable		**55,496**	-
Dividend payable to non-controlling shareholder of a subsidiary		**-**	3,496
Derivative financial instruments		**4,211**	7,777
Bank borrowings - amount due within one year		**966,188**	944,369
Bank overdrafts		**-**	1,059
		2,394,489	2,236,212
Net current assets		**1,975,545**	1,636,418
Total assets less current liabilities		**3,292,117**	2,891,345
Non-current liabilities			
Derivative financial instruments		**7,183**	-
Bank borrowings - amount due after one year		**570,833**	291,833
Consideration payable for acquisition of additional interest in a subsidiary		**2,400**	-
Deferred tax liabilities		**8,538**	6,557
		588,954	298,390
		2,703,163	2,592,955
Capital and reserves			
Share capital		**55,496**	55,304
Reserves		**2,334,646**	2,241,843
Equity attributable to owners of the Company		**2,390,142**	2,297,147
Non-controlling interests		**313,021**	295,808
		2,703,163	2,592,955

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011

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 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 the same as those followed in the preparation of the Company's consolidated financial statements for the nine months ended 31 December 2010.

Due to change in the financial year end date of the Group from 31 March to 31 December in 2010, the condensed consolidated financial statements for the current period cover the six months till 30 June 2011. The corresponding unaudited comparative amounts shown for the condensed consolidated statement of comprehensive income and the relevant explanatory notes cover the comparable six months ended 30 June 2010 in order to be consistent with current period's presentation.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendments)	Classification of rights issues
HK(IFRIC)* - INT 14 (Amendments)	Prepayments of a minimum funding requirement
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments

*IFRIC represents the IFRS Interpretations Committee.

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements.

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

HKFRS 7 (Amendments)	Disclosures - Transfers of financial assets[1]
HKFRS 9	Financial instruments[2]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[3]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[4]
HKAS 19 (Revised 2011)	Employee benefits[2]
HKAS 27 (Revised 2011)	Separate financial statements[2]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2012

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. Specifically 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.

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

The five new or revised standards on consolidation, joint arrangements and disclosures including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (Revised 2011) and HKAS 28 (Revised 2011) were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year beginning on 1 January 2013 and are in the process of assessing the impact.

Other than those disclosed above, the directors of the Company anticipate that the application of the other new and revised standards will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

For management purposes, the Group's operations are currently grouped into the following business divisions, namely solvents, coatings, lubricants and other businesses. These divisions are the basis on which the Group reports its operating segment information to the Chief Executive Officer, the Group's chief operating decision maker ("CODM").

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 result represents the profit earned or loss incurred by each segment without allocation of interest 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 CODM, 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$'000	Reportable segment total HK$'000	Other businesses HK$'000	Elimination HK$'000	Consolidated HK$'000
Six-months ended 30 June 2011							
Segment revenue							
External sales	**2,300,613**	**1,251,954**	**191,831**	**3,744,398**	**23,846**	**-**	**3,768,244**
Inter-segment sales	**50,759**	**-**	**-**	**50,759**	**-**	**(50,759)**	**-**
Total segment revenue	**2,351,372**	**1,251,954**	**191,831**	**3,795,157**	**23,846**	**(50,759)**	**3,768,244**
Results							
Segment result	**132,808**	**18,401**	**2,808**	**154,017**	**436**	**806**	**155,259**
Fair value change on derivative financial instruments							**(2,049)**
Unallocated income							**20,893**
Unallocated expenses							**(14,364)**
Interest expense							**(10,352)**
Profit before taxation							**149,387**

	Solvents HK$'000	Coatings HK$'000	Lubricants HK$'000	Reportable segment total HK$'000	Other businesses HK$'000	Elimination HK$'000	Consolidated HK$'000
Six months ended 30 June 2010							
Segment revenue							
External sales	1,846,883	1,081,718	157,908	3,086,509	68,300	-	3,154,809
Inter-segment sales	57,318	-	-	57,318	-	(57,318)	-
Total segment revenue	1,904,201	1,081,718	157,908	3,143,827	68,300	(57,318)	3,154,809
Results							
Segment result	123,464	26,773	13,785	164,022	1,109	1,714	166,845
Fair value change on derivative financial instruments							4,938
Unallocated income							19,200
Unallocated expenses							(8,373)
Interest expense							(8,132)
Profit before taxation							174,478

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

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30.6.2011 HK$'000	30.6.2010 HK$'000
The Group's other income mainly comprises:		
Bank interest income	**6,832**	6,829
Compensation for early termination of operating lease (Note)	**21,515**	-
Dividend income from available-for-sale investment	**8,590**	6,742
Government grants recognised	**5,126**	10,830
The Group's other gains and losses comprise:		
Fair value (loss) gain on derivative financial instruments	**(2,049)**	4,938
Gain (loss) on disposal of property, plant and equipment and prepaid lease payments (Note)	**10,600**	(3,956)
Net exchange gain	**26,748**	25,395

Note:
Pursuant to an agreement entered into with an independent third party in April 2011, the Group disposed of certain properties, including plant and office buildings, in the Mainland China and recognised gain on disposal of property, plant and equipment and prepaid lease payments of HK$11,152,000 for the period. In addition, the Group received a compensation of HK$21,515,000 pursuant to another agreement entered into with the same independent third party (the "Landlord") in April 2011 as the Landlord would like to early terminate an operating lease agreement in respect of a land leased to the Group located in the Mainland China.

5. PROFIT BEFORE TAXATION

	Six months ended 30.6.2011 HK$'000	30.6.2010 HK$'000
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**3,219**	2,276
Depreciation of property, plant and equipment	**39,299**	35,601
Release of prepaid lease payments	**1,789**	1,537

6. TAXATION

	Six months ended 30.6.2011 HK$'000	30.6.2010 HK$'000
The charge comprises:		
Current tax - Hong Kong		
Current period	**310**	388
Underprovision in prior periods	**95**	1,649
	405	2,037
Current tax - Mainland China		
Current period	**27,370**	27,718
(Over)underprovision in prior periods	**(12,727)**	192
	14,643	27,910
	15,048	29,947
Deferred taxation		
Current period	**1,981**	(219)
	17,029	29,728

Hong Kong Profits Tax has been provided at the rate of 16.5% of the assessable profit for the period under review.

Enterprise income tax ("EIT") in Mainland China has been provided at 25% or at concession rate entitled to the group entities.

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. Also, certain subsidiaries are entitled to High and New Technology Enterprise Status which applicable income tax rate is 15%. EIT of Mainland China has been provided for after taking these tax incentives into account.

Deferred taxation on undistributed profits of subsidiaries has been recognised taking into accounts the dividends to be distributed from profits earned by certain subsidiaries in Mainland China starting from 1 January 2008 under the Implementation Regulation of the EIT Law of Mainland China that requires withholding tax with tax rate ranging from 5% to 10% upon the distribution of such profits to the shareholders. Deferred taxation has not been recognised in respect of certain undistributed retained profits earned by the subsidiaries in the Mainland China starting from 1 January 2008 amounting to HK$1,251,559,000 (31 December 2010: HK$1,150,726,000) as the directors are of the opinion that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

7. DIVIDENDS

During the period, a final dividend of HK10.0 cents per share in respect of the nine months ended 31 December 2010 amounting to HK$55,496,000 was approved by the shareholders in the annual general meeting on 28 June 2011. For the six months ended 30 June 2010, final dividend of HK20.0 cents per share in respect of the year ended 31 March 2010 amounting to HK$110,211,000 has been proposed by the directors on 29 June 2010 and was subsequently approved by the shareholders in the annual general meeting on 9 September 2010.

Subsequent to 30 June 2011, the directors resolved to declare an interim dividend of HK8.0 cents per share and a special dividend of HK4.0 cents per share totalling not less than HK$66,000,000 for the six months ended 30 June 2011. The interim dividend and special dividend are payable on 18 October 2011 to the shareholders of the Company whose names appear on the Company's register of members on 10 October 2011.

8. 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	
	30.6.2011	30.6.2010
	HK$'000	HK$'000
Earnings for the purposes of calculating basic and diluted earnings per share	**103,119**	116,245
	Number of shares	
	'000	'000
Weighted average number of shares for the purpose of calculating basic earnings per share	**553,613**	544,895
Effect of dilutive potential ordinary shares:		
Share options	**3,999**	7,638
Weighted average number of shares for the purpose of calculating diluted earnings per share	**557,612**	552,533

9. TRADE AND BILLS RECEIVABLES

	30.6.2011 HK$'000	31.12.2010 HK$'000
Trade receivables	**1,420,090**	1,340,393
Bills receivables	**720,878**	635,872
	2,140,968	1,976,265

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

	30.6.2011 HK$'000	31.12.2010 HK$'000
0 - 3 months	**1,255,649**	1,148,182
4 - 6 months	**150,522**	183,425
Over 6 months	**13,919**	8,786
	1,420,090	1,340,393

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 are issued to or endorsed to the Group and are due within six months from the date of issuance.

10. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of HK$1,033,744,000 (31 December 2010: HK$863,801,000), the aged analysis of trade creditors at the end of the reporting period based on the invoice date is as follows:

	30.6.2011 HK$'000	31.12.2010 HK$'000
0 - 3 months	**971,173**	823,007
4 - 6 months	**53,490**	35,529
Over 6 months	**9,081**	5,265
	1,033,744	863,801

11. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

During the period, the Group acquired an additional 40% equity capital of Yip's Pacific Limited ("Yip's Pacific") for a cash consideration of HK$16,000,000 and Yip's Pacific became a wholly-owned subsidiary of the Group after the acquisition. The difference of HK$3,285,000 between the adjustment to non-controlling interests of Yip's Pacific amounting to HK$19,285,000 and the consideration of HK$16,000,000 has been recognised directly in equity and the translation difference of HK$8,384,000 included in the carrying value of the non-controlling interests of Yip's Pacific was transferred to translation reserve attributable to owners of the Company.

INTERIM DIVIDEND

The directors have declared an interim dividend of HK8.0 cents per share for the six months ended 30 June 2011 (six months ended 30 September 2010 : HK12.0 cents per share) and a special dividend of HK4.0 cents per share for the six months ended 30 June 2011 (six months ended 30 September 2010 : nil). The interim dividend and special dividend are payable on 18 October 2011 to shareholders whose names appear on the Register of Members of the Company on 10 October 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 6 October 2011 to 10 October 2011 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend and special 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 4 October 2011.

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 2011 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
Chairman

Hong Kong, 30 August 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. Ting Hon Yam and Mr. Young Man Kim are executive directors of the Company, Mr. Tong Wui Tung and Mr. Ng Siu Ping are non-executive directors 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.