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 YEAR ENDED 31 DECEMBER 2014

HIGHLIGHTS

	For the year ended 31 December 2014 (audited)	For the year ended 31 December 2013 (audited)	% Change
Turnover	HK$10,255,839,000	HK$ 9,876,033,000	+4%
Net profit attributable to owners of the Company	HK$223,182,000	HK$ 250,622,000	-11%
Earnings per share	HK 39.7 cents	HK 44.6 cents	-11%
Final dividend	HK 15.0 cents	HK 15.0 cents	-
Dividend for the year	HK 25.0 cents	HK 25.0 cents	-
Gearing ratio *	58.1%	46.7%	+11.4% points

** Measured by net bank borrowings as a percentage of equity attributable to owners of the Company as of 31 December*

CHAIRMAN'S STATEMENT - REVIEW & PROSPECTS

I am pleased to present to all shareholders an overview business of Yip's Chemical Holdings Limited (the "Company") and its subsidiaries (collectively "Yip's Chemical" or the "Group") in 2014. During the period, as the Renminbi (RMB) exchange rate bucked the trend of many years and dropped while demand from the sluggish mainland market decreased, sales of the Group were negatively impacted. Though turnover exceeded the preset medium-term target of HK$10 billion to reach a record high of HK$10,255,839,000, year-on-year growth was a mere 4%, the lowest in recent years. In terms of total product sales tonnage, growth was 7% and lower than the 12% registered in the previous year. In the year, profit attributable to owners of the Company was HK$223,182,000, down by 11% from the same period last year. Additionally, because international oil price had been on a continuous steep decline since the second half of last year, the Group had to make a conservative one-time provision for impairment for certain raw materials and stock at year-end closing. On the other hand, as a way to boost competitiveness of the coatings business, the Group carried out strategic consolidation of several related core businesses to form a coatings group of considerable size and synergies. This group has been in formal operation since 1 January 2015. All along, the Group has been adhering steadfastly to the principle of sound and prudent financial management. In the year, against a backdrop of exceptionally harsh operating environment, we endeavoured to strike a decent balance among developing business, seeking business opportunities, keeping account receivables under strict control and making capital investments. As a result, the Group was able to maintain a healthy gearing ratio of 58.1%. Therefore, in accordance with the Group's long-held dividend policy of actively rewarding shareholders by offering them steady returns, the Board of Directors has, after comprehensive assessment, resolved to declare a final dividend of HK15 cents per share. Together with the interim dividend of HK10 cents per share, this will give a final dividend of HK25 cents per share for the whole year, the same as in the previous two years.

REVIEW

With the exception of the US, global economy has stayed lacklustre in the financial year under report. In Europe, because of the sharp decline of the euro exchange rates, demand in the consumer market has been weak and buying sentiments greatly reduced. The mainland market, which is closely tied to the prospects of the Group's businesses, has also been under severe stress: the Purchasing Managers' Index (PMI), which tracks manufacturing activities, has been hovering around the cut-off point of 50 for a long time. Though Gross Domestic Product (GDP) growth rate has attained expected target, it is the weakest one since the financial crisis of 2008. In the period, the fact that monetary supply had fallen far short of social financing demand reflected the central government's determination to continue tightening money supply had not wavered. Double-hit by the weak demand of various sectors and credit shortage, investment incentives declined substantially. As export markets plummeted, domestic demand softened and the downturn risks of China's economy rose markedly, production overcapacity was acute and competition among industry players became more intensive. In view of the extremely unstable market situation, the executive team of the Group adopted a number of more measured sales strategies to control risks, and this inevitably affected the Group's sales performance for the year.

After the first half of the year, the Group was still plagued by the continued decline in the RMB exchange rate and thus it recorded an exchange loss of approximately HK$41,388,000 for the whole year, whereas in the previous year, an exchange gain of approximately HK$37,468,000 was recorded. Though the exchange loss did not constitute an unfavourable impact on the Group's real business performance and cash flow, it was nevertheless one of the major factors contributing to the Group's inferior results this year compared with the previous year. As the Group was also determined to expand its coatings business, during the period it had integrated the businesses of household and architectural coatings, industrial coatings and resins into a new coatings group. In the process, one-off special related consolidation charges were reflected during the year, constituting another major factor affecting the overall results of the Group.

PROSPECTS

It is expected that the operating environment this year will still be harsh and full of challenges. With the strengthening of the Islamic State and the continued military conflicts between Russia and Ukraine, regional political unrests may intensify. Other factors of uncertainties to the Group's operation this year include the sliding of the euro, debt default risks, the volatility of international oil prices and the RMB exchange rate, and particularly the fact that the downturn of the mainland economy has already become a foregone conclusion. Overall, the Group will confront difficulties more actively. The better to seek bigger business opportunities under adverse conditions, we will remain prudent in developing our businesses, step up risk prevention efforts and raise our competitiveness continuously by adopting a people-oriented approach.

This year, though China has lowered its economic growth target and will continue to experience downturn pressure, it is still a market with the most vibrancy and the most business opportunities in the world today. Having set root in China for many years and having prepared itself accordingly, the Group should be able to enjoy the fruit of the country's economic boom continuously. After consolidation, the Group's various core businesses are having more streamlined structures and their market positioning is clearer, so integration benefits and synergies should surface gradually. Meanwhile, through the series of optimising measures implemented in recent years, the overall competitive strengths of these core businesses have been enhanced constantly in order that they can rise up to the inevitable challenges of competitors during business expansion. Since the various strategies and measures deployed for achieving the preset medium and long-term targets of the Group's core businesses are now being carried out in an orderly manner, the Group is cautiously optimistic that it will achieve better results this year.

While the Group is responding to the mainland market's overall trend of actively developing water-based eco-friendly products to replace and eliminate solvent-based ones, it is also paying attention to improving the work conditions of its employees. Meanwhile, investments in the Group's flagship corporate social responsibility project, the donation of mobile eye surgery centres, have been increasing from year to year according to plans. With the stationing of the sixth mobile surgery centre in Shanxi this year, it is expected that at least 12 such mobile centres will be donated by the Group by 2020. The Group will review the operations of these mobile centres periodically so as to offer corresponding help to ensure that they are operating with optimal efficiencies. On another front, under the promotion and planning of the Group Corporate Communications Department, the number of corporate volunteers, the number of volunteering service hours and the number of community activities in environmental protection, energy conservation and the caring of disadvantaged groups have all been increasing from year to year. These meaningful activities not only serve to embody the Group's business philosophy, but also allow participating employees a chance to share the joy of helping people and carrying out social responsibility.

I would like to take this opportunity to thank the Board of Directors for its leadership — its various committees have all made excellent contributions towards the Group's sound corporate governance and sustainable operations by fully exercising their functions. I am grateful to the executive team for its solidarity, for being innovative and for rising to challenges in bringing the Group steadily forward. I thank our customers, business partners, bankers and suppliers for their support and trust. I would also like to extend my heartfelt gratitude to all the staff of the Group for their dedication and hard work.

IN DEEP MEMORY OF MR. AU-YEUNG TSAN PONG, DAVIE

Mr. Au-Yeung Tsan Pong, Davie, an independent non-executive director of the Company, passed away on 16 March 2014.

Mr. Au-Yeung Tsan Pong, Davie started to serve as an independent non-executive director of the Company in 2004 and later assumed the chair of the Remuneration Committee of the Company. During his service, he had contributed outstandingly in optimising the Group's comprehensive corporate governance and human resources policy. For this we will forever be grateful to and in deep memory of him.

REPORT OF THE CHAIRMAN OF THE GROUP EXECUTIVE COMMITTEE

In the year under report, sales of the Group attained the HK$10 billion milestone for the first time by reaching HK$10,255,839,000 while profit attributable to owners of the Company was down 10.9% to HK$223,182,000. In contrast to the same period in last year, there were five special key factors affecting profits in 2014:

1. Dividend payout from an available-for-sale investment (Lomon Corporation) was HK$66,252,000, an additional HK$34,713,000 from a year before;
2. A net income before taxes of HK$63,487,000 from sale of shareholding in Lomon Corporation;
3. The depreciation of RMB brought about an exchange loss of HK$41,388,000, whereas an exchange gain of HK$37,468,000 was recorded in the previous year;
4. Because of the oil price decline, the solvents division made a provision for impairment of HK$28,814,000 for its goods in stock and raw materials; and
5. The coatings division had made an one-off expenditure of HK$20,768,000 for plants consolidation.

In the year, operating environment was harsh, market was sluggish while oil price dropped precipitously, so the prices of major materials as well as products fell to one degree or another. Total product sales tonnage grew 7% year on year, but sales turnover in dollar grew only by 4%.

The reports of the Group's three main business segments are given as follows:

SOLVENTS

Turnover in the year grew 7% on the year to hit a new high of HK$6,575,516,000 and contributed an operating profit of HK$226,657,000. Operating profit after excluding exchange difference was down slightly by 1.6% from the same period last year. Thanks to increased demand for eco-friendly solvents, sales tonnage of acetates, the Group's flagship products, still maintained a strong momentum and grew as much as 6%. Though prices fell as a result of the sharp drop in oil prices towards the end of the year, operating profit for this mainstay business still rose slightly, indicating that the overall competitiveness of these products could weather tough times.

The sales volume of butyl acrylate, another product under the solvents division, reached the expected target of 63,000 metric tons. Due to the year-end round of drastic drop in raw material prices, however, there was the need to make provision for inventory impairment. As a result, the product recorded a slight gross loss for the year, which in turn dragged down the gross profit margin of the solvents division to a certain extent.

Two new developments that appeared in the China market were:

1. Acetate players were contracting and fading out from the market;
2. New capacities for butyl acrylate continued to come online, compounding the problem of oversupply.

After assessing these new situations, the management necessarily unrolled some appropriate measures including:

(i) Speed up construction of the new 300,000-metric ton acetate production line in the Taixing plant in Jiangsu to target for commissioning in the second quarter of 2015. The aim is to bring total capacity to over one million metric tons as a way to allow further increases in sales for this product line and to spare room for developing other higher value-added acetate products.
(ii) The butyl acrylate business will be run more cautiously this year. The main consideration is to ensure that this product line will not generate any loss and will produce synergies with acetates, the division's central business.
(iii) R&D investment in the above two product lines will be expanded this year to improve production equipment gradually so as to bring in higher gains and better effects in energy and material saving.

COATINGS

The sales revenue in the year was HK$3,350,517,000, which was a slight decrease from the same period in the previous year. The main cause was the drop in selling prices due to decreases in raw material prices. Sales volume still grew 4% while an operating profit of HK$95,300,000 was registered. Operating profit after excluding exchange difference was down 14.1% from the same period in the previous year due to the one-off expenditure in plants consolidation.

Given below are the business situations of the division's two major product lines — household and industrial coatings as well as inks:

Household and industrial coatings

Total sales volume still grew, but overall sales turnover was dragged down by the increased sales of water-based coatings of lower unit prices. Meanwhile, insignificant sales growths in oil-based coatings and industrial coatings had pulled down the overall rate of capacity utilisation, so even as the new Jinshan factory was on stream, the economy of scale it was supposed to bring about was not yet apparent.

The key achievement in the year was the successful establishment of the Bauhinia Coatings Group. Structurally, three former subsidiaries (Bauhinia Paints, Hang Cheung Industrial Coatings and Da Chang Resins) were consolidated to create the Bauhinia Coatings Group. In the process, specialists in the industry were recruited to join the existing elites from the three subsidiaries to form a new management core team which assumed full responsibility officially on 1 January 2015. The new organisation structure and new team will put the coatings group on a new footing. It is expected that synergies and brand complementation benefits from the integration of technologies, sales, procurement, logistics and production would emerge gradually in the years to come and will give a strong impetus to the development of the coatings business.

Looking forward to 2015, the new coatings group will implement a series of energising marketing activities and launch its linchpin products. It will also grab the market aggressively in order to establish a sharp brand image among China's colossal young consumer groups.

Inks

Hampered by feeble domestic demand and isolated food safety scares, sales volume of food packaging inks remained flat, resulting in an unusual drop in turnover in dollar of 4%. Meanwhile, with the popularity of digital media, market demand for offset inks used in paper printing was slowed down, making competition in the industry all the more severe.

In addressing the above situations, management of the inks group has set out a number of improvement measures including the following:

(i) Under anaemic market conditions, raw material prices may hover at such low levels as to allow continuous modest rises in the gross profit margin of the business. This is favourable for striving sales growth.
(ii) In adjusting to the environmental conscience trend now coursing through China, alcohol soluble and water-based inks will be introduced for the first time into the market for seizing preemptive advantage over competitors.
(iii) Following the acquisition and revamping of the Huacai Resins plant last year, the inks group will further work on the coordinated production of upstream and downstream materials and products to effect a major improvement in cost structure.

In all, the key objective of the coatings division in 2015 is to fulfil its annual profit target. It will review on a monthly basis two factors critical in achieving this target. First, it will fully utilise its available capacity and obtain surplus benefits through drastic increases in sales. Second, even though expenditure was under control last year, there is still room for further tightening, so it is imperative that the expense ratio is lowered every year.

LUBRICANTS

In the year, turnover was HK$431,837,000, down 7% from the same period in the previous year. Beset by dismal demand in China, turnover fell short of management expectation while operating profit decreased markedly year-on-year. Operating profit after excluding exchange difference was a mere HK$652,000. In the annual review meeting just ended recently, management all agreed that the business was under difficulties and we could not afford to wait passively for a market upturn. Instead, we will make serious efforts in two areas: adjust sales strategies and minimise costs and expenses in every way possible.

To summarise, 2014 was a tough year. Though operating profit was slightly below management's target and expectation, expenses were under control and capped, so it could still be regarded as a year with achievements. The successful establishment of the coatings group signified that the consolidation of resources in the last couple of years had come to an end for the time being. On the tailwind of the popularity of water-based products, management believes that, as long as we can adhere to the Group's three main pillars of growth: economies of scale, branding and R&D investments, coupled with taking a sales-oriented approach, minimising expenses and raising earnings ratio continuously, our businesses will grow steadily, sustainably and healthily.

RESEARCH AND DEVELOPMENT

Yip's Chemical always strives to raise the quality of its various products and is relentless in developing new ones, so much so that product research and development (R&D) is regarded as one of the mainstays of the Group's future expansion. As early as 2011, it had set up an R&D Centre in Shanghai Zhangjiang Hi-tech Park (the "Centre"). Subsequently, in June 2013, it acquired this R&D building. The Centre now boasts an elite team of professionals and an array of advanced trial production equipment and precise testing instruments. Through stringent scientific management, the Centre ensures the reliability and quality of new products.

The Group's R&D personnel are active in developing innovative products to further enhance the long-term competitiveness of the Group. As of year end of 2014, the Centre and the technical departments of all subsidiaries have been granted 107 patents by China's State Intellectual Property Office. Moreover, in 2014 the Centre applied to the "Shanghai Little Giant Science and Technology Projects 2014" jointly run by Shanghai Municipality Science and Technology Commission and Shanghai Municipal Commission of Economy and Informatisation and successfully registered as a "Shanghai Little Giant Science and Technology Incubation Enterprise". In this capacity, it will be given support in developing key innovative technologies and business models to promote integration of new technologies, new models and new industry developments. This new status highlights the competitive edge of the Centre which will be instrumental in continuously enhancing the Group's technological innovation capability.

As market homogenisation increases, the development of new products that meet market needs would be vital to the survival and future expansion of an enterprise. The Group is fully confident that, in the next three to five years, the Centre will become a renowned R&D base in chemical technology in mainland, through which better synergies will be created for existing businesses.

CORPORATE SOCIAL RESPONSIBILITY

In its constant striving for higher business performance and sustained development, Yip's Chemical is also committed to reciprocating society and helping the underprivileged so as to strike a balance between the two endeavours. The Group takes it as its responsibility to undertake corporate social responsibility (CSR) and sees CSR as a long-term worthy commitment. It is also committed to incorporating the concept of sustainable development into its business operations and management processes to better achieve an all-win situation and comprehensive development for the economy, society and the environment.

WORKPLACE PRACTICES

Safety First

Since its inception in 2012, the Group Health, Safety and Environment Committee (the "Group HSE Committee") has been raising the Group's performance in health, safety and environment (HSE) continuously while striving to safeguard the health and safety of its staff and various stakeholders in its operations. In the year, the Group HSE Committee reviewed and revised the Group's HSE Policy. Related key systems, terms of reference and guidelines were elucidated so that HSE targets and criteria become more specific and the HSE Policy conforms to people-centred principles. The Group HSE Committee held a meeting once every quarter to discuss and review the safety and health status of the Group and its subsidiaries. Members of the Group HSE Committee also carried out safety inspection in three plants during the year.

Set up in 2010, the Health, Safety and Environment Department (the "HSE Department") is mainly responsible for supervising health and safety matters within the Group and in all subsidiaries. The HSE Department carries out factory safety inspections on a regular basis. Last year, a total of 23 inspections were conducted, followed by the giving out of recommendations and corrective action requests to the factories visited.

Safety Training

Certain production personnel in the Group have to undergo occupational health checks on a regular basis to ensure that they are healthy. All factories are also required to report periodically their safety prevention measures and hours of safety training conducted. Last year, 114,864 hours of HSE related trainings were carried out by the Group and its subsidiaries.

Staff Development and Welfare

It is the conviction of Yip's Chemical that personnel are an important factor in maintaining the competitiveness and vitality of a corporation. For this, it regards employees as its lifeblood and their training and caring are of crucial importance.

As a way to support staff training and development, the Group is offering Yip's Management Training Programme (the "Programme") to provide its management personnel with the necessary skills and knowledge to enhance their everyday work efficiency. At the same time, the Programme boosts management skills and functional knowledge commonly used by these personnel in order to support the long-term development of the Group's businesses. These skills and knowledge are provided through four modules, namely the New Managers Module, the Core Management Competence Module, the Specialist Functions Module and the Leadership Module. In 2014, the Programme provided in total 2,848 hours of training in sales, target management, leadership, team building, time management and R&D skills to 393 employees of subsidiaries.

The Group is also active in organising training activities aimed at building and boosting team cohesion. In the year, 268 group and subsidiary staff participated for the first time in the Hangzhou International Marathon. Through various team building games and competitions, employees were able to strengthen communication among themselves and increased their sense of belonging to the Group.

The independently-run Yip's Care Extension Foundation (the "Foundation") was set up in 2011 by three founding shareholders of the Group through the donation of four million shares of Yip's Chemical. It has since been independently managed by a management committee formed by professionals from different disciplines within the Group. In addition to helping the descendants of needy employees receive better and higher education, the Foundation also wants to offer more benefits to every retiring employee.

The scope of sponsorship covers full-time vocational secondary school and senior secondary school education as well as junior college and undergraduate programmes. Eligibility for both Hong Kong and mainland employees is that the salary of an applicant should not exceed 3.5 times the local minimum wage. In 2014, all mainland sponsorships were reckoned in RMB instead of Hong Kong dollars. With sponsorship amount figures remaining the same, this means that sponsorship level in the mainland has been raised by more than twenty percent.

In addition, the Foundation has added a retirement gratuity programme to recognise the contribution of retiring employees. The granting of retirement gratuity applies to all Group and subsidiary employees from Hong Kong and the mainland who have reached statutory retirement age and there is no service period restriction. The one-time payment is calculated by multiplying the qualified continuous years of service by a specific amount in RMB.

In 2014, the management committee approved 159 cases of regular applications for education sponsorship. Together with 12 cases arising from sudden changes in financial situations, the total sponsorship amount was about HK$792,000, up 30% from last year. In the year, a total of 13 employees from the Group and subsidiaries qualified for retirement gratuity and a total of RMB165,000 retirement gratuity was dispensed.

ENVIRONMENTAL PROTECTION

Clean Production

The Group pursues energy conservation and emission reduction vigorously. Clean production is keenly enforced in its factories and no effort is spared in minimising pollution generated during production.

The Zhongshan plant of Bauhinia Variegata Inks, a Yip's Chemical subsidiary, underwent technological upgrade in 2014 and started employing automatic raw material feeding equipment in its production. By utilising digital computer technology that allows precise calculation, the equipment can effectively ensure product quality while minimising the generation of dust and odour during the feeding process. At the same time, the laboratory in the Zhongshan plant also started using a "Fresh Air Heat Exchanger". In this device, a paper core total heat exchanger is installed in the air-conditioning system not only to minimise cooling output and indoor concentrations of carbon dioxide and volatile organic chemicals, but also to raise power consumption efficiency. Furthermore, the closed pipeline mode of production can reduce environmental pollution to a substantial extent and contribute towards an eco-friendly work environment.

Research and Development of Green Products

The coatings subsidiaries of Yip's Chemical have been adhering to the objective of developing "eco-friendly, low carbon and high performance" coatings and relentlessly developing quality coating products suitable for the China market. In 2014, a host of good selling value-for-money products such as "Bamboo Charcoal Odourless Paint", "All-in-one Glossy Paint" and "Water-based Eco-friendly Wood Paint" were launched by Bauhinia Paints. In addition, it also rolled out for its industrial customers a range of eco-friendly coating solutions including water-based and UV-curable coatings for wood.

In 2014, Bauhinia Paints launched a super-odourless and anti-formaldehyde all-purpose wall paint. By adopting Bauhinia Paints' innovative odour removal technology and no-additive technology, the product is odourless because the amount of harmful substances such as formaldehyde, benzene and other volatile organic matters is lowered to undetected level. This product also possesses formaldehyde removing properties that can effectively adsorb and rid formaldehyde, toluene and other harmful pollutants present in indoor air, thus bringing a comfortable and safe environment to household residents and construction workers alike. Bauhinia Paints also introduced an eco-friendly water-based wood paint for household wood furniture. By adopting an advanced technology, the wood paint is heat-resistant, yellowing resistant and chemical resistant while the level of volatile organic compounds is kept to 30% below international limit. In other words, this water-based wood paint possesses both eco-friendly and high performance properties.

The development of eco-friendly products is also the focus of Bauhinia Variegata Inks. In 2014, it introduced a GE series of alcohol soluble polyurethane eco-friendly composite ink. This product is particular suitable for use in food packaging where requirements for solvent residues are stringent. Besides, it has superb ink printing controllability and is easy to use. Another product it launched successfully is the Non Volatile (NV) series of offset printing ink. With one of the lowest volatile organic matter levels in the world (less than 1%), this 100% vegetative oil-based ink will meet the latest international environment regulations. In order to offer more high-performance eco-friendly ink products to the market, Bauhinia Variegata Inks does not use benzene or ketone type of solvents in its production.

Use of Resources

The Group is committed to raising the environmental consciousness of its employees by encouraging them to adopt good energy housekeeping and minimise waste systematically at the job and personal levels.

In the area of energy conservation, following the replacement of all T8 fluorescent tubes with T5 ones in the Group's headquarters in Hong Kong, some T5 fluorescent tubes were replaced by LED lights in the period to further reduce power consumption. Also, it has been decided that whenever outdoor temperature drops to below 20^{o}C, all indoor air-conditioners will be turned off. In addition, to better encourage employees to adopt environmental practices in work procedures so as to minimise electricity and paper usage, tips on environmental protection were disseminated to remind employees of green lifestyle practices at all times.

Active Support of Environmental Activities

Yip's Chemical actively supports and participates in activities organised by various environmental bodies in Hong Kong and the mainland to heighten staff awareness on low-carbon living and environmental protection. For nine straight years since 2006 "Yip's Chemical Volunteers", the corporate volunteer team (the "Team"), has been participating in the Tree Planting Challenge organised by Friends of the Earth Hong Kong, and for three consecutive years since 2012 they have participated in the Earth Hour energy conservation activity run by World Wide Fund for Nature. In the year, the corporate volunteer team also arranged mainland staff members in eastern China to clean up beaches in Shanghai.

OPERATING PRACTICES

In 2014, the board of directors of the Group adopted the "Group Code of Ethics and Conducts" which, by outlining the Group's core values and standards of behaviour, provides guidelines for all systems, decisions and conducts within the Group, thereby protecting the reasonable interests of all its stakeholders including investors, creditors, employees, customers, suppliers as well as society at large.

Cultivating an "Ethical and Merit-based Behaviours Culture"

To support the long-term development of the Group's businesses, employees at all levels must be both competent and ethically reliable. Effective team building and the promotion of the Group's core values will be important strategies for the Group.

In 2012, 18 codes of conducts that assert the importance of ethics and competence were drawn up to help employees at all levels understand how best to demonstrate responsible and ethical behaviours towards clients, shareholders, superiors, subordinates and other stakeholders. To ensure that all employees understand the concept of an ethical and merit-based culture, the Group conducted talks, held essay competitions, issued publications and provided training. Last year, a micro-film production competition under the theme of "Ethical and Merit-based Behaviours" was also held so that employees could bring out the 18 codes of conducts in a light-hearted and interactive way, the better to remind every employee in the Group and its subsidiaries the importance of revering ethical behaviours and cherishing competence. The competition received a total of 24 micro films from employees. The Group will compile all 24 entries into a video disc for distribution to the whole staff so as to share the message behind each story and extend the spirit of revering ethical conducts and cherishing competence.

COMMUNITY INVOLVEMENT

The board of directors of the Group adopted the "Policy on Community Investments, Sponsorships and Donation" in 2014. Applicable to the Group and all its subsidiaries, this policy aims at setting up consistent guidelines and standards in the allocation of resources to community investments, sponsorships and donation with the view to further promoting the strategic and effective use of resources so that, while contributing towards community development at the localities of operation, balanced and healthy development of businesses can also be achieved.

Mobile Eye Surgery Centre Donation Programme

The Group involves actively in supporting the vision restoration and poverty alleviation campaigns in the mainland by offering practical assistance to help those in need improve their health and quality of life. Based on this conviction, it is implementing an "Eye Surgery Centre Donation Programme"—a long-term project aimed at helping the multitude of cataract patients in the mainland restore vision.

Since 2008, the Group has been providing eye surgery to impoverished cataract patients living in remote areas in the mainland through the donation of one mobile eye surgery centre worth about HK$2.5 million every year. After donating the first two mobile surgery centres, the Group entered into an agreement with Asian Foundation for the Prevention of Blindness (AFPB) and China Disabled Persons' Federation (CDPF) for implementing a "Ten-Year Mobile Eye Surgery Centre Donation Programme" in 2010. Under this agreement, Yip's Chemical plans to donate 10 mobile eye surgery units in the decade beginning 2010 to CDPF through AFPB for the benefits of mainland cataract patients.

Up until 2014, the Group has donated six such mobile units respectively to Jiangsu, Shandong, Inner Mongolia, Yunnan, Heilongjiang and Shanxi, amounting to about HK$15 million in total donation.

Up to 31 December 2014 since the launch of the programme, the six mobile eye surgery units have successfully provided cataract removal surgery for around 37,800 patients.

Apart from being a donor of mobile units, every year Yip's Chemical Volunteers calls on employees of the Group and its mainland subsidiaries to pay a three-day visit to province receiving donation of the mobile surgery units to gain a better understanding of the significance and effectiveness of their work. In the period under report, 18 members of the team went to Heilongjiang to carry out cataract prevention education and visit cataract patients and ex-patients.

Corporate Volunteer Team

Since its inception in September 2011, Yip's Chemical Volunteers has been upholding the principle of "From the Community, For the Community" in promoting volunteer work. They regularly organise and participate in a range of volunteer activities and encourage their colleagues to go into communities and help people in need.

In 2014, the target service recipients of the corporate volunteer team was extended to include seniors—by taking an interest in the livelihood of senior citizens, services were offered to those in need. In the period, the Team cooperated with Hong Kong Lutheran Social Service (HKLSS) in carrying out dementia assessment for about 30 seniors. In addition, through a charity sale day, the Team raised money for HKLSS elderly centres for use in their refurbishing. The Team also joined the senior citizen home visit and telephone greeting programme run by the Senior Citizen Home Safety Association. They were involved in phoning 150 seniors to understand their daily life situations and help pass on all-is-well messages to them. In the mainland, the senior citizen services of the Team covered 100 seniors living in an elderly centre in Pudong New Area, Shanghai. Team members showed their care by cooperating with the centre's seniors in making paper-cuts of zodiac signs.

In addition to senior citizen services, the Team also supported the "Physically Handicapped and Able-bodied Love Carnival" hosted by a charity, Silver Lining Foundation, to raise funds for the rehabilitation training of mainland cerebral palsy children.

The Group is committed to capitalising its specialty to help improve communities. In the year, Bauhinia Paints donated paints to the Community Art Centre for Orphaned and Disabled Children of the Alumni of The University of Hong Kong for painting 500 sq. m of walls in the reading room, parlour, handicraft room and music room. After the refurbishing, children took delights in using the art centre.

Mainland members of the Team are also active in participating in volunteering services, with promoting green living and caring disadvantaged groups being their service themes. In the year, they organised such activities as rubbish collection and classification in mountain areas, ocean protection, visitations of seniors and households in difficulties. They also donated daily use items and learning aids to poor needy pupils.

In 2014, Yip's Chemical employees in Hong Kong and the mainland and their relatives and friends contributed a total of 1,269 hours of volunteer service involving 285 participants. Since the establishment of Yip's Chemical Volunteers in September 2011, the accumulated hours of services and number of participants are 4,194 hours and 848 persons respectively.

Student Sponsorship and Scholarship

Yip's Chemical well understands that the next generation is the master of future society and is therefore keen to sponsor education.

For nine straight years since 2006 Yip's Chemical has been carrying out a student sponsorship programme in Jiangmen, Guangdong. In 2014, the Group donated about RMB600,000 for sponsoring 94 poor needy students who excelled in the matriculation examination, for awarding scholarship to the top 15 students from the arts stream and science stream in matriculation classes and for recognising 22 outstanding teachers of graduating classes.

Yip's Chemical is also actively involved in the "Seagull Scholarship Programme" by offering summer internship to undergraduates sponsored by the non-profit organisation running the programme. In 2014, the Group provided one-month internship for 30 Seagull-sponsored undergraduates at various departments of its subsidiaries. On top of getting paid for their work, each intern was also given free meal, room and board as well as transportation expenses.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group's gearing ratio (measured by net bank borrowings as a percentage of equity attributable to owners of the Company) was 58.1% (31 December 2013: 46.7%), an increase of 11.4 percentage points compared to last year. The main reason is that customers settle accounts receivables more by banker's acceptances, and the balance of banker's acceptances increased by HK$188,649,000 when compared to last year and thus delayed the cash receipt. In addition, the translation exchange difference caused by depreciation of Renminbi (RMB) resulted in a decrement of equity attributable to owners of the Company of HK$ 117,124,000 and thus increased the gearing ratio. However, in retrospect of the Group's whole year performance in managing its working capital controls (including accounts receivables, inventory and payables), the average working capital turnover days had been improved in 2014, which reflects the Group's series of measures implemented since last year to monitor and improve cash flow have started to take effect. The Group would continue to effectively control its working capital, stringently monitor and shorten the accounts receivables and inventory turnover days, and effectively use banker's acceptances to lengthen the accounts payables turnover days. As for projects of capital expenditures, after the substantial investments in previous few years, the Group has now remaining major projects of new production lines of plant in Taixing, Jiangsu, phase 2 of plant in Jinshan, Shanghai and the R&D Centre in Zhangjiang, Shanghai. After the completion of such projects in 2015, the production capacity should be able to sufficiently meet the Group's business development needs in the coming few years and hence the impact on cash flow could be gradually relieved.

As at 31 December 2014, the gross bank borrowings of the Group amounted to HK$3,083,410,000 (31 December 2013: HK$2,758,348,000). After deduction of short-term bank deposits, bank balances and cash amounting to HK$1,367,687,000 (31 December 2013: HK$1,369,134,000), the net bank borrowings amounted to HK$1,715,723,000 (31 December 2013: HK$1,389,214,000). Out of the gross bank borrowings, HK$1,811,114,000 (31 December 2013: HK$1,506,177,000) were short-term loans and repayable within one year. Such loans were denominated in four currencies, namely HK$1,625,000,000 in Hong Kong Dollar, HK$ 16,276,000 in RMB, HK$57,426,000 in Australian Dollar and HK$112,412,000 in US Dollar (31 December 2013: HK$1,377,667,000 in Hong Kong Dollar, HK$35,236,000 in RMB, HK$62,392,000 in Australian Dollar and HK$30,882,000 in US Dollar). Long-term loans repayable after one year amounted to HK$1,272,296,000 (31 December 2013: HK$1,252,171,000), of which HK$1,243,583,000 were denominated in Hong Kong Dollar and HK$28,713,000 in Australian Dollar (31 December 2013: HK$1,158,582,000 were denominated in Hong Kong Dollar and HK$93,589,000 in Australian Dollar).

In order to support the capital expenditure and working capital requirement for the Group's expected future growth, as well as the needs of refinancing some of its maturing term loans, the Group has obtained 4 to 5-year bilateral long-term loans in total of HK$750,000,000 in 2014. As at 31 December 2014, mid to long-term loans accounted for 65% of the total bank loans. Since some of the borrowings of the Group carry interests at floating rate, the funding costs are subject to interest rate fluctuation. The Group therefore used interest rate swaps to fix the interest rate of some of the 3 to 5-year bilateral long-term loans and 3-year bilateral mid-term loans to hedge against the risk of interest rate fluctuation. Furthermore, as stated in previous reports, the Group used currency swap to convert its 3-year bilateral mid-term Australian dollar loan drawn in 2013 to Hong Kong Dollar denominated repayment loan at the drawdown date to hedge against the risk of exchange rate fluctuation.

As at 31 December 2014, a total of 21 banks in Hong Kong and PRC granted banking facilities totaling HK$5,209,158,000 to the Group and provided sufficient funds to meet its present working capital and expansion requirement. 79%, 13%, 6% and 2% of these banking facilities were denominated in Hong Kong Dollar, RMB, US Dollar and Australian Dollar respectively. The Group arranges Hong Kong Dollar bank loans in Hong Kong for its China operations to leverage on the lower borrowing rate in Hong Kong and higher deposit rate in the Mainland so as to enhance return. The economy of United States has been gradually recovering and it is likely to start the interest rate hike cycle in 2015. However, the three months or shorter Hong Kong Dollar inter-bank interest rate still maintains at a low level. Besides, the Group is exposed to RMB exchange rate risk as the Group's assets are mainly located in the Mainland and most of its income is generated in RMB. Although RMB against Hong Kong Dollar has been depreciated about 2.6% during 2014, it is expected that there shall not be continuously sharp depreciation of RMB against Hong Kong Dollar in the long run due to the internationalization of RMB. The management considers that the Group can still refinance its bank loans at a desirable interest rate in Hong Kong instead of remitting back its RMB funding from PRC operations for loans repayments to incur realised exchange loss. Costly hedging measure against RMB exchange loss is thus considered unnecessary by the management and yet the management will closely monitor its fluctuations. The Group will strike a balance between lowering borrowing costs and minimising currency exposure by structuring an optimal combination of Hong Kong Dollar, US Dollar, RMB or other foreign currency bank loans. Also, the Group is actively exploring the possibility of cross-border cash pooling arrangement to enhance the flexibility of its funding transfer.

EMPLOYEES

As of 31 December 2014, the Group has a total number of 4,258 employees. 103 employees are from Hong Kong and 4,155 are from different provinces in China.

The Group places great emphasis on the management and development 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 maximise 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 not only to attract talent from outside but also recruit top graduates from the best tertiary institutions in Hong Kong, Mainland China, and abroad as well as provide them with training and development opportunities. The Management Trainee Program has been implementing for a number of years. Some of the management trainees have demonstrated their excellence capabilities and been advanced to positions of leadership within the Group.

The Group offers a challenging work environment, sets up different programs for motivating 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 for the review of remuneration policy so as to ensure reasonable and competitive compensation and benefits. These include basic salary and performance-based bonus to attract and retain talents.

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

During the year ended 31 December 2014, 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 standard of corporate governance so as to achieve the Group's objectives of maximising values for its employees, customers, suppliers, business partners and shareholders, and safeguarding the interests of them. The Company has complied with "Corporate Governance Code and Corporate Governance Report" contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the year ended 31 December 2014 except that the Company does not have a nomination committee. Further information will also be included in the 2014 Annual Report to be despatched.

AUDIT COMMITTEE

The Audit Committee was formed in November 1998. 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 of the relationship between the Group and its external auditors. An Audit Committee meeting was held on 12 March 2015 to review the Group's audited consolidated financial statements for the year ended 31 December 2014. As at the date of this announcement, the Audit Committee comprised a non-executive Director, namely Mr. Tong Wui Tung, and four independent non-executive Directors, namely Mr. Wong Kong Chi who was also the chairman of the Audit Committee, Mr. Li Chak Man, Mr. Ku Yuen Fun and Mr. Ng Siu Ping.

REMUNERATION COMMITTEE

The Remuneration Committee was formed in June 2005. Major roles and functions of the Remuneration Committee include establishing a formal and transparent procedure for developing remuneration policy, 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. As at the date of this announcement, the Remuneration Committee comprised a non-executive Director, namely Mr. Tong Wui Tung, and four independent non-executive Directors, namely Mr. Ng Siu Ping who was also the chairman of the Remuneration Committee, Mr. Wong Kong Chi, Mr. Li Chak Man and Mr. Ku Yuen Fun.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

The Health, Safety and Environment ("HSE") Committee was formed on January 2012 in order to enhance the awareness of the importance of the HSE protection works to the Group. Major duties of the HSE Committee include the adoption of and reviewing of the Group's HSE policies, reviewing the Group's appetite for HSE risk and monitoring the Group's environment for HSE matters, including organisation structure, reward and punishment systems, resource inputs, operation culture, etc. As at the date of this announcement, the HSE Committee comprised four independent non-executive Directors, namely Mr. Ku Yuen Fun who was also the chairman of the HSE Committee, Mr. Ng Siu Ping, Mr. Wong Kong Chi and Mr. Li Chak Man.

MODEL CODE FOR SECURITIES TRANSACTIONS 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 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. After making specific enquiries, all Directors have confirmed that they have fully complied with the required standard as set out in the Model Code during the year ended 31 December 2014.

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 year ended 31 December 2014, together with comparative figures of last year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Turnover	2	**10,255,839**	9,876,033
Cost of sales		**(8,747,525)**	(8,368,879)
Gross profit		**1,508,314**	1,507,154
Other income		**139,052**	141,986
Other gains and losses	3	**(1,667)**	(20,327)
Selling and distribution expenses		**(404,268)**	(396,611)
General and administrative expenses		**(808,625)**	(789,536)
Interest expense		**(61,558)**	(51,209)
Profit before taxation	4	**371,248**	391,457
Taxation	5	**(100,280)**	(79,736)
Profit for the year		**270,968**	311,721
Other comprehensive (expense) income:			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(117,124)**	125,910
Items that maybe reclassified subsequently to profit or loss:			
Net adjustments on cash flow hedges		**178**	11,514
Exchange differences arising on translation		**(6,205)**	-
		(6,027)	11,514
Other comprehensive (expense) income for the year		**(123,151)**	137,424
Total comprehensive income for the year		**147,817**	449,145
Profit for the year attributable to:			
Owners of the Company		**223,182**	250,622
Non-controlling interests		**47,786**	61,099
		270,968	311,721
Total comprehensive income attributable to:			
Owners of the Company		**113,809**	374,448
Non-controlling interests		**34,008**	74,697
		147,817	449,145
Earnings per share	7		
- Basic		**HK 39.7 cents**	HK 44.6 cents
- Diluted		**HK 39.6 cents**	HK 44.4 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**1,650,410**	1,625,958
Prepaid lease payments		**244,139**	268,359
Investment properties		**73,800**	66,300
Goodwill		**69,574**	69,574
Intangible assets		**3,825**	6,111
Available-for-sale investment		**-**	24,113
Deposits paid for acquisition of property, plant and equipment and land use rights		**130,666**	56,731
Other non-current asset		**4,600**	4,600
		2,177,014	2,121,746
Current assets			
Inventories		**802,870**	980,245
Trade and bills receivables	8	**3,527,009**	3,317,777
Other debtors and prepayments		**401,713**	323,146
Prepaid lease payments		**6,142**	6,193
Short-term bank deposits			
-with original maturity within three months		**88,440**	288,999
-with original maturity more than three months		**24,964**	51,252
Bank balances and cash		**1,254,283**	1,028,883
		6,105,421	5,996,495
Asset classified as held for sale		**-**	10,259
		6,105,421	6,006,754
Current liabilities			
Creditors and accrued charges	9	**1,693,829**	1,861,610
Taxation payable		**64,641**	57,600
Derivative financial instruments		**17,107**	3,063
Borrowings - amount due within one year		**1,811,114**	1,506,177
		3,586,691	3,428,450
Net current assets		**2,518,730**	2,578,304
Total assets less current liabilities		**4,695,744**	4,700,050
Non-current liabilities			
Derivative financial instruments		**9,563**	27,353
Borrowings - amount due after one year		**1,272,296**	1,252,171
Deferred tax liabilities		**13,189**	12,114
		1,295,048	1,291,638
		3,400,696	3,408,412
Capital and reserves			
Share capital		**56,276**	56,228
Reserves		**2,894,732**	2,916,814
Equity attributable to owners of the Company		**2,951,008**	2,973,042
Non-controlling interests		**449,688**	435,370
		3,400,696	3,408,412

CONDENSED CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Net cash from operating activities		**9,689**	429,430
Net cash used in investing activities			
Dividend received from available-for-sale investment		**66,252**	31,539
Interest received		**29,863**	16,953
Deposits received from disposal of leasehold land and buildings		**-**	13,710
Disposal of subsidiaries		**-**	7,113
Proceeds from disposal of property, plant and equipment and land use rights		**22,200**	6,114
Withdrawal of short-term bank deposits with original maturity more than three months		**53,452**	460
Proceeds from disposal of available-for-sale investment		**87,372**	-
Proceeds from disposal of asset classified as held for sale		**7,859**	-
Acquisition of a subsidiary		**-**	(4,538)
Placement of short-term bank deposits with original maturity more than three months		**(27,164)**	(32,584)
Addition to prepaid lease payments		**-**	(43,101)
Deposits paid for acquisition of property, plant and equipment		**(130,666)**	(56,731)
Purchase of property, plant and equipment		**(174,460)**	(171,562)
		(65,292)	(232,627)
Net cash from financing activities			
Borrowings raised		**3,019,376**	2,090,903
Proceeds from issue of shares		**972**	1,184
Share issue expenses		**(5)**	(3)
Dividends paid to non-controlling shareholder of subsidiary		**(19,690)**	(5,898)
Interest paid		**(61,558)**	(51,209)
Dividends paid		**(140,688)**	(139,660)
Repayment of borrowings		**(2,694,314)**	(1,742,068)
		104,093	153,249
Net increase in cash and cash equivalents		**48,490**	350,052
Cash and cash equivalents at beginning of the year		**1,317,882**	947,172
Effect of foreign exchange rate changes		**(23,649)**	20,658
Cash and cash equivalents at end of the year		**1,342,723**	1,317,882
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**1,254,283**	1,028,883
Short-term bank deposits with original maturity maturity within three months		**88,440**	288,999
		1,342,723	1,317,882

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC*) - INT 21	Levies

* IFRIC represents the IFRS Interpretations Committee.

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 36 “Recoverable amount disclosures for non-financial assets”
The Group has applied the amendments to HKAS 36 “Recoverable amount disclosures for non-financial assets” for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 “Fair value measurements”.

The application of these amendments has had no material impact on the disclosures in the Group’s consolidated financial statements.

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

HKFRS 9	Financial instruments[1]
HKFRS 14	Regulatory deferral accounts[2]
HKFRS 15	Revenue from contracts with customers[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[5]
Amendments to HKAS 1	Disclosure initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[5]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[4]
Amendments to HKAS 27	Equity method in separate financial statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment entities: Applying the consolidation and exception[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle[6]

Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[5]

[1]Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2]Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
[3]Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[4]Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
[5]Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[6]Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

HKFRS 9 "Financial instruments"
HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities for derecognition, and further amended in 2014 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires 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 recognition 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the application of HKFRS 9 will not affect the classification and measurement of the Group's other financial assets and liabilities as at 31 December 2014.

HKFRS 15 "Revenue from contracts with customers"
In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKAS 16 and HKAS 38 "Clarification of acceptable methods of depreciation and amortisation"
The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

1) when the intangible asset is expressed as a measure of revenue; or

2) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 27 "Equity method in separate financial statements"
The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost
- In accordance with HKFRS 9 "Financial instruments" (or HKAS 39 "Financial instruments: Recognition and measurement" for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 "Investments in associates and joint ventures".

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 "First-time adoption of Hong Kong financial reporting standards".

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

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.

2. 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, fair value change of investment properties, gain or loss on disposal of corporate assets, central administration costs and interest expense. This is the information reported to the Chairman of Group Executive Committee of the Company, 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 reportable and operating segments for the 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
Year ended 31 December 2014							
Segment revenue							
External sales	**6,388,329**	**3,350,517**	**431,596**	**10,170,442**	**85,397**	**-**	**10,255,839**
Inter-segment sales	**187,187**	**-**	**241**	**187,428**	**-**	**(187,428)**	**-**
Total	**6,575,516**	**3,350,517**	**431,837**	**10,357,870**	**85,397**	**(187,428)**	**10,255,839**
Results							
Segment results	**226,657**	**95,300**	**(2,934)**	**319,023**	**19,613**	**(64)**	**338,572**
Fair value change on derivative financial instruments (note 3)							**3,568**
Gain on fair value change of investment properties (note 3)							**7,500**
Gain on disposal of available-for-sale investment (note 3)							**63,487**
Unallocated income							**99,384**
Unallocated expenses							**(79,705)**
Interest expense							**(61,558)**
Profit before taxation							**371,248**

	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 December 2013							
Segment revenue							
External sales	5,943,404	3,395,381	462,731	9,801,516	74,517	-	9,876,033
Inter-segment sales	221,009	-	1,100	222,109	-	(222,109)	-
Total	6,164,413	3,395,381	463,831	10,023,625	74,517	(222,109)	9,876,033
Results							
Segment results	265,186	122,706	9,996	397,888	15,070	6,780	419,738
Fair value change on derivative financial instruments (note 3)							(26,359)
Unallocated income							84,426
Unallocated expenses							(35,139)
Interest expense							(51,209)
Profit before taxation							391,457

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

3. OTHER GAINS AND LOSSES

The Group's other gains (losses) comprise of:

	2014 HK$'000	2013 HK$'000
Exchange (loss) gain arising from a foreign currency bank loan (Note (i))	**(2,396)**	26,496
Fair value gain (loss) on derivative financial instruments of a cross currency swap contract (Note (i) and note 2)	**3,568**	(26,359)
Sub-total	**1,172**	137
Net exchange (loss) gain arising from other foreign currency balances and transactions	**(41,388)**	37,468
Allowance for bad and doubtful debts, net (Note (ii))	**(31,763)**	(33,555)
Impairment loss recognised in respect of intangible assets	**-**	(3,014)
Net loss on disposal/written off of property, plant and equipment and land use rights	**(11,889)**	(20,535)
Loss on disposal of subsidiaries	**-**	(828)
Gain on fair value change of investment properties (note 2)	**7,500**	-
Gain on disposal of asset held for sale	**11,214**	-
Gain on disposal of available-for-sale investment (note 2)	**63,487**	-
	(1,667)	(20,327)

Notes:

(i) In April 2013, the Group raised a new bank loan in Australian dollar ("AUD") of AUD24,800,000 (equivalent to HK$198,648,000). In order to minimise the exposure to foreign currency risk, the Group entered into a cross currency swap contract to hedge economically against the foreign currency bank loan.

(ii) The directors of the Company assess the recoverability of the trade receivables on a regular basis and determine the allowance for bad and doubtful debts after taking into accounts of the repayment history and settlement situation of the relevant debts.

4. PROFIT BEFORE TAXATION

	2014 HK$'000	2013 HK$'000
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**2,194**	4,588
Auditors' remuneration		
- current year	**4,488**	4,530
- underprovision in prior year	**969**	359
Depreciation of property, plant and equipment	**129,967**	115,212
Impairment loss of property, plant and equipment	**13,863**	-
Written down of inventories to net realisable value	**28,814**	-
Operating lease payments in respect of rented premises	**20,365**	20,819
Release of prepaid lease payments	**6,361**	5,040
Staff costs, including directors' remuneration	**704,628**	709,162
and after crediting (included in other income):		
Interest income	**29,863**	16,953
Government compensation for a factory relocation (Note)	**-**	18,288
Government grants recognised	**11,522**	26,765
Rental income (excluding direct outgoings of HK$489,000 (2013: HK$490,000))	**3,143**	2,823
Gain from a bargain purchase arising on acquisition of a subsidiary	**-**	6,308
Dividend income from available-for-sale investment	**66,252**	31,539

Note: The amount represented compensation from the relevant PRC government authority as a result of a factory relocation in PRC which was completed in 2012.

5. TAXATION

	2014 **HK$'000**	2013 HK$'000
Current tax - Hong Kong		
Current year	**-**	3
Underprovision in previous years	**-**	595
	-	598
Current tax - Mainland China		
Current year	**107,741**	102,777
Reversal of provisions in previous years	**(8,536)**	(24,480)
	99,205	78,297
	99,205	78,895
Deferred taxation		
Hong Kong	**66**	46
Mainland China	**1,009**	795
	1,075	841
	100,280	79,736

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

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.

Certain of the Group's subsidiaries operating in Mainland China are eligible as High and New Technology Enterprise, and are entitled to an income tax rate of 15%. EIT of Mainland China has been provided for after taking these tax incentives into account.

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

6. DIVIDENDS

	2014 **HK$'000**	2013 HK$'000
Dividend recognised as distribution during the year:		
Interim dividend for 2014 of HK10.0 cents		
(2013: HK10.0 cents) per share	**56,275**	56,228
Final dividend for 2013 of HK15.0 cents		
(2013: final dividend for 2012 of HK15.0 cents) per share	**84,413**	84,318
	140,688	140,546

The final dividend equivalent to HK15.0 cents per share totalling not less than HK$84,413,000, in respect of the year ended 31 December 2014 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 owners of the Company is based on the following data:

	2014	2013
	HK$'000	HK$'000
Profit for the year attributable to owners of the Company and earnings for the purposes of calculating basic and diluted earnings per share	**223,182**	250,622
	Number of shares	
	'000	'000
Weighted average number of shares for the purpose of calculating basic earnings per share	**562,620**	562,094
Effect of dilutive potential ordinary shares: Share options	**1,211**	2,668
Weighted average number of shares for the purpose of calculating diluted earnings per share	**563,831**	564,762

8. TRADE AND BILLS RECEIVABLES

	2014	2013
	HK$'000	HK$'000
Trade receivables	**2,163,531**	2,120,019
Less: Allowance for doubtful debts	**(88,269)**	(65,340)
	2,075,262	2,054,679
Bills receivables	**1,451,747**	1,263,098
	3,527,009	3,317,777

Trade receivables

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

	2014	2013
	HK$'000	HK$'000
0 - 3 months	**1,664,668**	1,680,229
4 - 6 months	**340,345**	315,608
Over 6 months	**70,249**	58,842
	2,075,262	2,054,679

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.

Before accepting any new customers, the Group has an internal credit control system to assess the potential customers' credit quality and the board of directors has delegated the management to be responsible for determination of credit limits and credit approvals for customers. Limits attributed to customers are reviewed periodically. Approximately 65% (2013: 71%) of the trade receivables are neither past due nor impaired as they were assessed to be of good credit rating attributable under the credit control system used by the Group.

Bill receivables

Bills receivables represent 銀行承兌匯票 ("banker's acceptances"), i.e. time drafts accepted and guaranteed for payment by PRC banks. The Group accepts the settlement of trade receivables by customers using banker's acceptances accepted by PRC banks on a case by case basis.

These banker's acceptances are issued to or endorsed to the Group and with maturity date not longer than six months from the date of issuance. The banker's acceptances will be settled by the banks, which are state-owned banks or commercial banks in the PRC, on the maturity date of such banker's acceptances.

9. CREDITORS AND ACCRUED CHARGES

At the end of the reporting period, the balance of creditors and accrued charges included trade creditors of HK$1,253,480,000 (2013: HK$1,426,764,000), dividend payable to a non-controlling shareholder of a subsidiary of HK$12,813,000 in 2013 (2014: Nil), consideration payable for acquisition of a subsidiary of HK$2,210,000 in 2013 (2014: Nil) and deposit received from disposing leasehold land and buildings of HK$13,710,000 in 2013 (2014: Nil). Remaining balances mainly consist of receipts in advance from customers, payable of staff salaries and benefits, sales commission, storage and transportation, etc.

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

	2014 **HK$'000**	2013 HK$'000
0 - 3 months	**1,037,240**	1,257,189
4 - 6 months	**203,909**	159,460
Over 6 months	**12,331**	10,115
	1,253,480	1,426,764

FINAL DIVIDEND

The Board recommended a final dividend of HK15 cents in cash per share, payable to shareholders whose names appear on the register of members of the Company on Friday, 12 June 2015. The recommended final dividend for the year ended 31 December 2014, which will be payable on or around Wednesday, 22 July 2015, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting to be held on Friday, 5 June 2015.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from from Wednesday, 3 June 2015 to Friday, 5 June 2015 (both dates inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming annual general meeting. No transfer of shares may be registered on those dates. In order to qualify for the shareholders' entitlement to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's Branch Registrar in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 2 June 2015.

The Hong Kong branch register of members of the Company will be closed from Thursday, 11 June 2015 to Friday, 12 June 2015 (both dates inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. No transfer of shares may be registered on those dates. In order to qualify for the shareholders' entitlement to the proposed final dividend, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's Branch Registrar in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 10 June 2015.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the Stock Exchange website (http://www.hkex.com.hk) and the Company's website (http://www.yipschemical.com). The 2014 annual report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Company's website in due course.

By Order of the Board
Ip Chi Shing
Chairman

Hong Kong, 17 March 2015

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

Non-executive Directors:
Mr. Ip Chi Shing (Chairman)
Mr. Tong Wui Tung
Mr. Wong Kong Chi*
Mr. Li Chak Man*
Mr. Ku Yuen Fun*
Mr. Ng Siu Ping*

Executive Directors:
Mr. Yip Tsz Hin (Deputy Chairman)
Mr. Wong Kam Yim
Mr. Ho Sai Hou
Mr. Kwong Kwok Chiu

** Independent non-executive Directors*