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 2015

HIGHLIGHTS

Total Product Sales Tonnage Exceeds 1 Million Metric Tons for The First Time

Pays Special Dividend of HK4.5 Cents Per Share to Celebrate Its 45th Anniversary of Founding

- Turnover for 2015 was HK$8.58 billion, a decrease of 16% year-on-year, mainly due to the drop in product selling prices caused by decrease in raw material prices as oil prices slumped.
- Total product sales tonnage grew 4% to approximately 1.01 million metric tons, exceeding 1 million metric tons for the first time.
- Net profit attributable to owners dropped 79% year-on-year to HK$47.85 million.
- Net cash inflow from operating activities was approximately HK$880 million, gearing ratio improved to 54%.
- To celebrate the Group's 45th anniversary of founding, the Board of Directors recommended the payment of a special dividend of HK4.5 cents per share.

	For the year ended 31 December 2015 (audited)	For the year ended 31 December 2014 (audited)	% change
Turnover	**HK$8,584,225,000**	HK$10,255,839,000	-16%
Net profit attributable to owners of the Company	**HK$47,847,000**	HK$223,182,000	-79%
Earnings per share	**HK 8.5 cents**	HK 39.7 cents	-79%
Final dividend	**–**	HK 15.0 cents	-100%
Special dividend	**HK 4.5 cents**	–	N/A
Dividend for the year	**HK 14.5 cents**	HK 25.0 cents	-42%

	As of 31 December 2015	As of 31 December 2014	
Gearing ratio*	**54.0%**	58.1%	-4.1% points

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

CHAIRMAN'S STATEMENT – REVIEW & PROSPECTS

It is inevitably discouraging that I have to present to our shareholders with an unsatisfactory annual statement for 2015 at a time when the Group enters the 45th anniversary of its founding. Though in the Prospects section of last year's annual report, the discussion I made was rather cautious, a number of harsher-than-expected changes in internal and external operating environment regrettably turned up. In particular, the accelerated pace of depreciation of the Renminbi ("RMB"), the sustained sharp fall in oil prices in the second half of the year, and the successive bizarre shocks ravaging the mainland financial market further exacerbated the economy which had been lethargic to begin with. With so many unfavourable factors in play, it is therefore well-nigh impossible for the Group's businesses to come out unscathed. At the end, though overall product sales tonnage still recorded a slight growth of 4%, because of the downward revision of product selling prices, turnover was down 16% from a year before to HK$8,584,225,000. In the year, net profit attributable to owners of the Company amounted to HK$47,847,000, representing a sharp decrease of 79% from the previous year. What gives us a little consolation is that, thanks to our extreme vigilance in expanding our businesses, the series of response measures we had put in place had gradually taken effect. As a result, in this turbulent period, our accounts receivable risks and capital investments were basically under control, so much so that the gearing ratio of the Group dropped from almost 60% in the same period last year to 54% and this momentum is set to continue. After careful and comprehensive assessment, the Board of Directors has resolved not to declare any final dividend but voted to declare a special dividend of HK4.5 cents per share as a token of rewarding shareholders at the 45th anniversary of the founding of the Group.

Review

In the reported period, global economic growth generally remained weak with the exception of the US. As geopolitical tension intensified, demand from the overall consumer market dropped steeply. The mainland market, already suffering from serious overcapacity that badly needed winding down, was double hit by a slowdown in export demand and domestic market. So, even though the mainland was still able to post a GDP growth of 6.9% for the whole year, signs of fatigue emerged and downturn pressures were on the rise. Meanwhile, the sluggish mainland real property market and the volatile and slipping stock market had resulted in a shortage in money supply and an abrupt increase in credit risks. Weighing the situation, the Group timely adopted a number of extra prudent measures in its business expansion. At the same time, oil prices had dropped unusually and sharply to reach multiyear new lows, leading to continual downward adjustments in the prices of numerous chemical commodities and eventually resulting in the extremely rare situation that, our core businesses registered zero or negative growth in turnover. Our solvents business was the hardest hit, followed by the lubricants. Both of these business segments had to deal with ever more savage competition while having to digest continuously their high-price inventories, so their profit margins suffered greatly. On the other hand, the Group's overall performance was still hampered by the continued downward revision of the RMB exchange rate. In the period, with the RMB exchange rate falling by as much as 5%, the Group recorded an exchange loss of HK$51,208,000 for the whole year. Though the exchange loss did not constitute an unfavourable impact on the Group's real business performance or cash flow, it was nevertheless a major factor why the Group's performance was inferior to that of the previous year.

Prospects

This year, the Group will still have to deal with a business environment that will be both challenging and littered with uncertainties. It is expected that, externally, geopolitics in many regions will be unstable, the global economy will still be in the doldrums and demand will remain weak. Domestically, the deep-seated problems of overcapacity, economic downturn pressures and the country's yet-to-be-transformed growth model cannot be solved in the short term. Yet, in an operating environment which is grim and probably takes a long time to adjust, the Group is confident and prepared to confront these problems with practical and prudent strategies in order to overcome the current difficulties and seize business opportunities. Among the factors affecting the overall performance of the Group last year, two might have the chance of being alleviated gradually in the coming year. First, it is expected that there will not be much room for oil prices to continue to fall sharply and the prices of commodity chemical raw materials have been stabilising in recent days. Meanwhile, the Group has, through redoubled efforts, been making headways in developing more mainland procurement channels. Second, it is expected that RMB will still undergo exchange rate fluctuations for political and economic reasons during the protracted process of internationalisation. Whatever exchange gain or loss that arises is not something the Group wants to see. The Group has therefore already adopted a series of practical measures to protect itself from such fluctuations. Currently, the biggest challenge of the Group is to complete its own readjustments in the shortest time possible. Its focus will be on enhancing the competitiveness of its core businesses and to achieve better balance in breaking though sales bottleneck, in optimising business quality and in strictly controlling credit. Though in the short and medium term, the Chinese economy will still undergo downward pressures, we are cautiously optimistic that China will still be the most economically vibrant region in the world. We are confident that it can maintain a stable and healthy growth through more aggressive domestic demand stimulation measures. What is more, by launching and entrenching the "Belt and Road" national initiative, a broader-spanning market will be opened up, and this will continuously add momentum for the sustained development of the domestic economy. Last year therefore, after making a comprehensive review and assessment, the Group has determined as its medium to long-term development strategy and objective to continue focusing on the China market and the boundless chemical field to look for business opportunities to expand. Concurrently, corresponding changes in the organisation structure and mode of management at the highest level of the Group will pave the way for the senior management team to get younger and more professional while business expansion strategies will get better and more effective. The ultimate aim is to realise the long-term corporate vision of "Towards a Century of Revered Leadership" through these 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", "undertake corporate social responsibility" and "enhance shareholder returns".

I would like to take this opportunity to thank the Board of Directors for its leadership and its various committees for their contributions. I am grateful to the Group's Senior Leadership Team for its unity, its rising to challenges and its innovative problem solving. To our customers, business partners, banks, suppliers and stakeholders, I thank them for their support and trust. Last but not least, I am wholeheartedly grateful to all the staff of the Group for their dedication and staying with us throughout these turbulent days.

Retirement of Directors

The Company's Independent Non-executive Director Mr. Li Chak Man and Executive Director Mr. Wong Kam Yim retired successively during the year. Over the years, both Mr. Li and Mr. Wong have contributed splendidly on the development and leadership of the Company in different roles. On behalf of the Board of Directors, I would like to convey our sincere gratitude to both of them and wish them a happy and healthy retirement life.

REPORT OF THE CO-CHIEF EXECUTIVE OFFICERS

Business Review

The year under review saw total product sales tonnage of the Group exceeding one million metric tons for the first time. But with oil prices dropping, prices of various raw materials turned south as did the selling prices of the Group's products across the board. As a result, sales turnover dropped 16% year on year to HK$8,584,225,000. Net profit was HK$47,847,000, down 78.6% from the previous year.

In the year, net cash inflow from operating activities was around HK$880,000,000. Gearing ratio dropped 4.1 percentage points to 54% as compared to last year end.

The main factors affecting profits in the year were as follows:

1. Though gross profit margin for solvents edged up slightly by 0.4 percentage point, the fall in the prices of key raw materials had pulled down their selling prices, so much so that gross profit decreased by 15%. As transportation expenses rose with increasing sales tonnage, operating profit dropped appreciably;

2. Hampered by the simultaneous declines in sales turnover and gross profit margin, loss in the lubricants business was exacerbated substantially;

3. Sharp fluctuations in the RMB exchange rate led to HK$51,208,000 in exchange loss;

4. For the same period in the previous year, there were a dividend payout and a net income before taxes totalling HK$129,739,000 from sales of shareholding in Lomon Corporation; and

5. The fair value of Yip's Chemical Building increased by HK$19,400,000.

The annual review of the various business lines are as follows:

Solvents

Increase in product sales tonnage was still recorded. But as selling prices dropped, sales turnover was down 19% year on year to HK$5,006,792,000 while operating profit was down 43% to HK$135,596,000.

For solvents, sales were brisk and market shares grew. But because of a cyclical fall, raw material prices hovered at historical lows, resulting in depressed product prices. Turnover and gross profit were thus dragged down substantially. Also, as transportation expenses rose with increasing sales tonnage, operating profit contracted markedly so much so that profit margin reached a relatively low level in recent years.

Coatings

Even against a backdrop of market downturn and slacking demands, product sales tonnage was still maintained at the same level as the previous year. It was the decreases in raw material and product prices that had dragged down turnover by 12% on the year to HK$1,890,989,000. Riding on improvement in the gross profit margin, operating profit was up 29% on the year to HK$60,922,000.

Inks

The business situation was similar to that of coatings except that turnover dropped 10% to HK$1,492,634,000. Thanks to an increase of 2.8 percentage points in gross profit margin, operating profit increased 23% on the year to HK$68,857,000.

Lubricants

The business was hit by a 19% decline in turnover to HK$348,388,000 while an inventory loss was recorded due to falling oil prices. Subsequently, operating loss increased markedly to HK$25,519,000 as compared to the loss of HK$2,934,000 in the previous year.

To mitigate the exchange difference caused by fluctuation of RMB with higher volatility, the management has adjusted the Group's treasury strategies by reducing surplus funds in RMB and arranging for bank borrowings in RMB to meet necessary operational needs. The management also continued to assess and explore various options of leasing or selling the headquarters property in Fanling to optimise its usage and increase return on investment with due consideration to the latest property market sentiments in Hong Kong.

Business Outlook

As market environment gets increasingly grimmer, the newly formed Senior Leadership Team responds actively by embracing changes and formulating strategies. The team suggests that while endeavouring to achieve high turnover, it will also focus more on targeted market segments and will develop new businesses and provide services to existing customers with optimal costs. Business lines with sub-optimal profitability will be disposed of so that the short-term target of quality growth can be achieved.

In the medium to long term, the development of new products and timely transformation, merger and acquisition will be the strategic development directions of the Group. For this, a new Corporate Development Department was formed at the beginning of 2016. Meanwhile, a seasoned R&D management personnel was recruited to take charge of the R&D centre in Zhangjiang, Shanghai.

In line with the above strategies, improvement measures on the Group's four main lines of business have been implemented upon analysing their respective market environments:

Solvents

With a new production line in the Taixing, Jiangsu factory coming on stream successfully in the fourth quarter of last year, total production capacity is now exceeding one million metric tons. The Group will aggressively expand into markets to the north and will also develop overseas sales by capitalising on Taixing plant's advantage of being allowed to export directly. At the same time, as the costs of various raw materials have already rebounded from their low levels, the management is confident of improvements in the operation of this business and of seeing normal operating profit again.

Coatings

Against the sustained sluggish market environment, our coatings group will strengthen its segmented targeting strategy for quality growth, especially in the B2B industrial and architectural coating segments. For household coatings, further optimisation of exclusive shops and distribution channels will be carried out while price management will be tightened. For industrial coatings, by ensuring the high and stable quality of our products, the Group will strengthen ties with major clients in the industry to form the cornerstones going forward.

In view of the volatility in raw material costs, tightening cost control across the supply chain and uplifting unit productivity per head will be championed to structurally enhance overall cost competitiveness of the business.

Inks

For inks, segmented profitability management, productivity improvement and new product development will be the key initiatives in the coming year.

Leveraging on the stable income from food packaging inks, the management will work towards improving profitability of the offset printing inks segment. Consolidation of production capacities across the three existing plants and appropriate level of investment in automation will be crucial in enhancing productivity.

Through years of research and development, the business will introduce systematically more lines of environmentally friendly products to the market, some of which are currently under trial use by customers. Progress has been encouraging so far.

Lubricants

The major setback in financial performance of the lubricants business last year had triggered a major reorganisation by the end of the year. The streamlined new leadership team is determined to turn around the business by critically reducing back office costs and by focusing on corresponding market segments and customers in accordance with the strengths and resources base of the business.

To this end, disciplines in executing a professional prospecting/sales process, price management and strengthened cost controls are in the day to day operating agenda of the management. Through such measures, the team is confident to put the lubricants business back on track, hence earning the license to grow ultimately.

Conclusion

It is our conviction that the implementation of the above strategies not only will result in performance improvements, but will also allow Yip's Chemical to put a solid step forward in becoming a hundred-year enterprise. Meanwhile, the Group is also asking specific demands of its personnel that they should remould a new corporate culture through integrity, excellence, teamwork and determination.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group's gearing ratio (measured by net bank borrowings as a percentage of equity attributable to owners of the Company) was 54.0% (31 December 2014: 58.1%), an improvement of 4.1 percentage points. Such decrease in gearing ratio reflects a remarkable improvement of the Group's liquidity with increased operating cash inflow of HK$879,748,000 during the year as compared to HK$9,689,000 last year. The strong improvement in operating cash flow was mainly attributable to the decrease of trade and bills receivables as the Group's efforts to strengthen credit control and expedite accounts collection started to pay off. Coupled with the completion of the Group's major capital investment projects during the year, namely a new production line at the solvents plant in Taixing, Jiangsu, phase 2 of the coatings plant in Jinshan, Shanghai, and balance payment for acquisition of the building of the R&D Centre in Zhangjiang, Shanghai, the need for increased bank loans to finance substantial investments would be much reduced in the coming few years as compared to before. It is thus expected that the gearing ratio should continue to improve and gradually return to a more healthy level in future.

As at 31 December 2015, the gross bank borrowings of the Group amounted to HK$2,775,163,000 (31 December 2014: HK$3,083,410,000). After deduction of short-term bank deposits, bank balances and cash amounting to HK$1,374,268,000 (31 December 2014: HK$1,367,687,000), the net bank borrowings amounted to HK$1,400,895,000 (31 December 2014: HK$1,715,723,000). Out of the gross bank borrowings, HK$1,171,344,000 (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$1,124,764,000 in Hong Kong Dollar, HK$2,359,000 in Renminbi ("RMB"), HK$25,535,000 in Australian Dollar and HK$18,686,000 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$1,603,819,000 (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$1,349,905,000 (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$61,563,000 in Hong Kong Dollar, HK$1,140,534,000 in RMB, HK$147,767,000 in US Dollar and HK$41,000 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$950,000,000 in the year under review. As at 31 December 2015, mid to long-term loans (including portions repayable within one year) accounted for 84% 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. As the United States started to raise the federal interest rate by 0.25% in December 2015, its long awaited interest rate hike cycle seemed to finally kick off. Due to its currency peg of Hong Kong Dollar to the US Dollar, it is expected that Hong Kong will sooner or later follow the United States to start raising its interest rate too. In anticipation of the rate hike cycle, the Group has used interest rate swaps in previous years to fix the interest rate of most of its bilateral long-term and mid-term loans to hedge against the risk of interest rate fluctuation. As at 31 December 2015, the Group's loans under fixed rate arrangement accounted for 71% and 81% of its total and non-current bank borrowings, respectively. 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 31 December 2015, a total of 23 banks in Hong Kong and the PRC granted banking facilities totaling HK$5,702,834,000 to the Group, providing sufficient funds to meet the present working capital and expansion requirements of the Group. Of these banking facilities, 74%, 18%, 7% and 1% were denominated in Hong Kong Dollar, RMB, US Dollar and Australian Dollar respectively. The Group has been arranging 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 has already enjoyed substantial interest borrowing costs saving in the past years. However, as the Group's assets are mainly located in the Mainland and most of its income is generated in RMB, the Group's exposure to RMB exchange rate risk will be enhanced when the RMB depreciates against Hong Kong Dollar. During 2015, RMB has depreciated against Hong Kong Dollar by about 5.52% 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 in August 2015. To reduce its exposure to RMB exchange risk, the Group has thus adjusted its treasury strategies to cope with this new market sentiment on the RMB exchange rate by remitting back surplus RMB fund in China to Hong Kong since the second half of 2015 and converting it to Hong Kong Dollar for repayment of loans in Hong Kong. Furthermore, as the RMB borrowing basic rate in the Mainland has been reduced by 1.25 percentage points in 2015 and the interest rate in Hong Kong is expected to follow the US dollar interest rate increase, the interest rate gap between Hong Kong and the Mainland has been and is expected to keep narrowing. The Group is therefore arranging to borrow RMB loans in the Mainland. The Group is also working closely with its major banks to set up cross-border RMB cash pooling to facilitate fund management between Hong Kong and the Mainland. The Group will continue to strike an optimal balance between lowering borrowing costs and minimizing currency exposure by structuring an optimal combination of Hong Kong Dollar, US Dollar, RMB or other foreign currency bank loans.

HUMAN RESOURCES

As of 31 December 2015, there were 4,069 employees of the Group. 98 employees were from Hong Kong while 3,971 of them were 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 year ended 31 December 2015, 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 2015 except that the Company does not have a nomination committee. The Company considers it is more beneficial and efficient for the full Board of Directors to perform the functions of the nomination committee.

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 14 March 2016 to review the Group's audited consolidated financial statements for the year ended 31 December 2015. As at the date of this announcement, the Audit Committee comprised a non-executive Director, namely Mr. Tong Wui Tung, and three independent non-executive Directors, namely Mr. Wong Kong Chi who was also the chairman of the Audit Committee, 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 three independent non-executive Directors, namely Mr. Ng Siu Ping who was also the chairman of the Remuneration Committee, Mr. Wong Kong Chi and Mr. Ku Yuen Fun.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

The Health, Safety and Environment ("HSE") Committee was formed in 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 three independent non-executive Directors, namely Mr. Ku Yuen Fun who was also the chairman of the HSE Committee, Mr. Ng Siu Ping and Mr. Wong Kong Chi.

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 2015.

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 2015, together with comparative figures of last year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	**2015** *HK$'000*	2014 *HK$'000*
Turnover	*2*	**8,584,225**	10,255,839
Cost of sales		**(7,204,662)**	(8,747,525)
Gross profit		**1,379,563**	1,508,314
Other income		**79,136**	139,052
Other gains and losses	*3*	**(93,281)**	(1,667)
Selling and distribution expenses		**(388,624)**	(404,268)
General and administrative expenses		**(744,543)**	(808,625)
Interest expense		**(70,217)**	(61,558)
Profit before taxation	*4*	**162,034**	371,248
Taxation	*5*	**(74,643)**	(100,280)
Profit for the year		**87,391**	270,968
Other comprehensive expense:			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(274,633)**	(117,124)
		(274,633)	(117,124)
Items that may be reclassified subsequently to profit or loss:			
Net adjustments on cash flow hedges		**(2,074)**	178
Exchange differences arising on translation		**(19,929)**	(6,205)
		(22,003)	(6,027)
Other comprehensive expense for the year		**(296,636)**	(123,151)
Total comprehensive (expense) income for the year		**(209,245)**	147,817
Profit for the year attributable to:			
Owners of the Company		**47,847**	223,182
Non-controlling interests		**39,544**	47,786
		87,391	270,968
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(218,037)**	113,809
Non-controlling interests		**8,792**	34,008
		(209,245)	147,817
Earnings per share	*7*		
– Basic		**HK8.5 cents**	HK39.7 cents
– Diluted		**HK8.5 cents**	HK39.6 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	NOTES	**2015** *HK$'000*	2014 *HK$'000*
Non-current assets			
Property, plant and equipment		**1,723,360**	1,650,410
Prepaid lease payments		**225,430**	244,139
Investment properties		**93,200**	73,800
Goodwill		**69,574**	69,574
Intangible assets		**2,461**	3,825
Deposits paid for acquisition of property, plant and equipment and land use rights		**178,131**	130,666
Other non-current asset		**4,600**	4,600
Derivative financial instruments		**140**	–
		2,296,896	2,177,014
Current assets			
Inventories		**739,286**	802,870
Trade and bills receivables	*8*	**2,733,113**	3,527,009
Other debtors and prepayments	*8*	**288,567**	401,713
Prepaid lease payments		**5,823**	6,142
Derivative financial instruments		**1,114**	–
Short-term bank deposits			
– with original maturity within three months		**22,525**	88,440
– with original maturity more than three months		**24,363**	24,964
Bank balances and cash		**1,327,380**	1,254,283
		5,142,171	6,105,421
Current liabilities			
Creditors and accrued charges	*9*	**1,553,870**	1,693,829
Taxation payable		**41,200**	64,641
Derivative financial instruments		**13,809**	17,107
Borrowings – amount due within one year		**1,171,344**	1,811,114
		2,780,223	3,586,691
Net current assets		**2,361,948**	2,518,730
Total assets less current liabilities		**4,658,844**	4,695,744
Non-current liabilities			
Derivative financial instruments		**3,084**	9,563
Borrowings – amount due after one year		**1,603,819**	1,272,296
Deferred tax liabilities		**7,742**	13,189
		1,614,645	1,295,048
		3,044,199	3,400,696
Capital and reserves			
Share capital		**56,371**	56,276
Reserves		**2,538,088**	2,894,732
Equity attributable to owners of the Company		**2,594,459**	2,951,008
Non-controlling interests		**449,740**	449,688
		3,044,199	3,400,696

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	HK$'000	*HK$'000*
Net cash from operating activities	**879,748**	9,689
Net cash used in investing activities		
Interest received	**32,593**	29,863
Withdrawal of short-term bank deposits with original maturity more than three months	**24,964**	53,452
Proceeds from disposal of property, plant and equipment and land use rights	**910**	22,200
Proceeds from disposal of available-for-sale investment	**–**	87,372
Dividend received from available-for-sale investment	**–**	66,252
Proceeds from disposal of asset classified as held for sale	**–**	7,859
Placement of short-term bank deposits with original maturity more than three months	**(24,363)**	(27,164)
Deposits paid for acquisition of property, plant and equipment	**(120,741)**	(130,666)
Purchase of property, plant and equipment	**(231,245)**	(174,460)
	(317,882)	(65,292)
Net cash (used in) from financing activities		
Borrowings raised	**2,906,875**	3,019,376
Proceeds from issue of shares	**2,315**	972
Share issue expenses	**(4)**	(5)
Dividends paid to non-controlling shareholder of subsidiary	**(8,740)**	(19,690)
Interest paid	**(70,217)**	(61,558)
Dividends paid	**(140,823)**	(140,688)
Repayment of borrowings	**(3,215,122)**	(2,694,314)
	(525,716)	104,093
Net increase in cash and cash equivalents	**36,150**	48,490
Cash and cash equivalents at beginning of the year	**1,342,723**	1,317,882
Effect of foreign exchange rate changes	**(28,968)**	(23,649)
Cash and cash equivalents at end of the year	**1,349,905**	1,342,723
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**1,327,380**	1,254,283
Short-term bank deposits with original maturity within three months	**22,525**	88,440
	1,349,905	1,342,723

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

Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year.

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle

The application of the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current or prior years and/or on the disclosures set out in these 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[2]
HKFRS 14	Regulatory deferral accounts[3]
HKFRS 15	Revenue from contracts with customers[2]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[1]
HKAS 27	Equity method in separate financial statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
4 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities for derecognition, and in 2013 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 that 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 ("FVTPL"), HKFRS 9 requires that 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 attributable to a 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 FVTPL is 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 mechanisms currently available in HKAS 39. Under HKFRS 9, 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 retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company are in the process of assessing the impact on the application of HKFRS 9.

HKFRS 15 Revenue from contracts with customers

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.

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 reportable operating segments under HKFRS 8 for the year ended 31 December 2014 included four business divisions, namely (i) solvents, (ii) coatings, (iii) lubricants and (iv) others. During the current year, 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 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 Co-chief Executive Officers of the Company, the Group's chief operating decision makers, 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*	Inks *HK$'000*	Lubricants *HK$'000*	Reportable segment total *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Year ended 31 December 2015							
Segment revenue							
External sales	4,883,096	1,876,316	1,477,148	347,665	8,584,225	–	8,584,225
Inter-segment sales	123,696	14,673	15,486	723	154,578	(154,578)	–
Total	5,006,792	1,890,989	1,492,634	348,388	8,738,803	(154,578)	8,584,225
Results							
Segment results	135,596	60,922	68,857	(25,519)	239,856	353	240,209
Exchange loss arising from a foreign currency bank loan *(note 3)*							(11,632)
Fair value change on derivative financial instruments *(note 3)*							13,105
Gain on fair value change of investment properties *(note 3)*							19,400
Unallocated income							37,292
Unallocated expenses							(66,123)
Interest expense							(70,217)
Profit before taxation							162,034

	Solvents	Coatings	Inks	Lubricants	Reportable segment total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2014							
Segment revenue							
External sales	6,037,374	2,122,721	1,664,148	431,596	10,255,839	–	10,255,839
Inter-segment sales	166,800	17,671	2,035	241	186,747	(186,747)	–
Total	6,204,174	2,140,392	1,666,183	431,837	10,442,586	(186,747)	10,255,839
Results							
Segment results	238,405	47,095	55,826	(2,934)	338,392	180	338,572
Exchange loss arising from a foreign currency bank loan *(note 3)*							(2,396)
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							(77,309)
Interest expense							(61,558)
Profit before taxation							371,248

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:

	2015	2014
	HK$'000	*HK$'000*
Exchange loss arising from a foreign currency bank loan *(Note (i) and note 2)*	**(11,632)**	(2,396)
Fair value gain on derivative financial instruments of a cross currency swap contract and foreign exchange forward contracts *(Note (i) and note 2)*	**13,105**	3,568
Sub-total	**1,473**	1,172
Net exchange loss arising from other foreign currency balances and transactions	**(51,208)**	(41,388)
Allowance for bad and doubtful debts, net *(Note (ii))*	**(49,523)**	(31,763)
Net loss on disposal/written off of property, plant and equipment and land use rights	**(13,423)**	(11,889)
Gain on fair value change of investment properties *(note 2)*	**19,400**	7,500
Gain on disposal of asset held for sale	**–**	11,214
Gain on disposal of available-for-sale investment *(note 2)*	**–**	63,487
	(93,281)	(1,667)

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

	2015	2014
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**1,260**	2,194
Auditor's remuneration	**4,142**	4,360
Depreciation of property, plant and equipment	**133,353**	129,967
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	**22,136**	20,365
Release of prepaid lease payments	**6,053**	6,361
Staff costs, including directors' remuneration	**683,557**	704,628
Cost of inventories recognised as expense	**7,204,662**	8,747,525
and after crediting (included in other income):		
Interest income	**32,593**	29,863
Government grants recognised	**15,861**	11,522
Rental income (excluding direct outgoings of HK$445,000 (2014: HK$489,000))	**3,557**	3,143
Dividend income from available-for-sale investment	**–**	66,252

5. TAXATION

	2015	2014
	HK$'000	*HK$'000*
Current tax – Mainland China		
Current year	**80,090**	107,741
Reversal of provisions in previous years	**–**	(8,536)
	80,090	99,205
Deferred taxation		
Hong Kong	**(238)**	66
Mainland China	**(5,209)**	1,009
	(5,447)	1,075
	74,643	100,280

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

	2015	2014
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Interim dividend for 2015 of HK10.0 cents (2014: HK10.0 cents) per share	**56,330**	56,275
Final dividend for 2014 of HK15.0 cents (2014: final dividend for 2013 of HK15.0 cents) per share	**84,493**	84,413
	140,823	140,688

A special dividend equivalent to HK 4.5 cents per share totalling not less than HK$ 25,367,000, in respect of the year ended 31 December 2015 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:

	2015	2014
	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	**47,847**	223,182

	Number of shares	
	'000	*'000*
Weighted average number of shares for the purpose of calculating basic earnings per share	**563,320**	562,620
Effect of dilutive potential ordinary shares:		
Share options	**378**	1,211
Weighted average number of shares for the purpose of calculating diluted earnings per share	**563,698**	563,831

8. TRADE AND BILLS RECEIVABLES, OTHER DEBTORS AND PREPAYMENTS

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**1,677,042**	2,163,531
Less: Allowance for doubtful debts	**(110,716)**	(88,269)
	1,566,326	2,075,262
Bills receivables	**1,166,787**	1,451,747
	2,733,113	3,527,009

Trade receivables

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

	2015	2014
	HK$'000	*HK$'000*
0 – 3 months	**1,222,008**	1,664,668
4 – 6 months	**235,534**	340,345
Over 6 months	**108,784**	70,249
	1,566,326	2,075,262

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 70% (2014: 65%) 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.

Bills receivables

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 maturity date in general 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$1,161,050,000 (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:

	2015 ***HK$'000***	2014 *HK$'000*
0 – 3 months	**982,601**	1,037,240
4 – 6 months	**169,161**	203,909
Over 6 months	**9,288**	12,331
	1,161,050	1,253,480

SPECIAL DIVIDEND

The Board recommended a special dividend of HK4.5 cents in cash per share, payable to shareholders whose names appear on the register of members of the Company on Friday, 17 June 2016. The recommended special dividend for the year ended 31 December 2015, which will be payable on or around Thursday, 21 July 2016, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting to be held on Tuesday, 7 June 2016.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Monday, 6 June 2016 to Tuesday, 7 June 2016 (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 Friday, 3 June 2016.

The Hong Kong branch register of members of the Company will be closed from Thursday, 16 June 2016 to Friday, 17 June 2016 (both dates inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed special dividend. No transfer of shares may be registered on those dates. In order to qualify for the shareholders' entitlement to the proposed special 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, 15 June 2016.

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 2015 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
Yip's Chemical Holdings Limited
Ip Chi Shing
Chairman

Hong Kong, 18 March 2016

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 and Co-Chief Executive Officer)*
Mr. Wong Yuk *(Co-Chief Executive Officer)*
Mr. Ho Sai Hou *(Chief Financial Officer)*
Mr. Kwong Kwok Chiu

* *Independent non-executive Directors*