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 THE SIX MONTHS ENDED 30 JUNE 2015

HIGHLIGHTS

	For the six-month period ended 30 June 2015 (unaudited)	For the six-month period ended 30 June 2014 (unaudited)	% change
Turnover	**HK$4,277,244,000**	HK$4,723,530,000	-9%
Net profit attributable to owners of the Company	**HK$82,795,000**	HK$51,381,000	+61%
Earnings per share	**HK14.7 cents**	HK9.1 cents	+62%
Interim dividend	**HK10.0 cents**	HK10.0 cents	–

	As of 30 June 2015 (unaudited)	As of 31 December 2014 (audited)	
Gearing ratio*	**59.7%**	58.1%	+1.6% points

* *Measured by net bank borrowings as a percentage of equity attributable to owners of the Company as of 30 June 2015 and 31 December 2014 respectively.*

CHAIRMAN'S STATEMENT – REVIEW & PROSPECTS

It is my pleasure to present to all shareholders of Yip's Chemical Holdings Limited (the "Company") and its subsidiaries (collectively "Yip's Chemical" or the "Group") with a business overview of the Group in the first half of 2015. With the Mainland's economy getting listless and its demands staying weak, the unit prices of the Group's various products were generally lower than the year before. At the same time, as China's stock market went through several cycles of significant fluctuations in the period under report, economic activities in all industries were greatly affected. In response, we adopted more prudent and stringent measures to tighten credits and to prevent increases in doubtful and bad debts. As a result, the speed of our business development was slowed down. For all the above reasons, in the first half of this year, the Group registered a sales turnover of HK$4,277,244,000, which was down slightly by 9% from the same period last year. Reckoned in terms of sales volume, however, there was a modest increase of 6%. Thus, in terms of both sales turnover and sales volume, our performance fell short of expectation. As overall sales growth targets were not reached and, due to keen competition, selling prices of our solvent products were on the low side, profit attributable to owners of the Company in the period stood at HK$82,795,000. Though this figure represented a sharp increase of 61% from the same period the year before, after excluding various special factors, we concluded from a holistic comparison that the Group's profitability still has much room for improvement. Meanwhile, due to our strict adherence to the principles of measured development and prudent financial management in a period of acute business environment, the Group was still able to achieve a good balance between business development and strict control of receivables and capital investments. The Group's gearing ratio was therefore maintained within internal control limit. After a comprehensive assessment, the board of directors of the Company (the "Board") decided to stick to the Group's long-held dividend policy of actively rewarding shareholders by proposing an interim dividend of HK10 cents per share, the same as last year.

Review

In the period, the overall operating environment was far harsher than we originally expected. There was not the slightest easing in the sluggishness of the global economy, in regional political turbulences, in the instability of the euro zone and in the uncertainties of debt default crises. On top of that, the pressure of China's economic downturn had become all the more obvious. Though numerous stimulating measures were introduced by the relevant authorities in the period, the overall economy was still very weak, so much so that consumer sentiments remained fragile and exports were under constraint. Under such a double whammy, the problem of overcapacity and the resultant market competition was exacerbated. It exerted impact on the Group's products that had been enjoying considerable market shares and were consumer related. This had also put a constraint on the raising of the Group's overall sales and profit margin. On the other hand, with the successful consolidation of the Bauhinia Coatings Group, initial benefits were in evidence as performance had seen marked improvement since it formally began operation this year. Given time, coatings would become a more important business with long-term prospects. All in all, in face of the adverse operating environment and umpteen challenges, it was not at all easy for the Group to achieve the small gain in business results it had in the first half of the year.

Prospects

With the weak global economy holding down exports, China's economy is now under increasing downturn pressure and there is an urgent need for the country to transform its mode of development. There are also deep-rooted problems such as increasing market competition induced by overcapacity that cannot be mitigated within a short time. The Group has long abided by the conviction of treating these problems as challenges as well as opportunities. Under different circumstances we will adopt different strategies to deal with these problems decisively. We foresee that, for a long period to come, China will remain the world's most economically vibrant country, and people around the world are having reasonable expectations on the transformation of the development mode of its real economy as well as its Road and Belt initiative. As we have been cultivating the Mainland market for so many years, we should be able to get a head start in tapping into the opportunities so offered. On another front, as the adverse operating environment continues, the tempo and the intensity in the fight for the survival of the fittest will inevitably increase. By studying and weighing the situation, the Group has already come up with a host of practical measures including consolidating businesses, enhancing competitiveness, establishing effective cost controls, tightening credit monitoring, preserving financial strength and stepping up branding and R&D efforts. These measures will lay a foundation for the medium to long-term development of the Group. In view of the upcoming challenges and opportunities, the Group has been comprehensively raising operating and governance capabilities by making all-out efforts in training up its staff and in recruiting specialists in different lines of business. We are pleased to report that, in the past year, our efforts have paid off and a number of industry elites have joined us successively. Furthermore, in the past decade, by steadfastly holding on to the concepts of "respect for and cooperation with all stakeholders", "thirst for talents" and "undivided focus on core businesses", we have been able to ride on the tailwind of China's economy and develop quickly so that, by last year, we have made our ascendancy to becoming a renowned "10 billion dollar" chemical company. A decade has come and gone. Today, the operating environment has undergone enormous changes. In response to these changes, the Board has recently laid down a more forward-looking medium to long-term corporate vision of "Towards a Century of Revered Leadership" which is to be realised through seven driving forces: respect for and cooperation with all stakeholders, thirst for talents, undivided focus on core businesses, develop next-generation products, build value-added brands, enhance shareholder returns and undertake corporate social responsibility. In short, Yip's Chemical will forge towards becoming a century-old company that enjoys the pride of its employees and the reverence of outsiders. We wish that this will be the common goal of the whole staff as well as all shareholders. On behalf of the Board, I would like to extend our heartfelt gratitude to the executive team for their efforts, to our employees for their dedication and to all business partners for their trust and support.

Retirement of Director

Mr. Li Chak Man, an independent non-executive director of the Company, retired from 1 July 2015. In the last 11 years, Mr. Li has served professionally and wholeheartedly in raising the standards of the Group in the areas of safety, environmental protection and corporate governance. His contributions have been invaluable. On behalf of the Board, I would like to extend our sincere gratitude to Mr. Li and wish him a splendid and healthy retirement.

REPORT OF THE CHAIRMAN OF THE GROUP EXECUTIVE COMMITTEE

The key points of the Group's results in the first half of 2015 are as follows:

1. Sales volume grew 6%, but since prices of various raw materials fell, turnover in dollar was down 9% year-on-year to only HK$4,277,244,000.

2. Gross profit margin improved markedly with a particular growth of 3.5 percentage points in the coatings business.

3. Profit attributable to owners of the Company grew 61% year on year to HK$82,795,000. After excluding gains and losses from non-recurring items such as exchange difference, a small growth in profit was actually recorded in this period.

Beginning the current reporting period, due to the latest developments in businesses and management structures, the Group's businesses will be divided into four main segments – solvents, coatings, inks and lubricants. Specifics are as follows:

Solvents

The sales volume of acetates, the Group's linchpin products, registered a double-digit growth and hit again a new record high of close to 336,000 metric tons. Meanwhile, sales volume of butyl acrylate, an auxiliary product, dropped to 21,000 metric tons. The prices and profitability of both products were affected by both the decrease in the prices of various raw materials, particularly for butanol, caused by the fall in oil prices, as well as keen competition. In the down market, the fact that acetates were still profitable and sustained only a year-on-year drop in operating profit of 17% once again testifies to the overall competitiveness of these products. As butyl acrylate sustained a slight loss for the first time, management sized up the situation and decided to appropriately reduce production to minimise losses in the down market.

Commissioning of the new 300,000-metric ton acetate production line in the Taxing plant in Jiangsu province was delayed due to a number of uncontrollable factors. Now all construction works have been completed and are pending for the inspection and approval of various authorities concerned. Production is expected to begin by the third quarter of this year.

Coatings

In this business, household and industrial coatings are the main product lines while resins are supplementary products. In the first half of the year, with turnover reaching HK$989,598,000, performance of the business was stellar. Although turnover slipped slightly by 1% on the year, sales volume actually increased by 15%. As gross profit margin improved significantly by 3.5 percentage points and operating expenses were suitably controlled, operating profit increased substantially by almost 2.4 times to HK$53,634,000, making it the best half-yearly results in recent years.

The bringing in of a new management team has made the operation of this business more professional. In sales, efforts were made in pushing up unit prices and upgrading distributors' quality; in operation, the all-new management concept of "Production and Material Control" (PMC) was adopted and notable benefits were in evidence. In household coatings and resins in particular, significant increases in sales volume, turnover and operating profit were achieved. In industrial coatings, though turnover was down, with the strategy of targeting key customers gradually drawing results, it is expected that the shortfall can still be made up in the second half of budget.

Inks

As both mainstay products of this business – food packaging inks and offset printing inks – suffered from a continuous fall in demand, sales was down year-on-year and turnover fell 10% from the same period last year to HK$725,533,000. Though there was sustained improvement in gross profit margin, operating profit was still down 40% to only HK$18,552,000.

Lubricants

Turnover in the period was HK$180,226,000, down 16% from the same period last year. As to the three main products of this business, sales growth of automobile lubricants was still witnessed; sales of industrial lubricants dropped slightly; and sales of antifreezes were affected because the launch of such product was postponed to the second half of the year. While gross profit margin of this business continued to improve, operating loss was narrowed down slightly from last year to HK$989,000.

In March this year the Group put up its headquarters property in Fanling for open tender and closed the tender at the end of April. Since market environment of industrial and commercial properties had deteriorated as a result of changes in the Individual Visit Scheme, no offer meeting the Group's expectation was received. The management will continue to evaluate possibilities of selling or leasing out the property that would be both cost effective and economically beneficial to ensure that shareholders' best interest is served.

All in all, the overall operations of the Group's various lines of business were sound and healthy, but sales and operating profit in the first half of the year fell slightly short of management expectation. At present, the Group's new plant or plant expansion projects have been almost completed and there will not be any major capital investment for such in the foreseeable future. The fact that initial benefits of our plant consolidation projects are already in evidence will be conducive to boosting profit when peak season arrives in the second half of the year.

Currently the overall Mainland market is weak and demand is down. On assessing the situation, the management has proposed operating guidelines that emphasise prudence and the maintenance of the status quo and will not pursue increases in turnover indiscriminately. Instead, the Group is now taking improvement in operating quality, enhancement in net profit margin and lowering in gearing ratio as its main objectives. Specific measures are described as follows:

Solvents

Acetates will be the main thrust. As a new production line will soon go into operation, the Group will have sufficient output to forge into the northern China market to bolster the effect of realising profit through volume sales. For the medium-to-long term, we will actively develop relevant new products and hope to establish new linchpin products by making use of our huge sales network that comprises thousands of direct customers.

Coatings

The plan is to continue entrenching the favourable position developed in the first half of the year. One way of doing so is through a series of professional training targeted specifically at distributors and salespersons. Meanwhile, we will also design our promotions around products of different regions and different characteristics. To accelerate and intensify our expansion, we will, first, upgrade various aspects of our sales quality; second, ensure unimpeded product delivery channels; and third, continue recruiting capable personnel in the industry.

Inks

Since both of our mainstay products – food packaging inks and offset printing inks – are hampered by prevailing market conditions, we should seek out new ones. So far we have homed in on certain targets, which are now making significant progress in technical development as well as in customer base development.

Now that the design of our "Mega Plant" concept has come to fruition, beginning this October, measures such as expanding production lines, combining production capacity and merging production management will be introduced in orderly steps to various products. According to our initial assessment, this will help lower production cost, further boost overall competitiveness and operational efficiency.

Lubricants

With the launch of antifreezes in the second half of this year, benefits should be in evidence.

We will pay close attention to market situations and make timely adjustments to our measures as warranted by the prevailing operating environment. In accordance with the operating objectives set down by the Board, we will work towards becoming a century-old company. Our executive team will make sustained efforts in undertaking our responsibilities and will lead the whole staff in striding ahead.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group's gearing ratio (measured by net bank borrowings as a percentage of equity attributable to owners of the Company) was 59.7% (31 December 2014: 58.1%), a slight increase of 1.6 percentage points. The increase was mainly due to settlements of the Group's major capital investment projects. During the first half of 2015, new production line at the solvents plant in Taixing, Jiangsu was completed while phase 2 of the coatings plant in Jinshan, Shanghai was also partially completed. As a result, cash outflow of HK$198,438,000 was incurred for purchase of and deposits paid for the property, plant and equipment, which offset the improvement of operating cash inflow of HK$173,777,000 during the period under review. Looking forward, the Group will have two major capital expenditures for balance payments of both phase 2 of the plant in Jinshan and acquisition of the building of the R&D Centre in Zhangjiang, Shanghai. They are expected to be completed in 2015 and the boosted 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 30 June 2015, the gross bank borrowings of the Group amounted to HK$3,131,051,000 (31 December 2014: HK$3,083,410,000). After deduction of short-term bank deposits, bank balances and cash amounting to HK$1,368,388,000 (31 December 2014: HK$1,367,687,000), the net bank borrowings amounted to HK$1,762,663,000 (31 December 2014: HK$1,715,723,000). Out of the gross bank borrowings, HK$1,433,341,000 (31 December 2014: HK$1,811,114,000) were short-term loans and repayable within one year. Such loans were denominated in four currencies, namely HK$1,317,373,000 in Hong Kong Dollar, HK$5,147,000 in Renminbi ("RMB"), HK$53,663,000 in Australian Dollar and HK$57,158,000 in US Dollar (31 December 2014: 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). Long-term loans repayable after one year amounted to HK$1,697,710,000 (31 December 2014: HK$1,272,296,000), and they were all denominated in Hong Kong Dollar (31 December 2014: HK$1,243,583,000 were denominated in Hong Kong Dollar and HK$28,713,000 in Australian Dollar). Out of the short-term bank deposits, bank balances and cash, HK$1,342,581,000 (31 December 2014: HK$1,342,723,000) were cash and cash equivalents. Such cash and cash equivalents were denominated in four currencies, namely HK$52,965,000 in Hong Kong Dollar, HK$1,270,171,000 in RMB, HK$19,367,000 in US Dollar and HK$78,000 in Thai Baht (31 December 2014: HK$27,452,000 in Hong Kong Dollar, HK$ 1,285,980,000 in RMB, HK$25,351,000 in US Dollar and HK$3,940,000 in Thai Baht).

In order to support the capital expenditure and working capital requirement for the Group's planned future growth, as well as the needs for refinancing some of its maturing term loans, the Group has obtained 4 to 5-year bilateral long-term loans of HK$800,000,000 in the first half of 2015. As at 30 June 2015, mid to long-term loans (including portions repayable within one year) accounted for 78% 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. While the economy of the United States has been gradually recovering and it is likely to start the interest rate hike cycle in 2015, the three-month or shorter Hong Kong Dollar inter-bank interest rate still maintains at a low level. The Group therefore uses 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. As at 30 June 2015, the Group's loans under fixed rate arrangement accounted for 58% of its total bank borrowings. 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 a Hong Kong Dollar denominated repayment loan at the drawdown date to hedge against the risk of exchange rate fluctuation.

As at 30 June 2015, a total of 20 banks in Hong Kong and the PRC granted banking facilities totaling HK$5,943,671,000 to the Group, providing sufficient funds to meet its present working capital and expansion requirement. Of these banking facilities, 74%, 18%, 7% and 1% 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 of Hong Kong Dollar in Hong Kong and higher deposit rate of RMB in the Mainland so as to enhance return of funds. Under this arrangement, the Group is exposed to RMB exchange rate risk as its assets are mainly located in the Mainland and most of its income is generated in RMB. During the first half of 2015, RMB has appreciated against Hong Kong Dollar by about 0.08%. Although the impact of the sudden depreciation of RMB for more than 2% on 11 August 2015 as a result of the change in the daily fixing of RMB to a more market-driven practice by the People's Bank of China is yet to observe, it is expected that there shall not be continuously sharp depreciation of RMB against Hong Kong Dollar in the long run due to the internationalisation of RMB. The management thus 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 measures against RMB exchange loss are also considered unnecessary by the Group and yet the management will closely monitor the exchange rate fluctuations. As the RMB borrowing basic rate in the Mainland has been reduced three times in the first half of 2015 and the interest rate in Hong Kong is expected to follow the coming US dollar interest rate increase, the interest rate gap between Hong Kong and the Mainland will further narrow. The Group will therefore consider arranging part of the bank borrowings in RMB in the Mainland to reduce its exposure to the RMB exchange risk. The Group will continue to strike an optimal 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.

HUMAN RESOURCES

As of 30 June 2015, the Group has a total number of 4,171 employee. 102 employees are from Hong Kong while 4,069 of them 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 maximize their potential in their work. We offer suitable 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 management team 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 six months ended 30 June 2015, 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 2015, the Company has complied with "Corporate Governance Code and Corporate Governance Report" (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except that the Company does not have a nomination committee (CG Code provisions A.5.1 to A.5.4). The Company considers it is more beneficial and efficient for the full Board to perform the functions of the nomination committee.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was formed in November 1998. During the year ended 30 June 2015, the Audit Committee comprised one non-executive Director and four independent non-executive Directors (including the retired independent non-executive Director) and is chaired by Mr. Wong Kong Chi. Mr. Ip Chi Shing and Mr. Li Chak Man resigned as members of the Audit Committee in 2015. 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 auditor.

An Audit Committee meeting was held on 12 August 2015 to review the Group's unaudited interim financial statements for the six months ended 30 June 2015. Deloitte Touche Tohmatsu, the Group's external auditor, has carried out a review of the Group's unaudited interim financial statements for the six months ended 30 June 2015, which is prepared 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 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 the securities transactions of the directors of the Company. After making specific enquiry, all directors of the Company have confirmed that they have fully complied with the required standard as set out in the Model Code during the six months ended 30 June 2015.

UNAUDITED INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2015, 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 auditor and Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	**Six months ended 30.6.2015** *HK$'000* **(Unaudited)**	30.6.2014 *HK$'000* (Unaudited)
Turnover	*3*	**4,277,244**	4,723,530
Cost of sales		**(3,568,123)**	(4,018,162)
Gross profit		**709,121**	705,368
Other income	*4a*	**38,072**	37,220
Other gains and losses	*4b*	**(15,064)**	(49,732)
Selling and distribution expenses		**(190,083)**	(182,071)
General and administrative expenses		**(371,022)**	(378,198)
Interest expense		**(34,498)**	(29,641)
Profit before taxation	*5*	**136,526**	102,946
Taxation	*6*	**(32,633)**	(29,721)
Profit for the period		**103,893**	73,225
Other comprehensive income (expenses):			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**4,056**	(108,960)
Items that may be reclassified subsequently to profit or loss:			
Net adjustments on cash flow hedges		**(4,248)**	855
Exchange differences arising on translation		**756**	(3,609)
		(3,492)	(2,754)
Other comprehensive income (expenses) for the period		**564**	(111,714)
Total comprehensive income (expenses) for the period		**104,457**	(38,489)
Profit for the period attributable to:			
Owners of the Company		**82,795**	51,381
Non-controlling interests		**21,098**	21,844
		103,893	73,225
Total comprehensive income (expenses) attributable to:			
Owners of the Company		**82,836**	(47,458)
Non-controlling interests		**21,621**	8,969
		104,457	(38,489)
Earnings per share	*8*		
– Basic		**HK14.7 cents**	HK9.1 cents
– Diluted		**HK14.7 cents**	HK9.1 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**30.6.2015** **HK$'000** **(Unaudited)**	31.12.2014 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment	*9*	**1,792,226**	1,650,410
Prepaid lease payments		**241,266**	244,139
Investment properties	*9*	**73,800**	73,800
Goodwill		**69,574**	69,574
Intangible assets		**3,191**	3,825
Deposits paid for acquisition of property, plant and equipment and land use rights		**120,358**	130,666
Other non-current asset		**4,600**	4,600
		2,305,015	2,177,014
Current assets			
Inventories		**877,295**	802,870
Trade and bills receivables	*10*	**3,293,258**	3,527,009
Other debtors and prepayments	*10*	**437,109**	401,713
Prepaid lease payments		**6,147**	6,142
Short-term bank deposits			
– with original maturity within three months		**212,319**	88,440
– with original maturity more than three months		**25,807**	24,964
Bank balances and cash		**1,130,262**	1,254,283
		5,982,197	6,105,421
Current liabilities			
Creditors and accrued charges	*11*	**1,570,195**	1,693,829
Taxation payables		**47,146**	64,641
Dividend payables		**84,494**	–
Derivative financial instruments		**22,800**	17,107
Bank borrowings – amount due within one year		**1,433,341**	1,811,114
		3,157,976	3,586,691
Net current assets		**2,824,221**	2,518,730
Total assets less current liabilities		**5,129,236**	4,695,744
Non-current liabilities			
Derivative financial instruments		**4,068**	9,563
Bank borrowings – amount due after one year		**1,697,710**	1,272,296
Deferred tax liabilities		**14,057**	13,189
		1,715,835	1,295,048
		3,413,401	3,400,696
Capital and reserves			
Share capital		**56,330**	56,276
Reserves		**2,894,502**	2,894,732
Equity attributable to owners of the Company		**2,950,832**	2,951,008
Non-controlling interests		**462,569**	449,688
		3,413,401	3,400,696

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30.6.2015	30.6.2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	**173,777**	(25,037)
Net cash used in investing activities		
Withdrawal of short-term bank deposits with original maturity more than three months	**69,145**	51,252
Placement of short-term bank deposits with original maturity more than three months	**(69,988)**	(24,998)
Purchases of property, plant and equipment	**(156,911)**	(3,849)
Deposits paid for acquisition of property, plant and equipment	**(41,527)**	(93,501)
Proceeds from disposal of property, plant and equipment and land use rights	**492**	965
Proceeds from disposal of asset classified as held for sale	**–**	7,859
Other investing cash flows	**18,713**	15,987
	(180,076)	(46,285)
Net cash from financing activities		
New borrowings raised	**1,915,358**	1,253,866
Proceeds from issue of shares	**1,484**	972
Share issue expense	**(2)**	(1)
Dividend paid to non-controlling shareholder of subsidiary	**(8,740)**	–
Repayment of borrowings	**(1,867,717)**	(1,186,325)
Interest paid	**(34,498)**	(29,641)
	5,885	38,871
Net decrease in cash and cash equivalents	**(414)**	(32,451)
Cash and cash equivalents at beginning of the period	**1,342,723**	1,317,882
Effect of foreign exchange rate changes	**272**	(20,592)
Cash and cash equivalents at end of the period	**1,342,581**	1,264,839
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**1,130,262**	1,068,795
Short-term bank deposits with original maturity within three months	**212,319**	196,044
	1,342,581	1,264,839

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

In the current interim period, the Company and its subsidiaries (collectively referred as the "Group") have applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

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

3. SEGMENT INFORMATION

For management purposes, the Group's reportable operating segments under HKFRS 8 for the six months ended 30 June 2014 included four business divisions, namely (i) solvents, (ii) coatings, (iii) lubricants and (iv) others. During the current period, for the purposes of assessment of segment performance of each operation, the Group has separated inks division from coatings division, and the reportable segment has been revised to the following four segments, namely (i) solvents, (ii) coatings, (iii) inks and (iv) lubricants. Comparative figures have been restated to conform with the current year's presentation.

Principal activities of the Group's reportable segments are as follows:

Solvents	–	manufacture of and trading in raw solvents and related products
Coatings	–	manufacture of and trading in coatings and related products
Inks	–	manufacture of and trading in inks and related products
Lubricants	–	manufacture of and trading in lubricants products

Segment results represent the profit earned or loss incurred by each segment without allocation of interest income, dividend income, net exchange gain or loss at corporate level, fair value change on derivative financial instruments, 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 operating segments for the period under review is as follows:

	Solvents *HK$'000*	**Coatings** *HK$'000*	**Inks** *HK$'000*	**Lubricants** *HK$'000*	**Reportable segment total** *HK$'000*	**Elimination** *HK$'000*	**Consolidated** *HK$'000*
Six months ended 30 June 2015 (unaudited)							
Segment revenue							
External sales	**2,394,690**	**980,838**	**722,189**	**179,527**	**4,277,244**	**–**	**4,277,244**
Inter-segment sales	**65,856**	**8,760**	**3,344**	**699**	**78,659**	**(78,659)**	**–**
Total segment revenue	**2,460,546**	**989,598**	**725,533**	**180,226**	**4,355,903**	**(78,659)**	**4,277,244**
Results							
Segment results	**85,922**	**53,634**	**18,552**	**(989)**	**157,119**	**232**	**157,351**
Exchange loss arising from a foreign currency bank loan							**(3,642)**
Fair value change on derivative financial instruments							**4,052**
Unallocated income							**36,548**
Unallocated expenses							**(23,285)**
Interest expense							**(34,498)**
Profit before taxation							**136,526**

	Solvents *HK$'000*	Coatings *HK$'000*	Inks *HK$'000*	Lubricants *HK$'000*	Reportable segment total *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Six months ended 30 June 2014 (unaudited)							
Segment revenue							
External sales	2,714,254	986,208	808,262	214,806	4,723,530	–	4,723,530
Inter-segment sales	81,395	8,428	1,031	131	90,985	(90,985)	–
Total segment revenue	2,795,649	994,636	809,293	214,937	4,814,515	(90,985)	4,723,530
Results							
Segment results	107,711	15,990	30,877	(1,329)	153,249	33	153,282
Exchange loss arising from a foreign currency bank loan							(11,814)
Fair value change on derivative financial instruments							12,646
Unallocated income							16,936
Unallocated expenses							(38,463)
Interest expense							(29,641)
Profit before taxation							102,946

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

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2015	30.6.2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(a) The Group's other income mainly comprises:		
Interest income	**18,713**	15,987
Government grants recognised	**5,778**	4,990
(b) The Group's other gains and losses comprise:		
Exchange loss arising from a foreign currency bank loan *(Note (i))*	**(3,642)**	(11,814)
Fair value gain on derivative financial instruments of a cross currency swap contract *(Note (i))*	**4,052**	12,646
Sub-total	**410**	832
Net exchange gain (loss) arising from other foreign currency balances and transactions	**2,175**	(38,263)
Allowance for bad and doubtful debts *(Note (ii))*	**(17,040)**	(19,282)
Gain on disposal of asset classified as held for sale	**–**	11,214
Loss on disposal of property, plant and equipment and land use rights	**(609)**	(4,233)
	(15,064)	(49,732)

Notes:

(i) In April 2013, the Group raised a new bank loan in Australian dollar ("AUD") of AUD24,800,000. 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) During the period, 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.

5. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2015	30.6.2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**634**	1,101
Depreciation of property, plant and equipment	**66,848**	65,036
Release of prepaid lease payments	**3,049**	3,210

6. TAXATION

	Six months ended	
	30.6.2015	30.6.2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The charge comprises:		
Current tax – Mainland China		
Current period	**31,765**	38,619
Overprovision in prior periods	**–**	(8,536)
	31,765	30,083
Deferred taxation		
Current period	**868**	(362)
	32,633	29,721

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

Under the law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of 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%. Enterprise Income Tax 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 of 5% upon the distribution of such profits to the shareholders which are not residents in Mainland China. 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$2,113,273,000 (31 December 2014: HK$2,154,060,000) as the directors of the Company 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 HK15.0 cents per share totalling HK$84,494,000 in respect of the year ended 31 December 2014 were declared and subsequently paid in July 2015.

For the six months ended 30 June 2014, a final dividend of HK15.0 cents per share totalling HK$84,413,000 was paid for the year ended 31 December 2013.

Subsequent to 30 June 2015, the directors of the Company resolved to declare an interim dividend of HK10.0 cents per share totalling approximately HK$56,000,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: HK10.0 cents per share totalling HK$56,276,000). The interim dividend is payable on or about 14 October 2015 to the shareholders of the Company whose names appear on the Company's register of members on 4 September 2015.

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	
	30.6.2015	30.6.2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings for the purposes of calculating basic and diluted earnings per share	**82,795**	51,381

	Number of shares	
	'000	*'000*
Weighted average number of shares for the purpose of calculating basic earnings per share	**563,132**	562,482
Effect of dilutive potential ordinary shares:		
Share options	**543**	1,411
Weighted average number of shares for the purpose of calculating diluted earnings per share	**563,675**	563,893

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group incurred approximately HK$208,746,000 (six months ended 30 June 2014: HK$60,580,000) mainly for additions to manufacturing plant in Mainland China to expand its manufacturing capacity.

There are no changes in the fair value of the Group's investment properties for the current and prior interim periods. The valuations are carried out by an independent qualified professional valuer, Roma Appraisal Limited, which is not connected with the Group. The valuations by the independent qualified professional valuer are arrived at by reference to recent market prices for similar properties in similar locations and conditions in Hong Kong.

10. TRADE AND BILLS RECEIVABLES, OTHER DEBTORS AND PREPAYMENTS

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**2,069,049**	2,075,262
Bills receivables	**1,224,209**	1,451,747
	3,293,258	3,527,009

Other debtors and prepayments mainly consist of payments in advance to suppliers, commission receivable from suppliers and value-added tax receivable.

An aged analysis of trade receivables presented based on the invoice date, net of allowance for bad and doubtful debts of HK$102,076,000 (31 December 2014: HK$88,269,000) at the end of the reporting period is as follows:

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 3 months	**1,652,393**	1,664,668
4 – 6 months	**299,829**	340,345
Over 6 months	**116,827**	70,249
	2,069,049	2,075,262

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

Bills receivables represent 銀行承兑匯票 ("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 due date not longer than six months from the date of issuance. The banker's acceptances will be settled by the banks, which are mainly state-owned banks or commercial banks in the PRC, on the due date of such banker's acceptances.

11. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of HK$1,166,785,000 (31 December 2014: HK$1,253,480,000). 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:

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 3 months	**1,024,364**	1,037,240
4 – 6 months	**129,833**	203,909
Over 6 months	**12,588**	12,331
	1,166,785	1,253,480

INTERIM DIVIDEND

The Board are pleased to declare an interim dividend of HK10 cents per share for the six months ended 30 June 2015 (six months ended 30 June 2014: HK10 cents per share). The interim dividend will be payable on or about 14 October 2015 to shareholders whose names appear on the register of members of the Company (the "Register of Members") on 4 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 2 September 2015 to 4 September 2015 (both dates inclusive) for the purpose of determining the entitlements of the members of the Company to the interim dividend. No transfer of shares may be registered during the said period. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, should be lodged with the Company's Share 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 1 September 2015.

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 2015 interim report containing all the information required by the Listing Rules will be published on the HKEx website and the Company's website in due course.

By Order of the Board
Yip's Chemical Holdings Limited
Ip Chi Shing
Chairman

Hong Kong, 18 August 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. 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*