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 2016

HIGHLIGHTS

Master Change to Scale New Heights

- New high total product sales tonnage at approximately 1.2 million metric tons, up 17% year-on-year.
- With product average selling price down year-on-year and RMB depreciation continuing, turnover was around HK$8.6 billion, similar to that of 2015.
- The Group's overall performance returned to a more reasonable level, resulting in HK$169 million in profit attributable to owners of the Company, a sharp increase of 254% from a year before.
- Operating profit of solvents business more than doubled and that of inks business surged by close to 46%, whereas lubricants business turned around to record a profit. Coatings business recorded a 56% drop in operating profit due to re-organization of product line and a one-off substantial cost commanded by business consolidation.
- Net cash inflow from operating activities was approximately HK$380 million, gearing ratio was maintained at a healthy 50.4%, which was a decrease of 3.6 percentage points compared to last year.
- The Board has recommended payment of a final dividend of HK10 cents per share. Total dividend payment for the year amounted to HK15 cents per share.

	For the year ended 31 December 2016 (audited)	For the year ended 31 December 2015 (audited)	% change
Turnover	**HK$8,555,646,000**	HK$8,584,225,000	-0.3%
Profit attributable to owners of the Company	**HK$169,343,000**	HK$47,847,000	254%
Earnings per share	**HK30.0 cents**	HK8.5 cents	253%
Final dividend	**HK10.0 cents**	–	N/A
Special dividend	**–**	HK4.5 cents	-100%
Dividend for the year	**HK15.0 cents**	HK14.5 cents	3.4%
	As of 31 December 2016	As of 31 December 2015	
Gearing ratio*	**50.4%**	54.0%	-3.6% points

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

CHAIRMAN'S STATEMENT – REVIEW & PROSPECTS

I am pleased to report to all shareholders the Group's performance for the year 2016. Though Mainland China was still able to achieve the predicted GDP growth, the 5.7% depreciation in the Renminbi ("RMB") as well as unfavourable factors in the overall market such as sluggish demand, feeble exports, capital shortages and growing credit risks all worked against the Group in attaining its sales targets. During the period, the Group's turnover was around HK$8.6 billion, which was basically the same as in the preceding year. Yet, after discounting the fact that product average selling prices were still hovering at low levels, the Group's overall sales volume was up by 17% from last year. As to the profit attributable to owners of the Company, thanks to the leadership of our new management team, who implemented a host of proactive measures in focusing on the Group's core businesses and raising its earning quality, effectively minimised book loss brought about by RMB depreciation. This, coupled with the relatively stable raw material prices during the period, had provided the Group with a sound operating foundation. Consequently, the Group's overall performance returned to a more reasonable level, resulting in HK$169 million in profit attributable to owners of the Company, an increase of 254% from a year before. As the Group continued to uphold the principle of stable development and prudent financial management, customer credits were under tight control and asset quality was continuously optimized. Consequently, the Group's gearing ratio was maintained at a healthy and manageable level of 50.4%, which was a decrease of 3.6 percentage points compared to last year. After carefully balancing the long-term development needs of the Group and the long-held dividend policy of actively rewarding shareholders, the Board of Directors (the "Board") has resolved to recommend a final dividend of HK10 cents per share. Together with the interim dividend of HK5 cents per share, the dividend for the full year is HK15 cents per share. I am glad that the Group is able to maintain its established dividend policy despite the brutal operating environment.

Review

Just as I mentioned in reviewing the interim results of our business, two factors had a crippling effect on the Group's business in the year of 2015. The first was the large fluctuations in raw material prices and the increasing ferocity of competition in the market that had led to low profit margin levels in recent years. The second was the sustained downward revision of the RMB exchange rate which, though not affecting our cash flow, was having a direct negative impact on the reported profit of the Group. The alleviation of these two factors in the year of 2016 had brought positive influence to the Group's operating environment during the period. Yet externally, the macro operating environment was still littered with challenges. These included (1) the sustained depreciation of the RMB and the associated slowdown in inbound investment; (2) lower demand from a lethargic global economy which had been curbing exports; (3) incessant volatility in the real estate and financial markets which led to shortages in funds and thus unsatisfactory growth in domestic demand; (4) increasingly strict state regulations on the safety and environmental aspects of the chemical industry which inevitably led to substantial increases in operating costs. Confronted with these dire operating circumstances, the Group, under the leadership of a new management team, was able to carry out all foundation fortifying works in accordance with predetermined operating strategies and targets. In the period under report, though individual business segments might have encountered temporary difficulties during re-organisation and fell short of expectation in their performance, others were able to achieve better-than-expected results, including significant improvements, steady and sound growth and more distinctive competitive advantages. Consequently, the Group's business as a whole had turned the table from last year in terms of both sales and operating profits. Not only had we achieved all our targets, we had also laid a robust cornerstone for the Group's medium- to long-term objectives of focusing on core businesses, building up the businesses and generating value for shareholders sustainably.

Outlook

The bleak and challenging 2016 has already passed. Looking ahead to 2017, a number of uncertainties lie ahead. For instance, the new US administration leads to the potential advance of protectionism and the increasing risk of Sino-American conflicts. Meanwhile, the fait accompli of Brexit will unavoidably create uncertainties to the economic prospects of the EU. Though there is no cause for optimism in the macro global operating environment in the coming year, we are still confident that China's economy will continue to grow at a steady pace. Hence we are still cautiously optimistic that the Group's various business segments will be benefited as a result. This view is based on several observations. First, as RMB may continue to depreciate slightly, external investment will decrease while there will be more variables to export business. Hence expanding domestic demand and stepping up the pace of implementing Belt and Road outward expansion projects will become priorities for the government of Mainland China. Second, while the Group's business strategies will track national policies, we will adhere to focusing on our profession and strengthen our efforts in R&D, in particular in the area of innovative environmentally friendly products. At the same time, we will abide by all the standards set by the government on the chemical industry and unceasingly improve and upgrade ourselves so as to consolidate our competitiveness and maximise the chance of getting stronger. Third, the Group has been people-oriented and is very mindful of sound corporate governance and giving back to society actively, laying a sound cornerstone for a healthy and steady development. Furthermore, the new management team along with a new leadership structure we put in place last year is viewing future challenges as the new normal. They are united as one while performing their individual duties and letting their creative juices flow. As a result, the various practical reform measures they proposed have been implemented step by step and are achieving initial successes. In summary, the Group will as always strive to create better returns to its shareholders. I would like to take this opportunity to convey my heartfelt thanks to all our employees for their hard work and dedication, to our various stakeholders for their support and guidance, and to the Group's Senior Leadership Team and every director for their determination, courage, execution prowess and correct leadership.

REPORT OF THE CO-CHIEF EXECUTIVE OFFICERS

Business Review

The total product sales tonnage of the Group again hit a new high of close to 1.2 million metric tons in the year ended 31 December 2016. The prices of various raw materials hovered at low levels for the first three quarters and only picked up notably in the fourth one. Average selling prices of products were lower than in the previous year, coupled with the impact of RMB depreciation, leading to a rise in sales volume while sales turnover remained flat.

In the year, the Group's total sales turnover at around HK$8.6 billion was mildly down 0.3% year-on-year; net profit was up by 254% year-on-year to HK$169 million; gearing ratio once again fell markedly by 3.6 percentage points year-on-year to 50.4%.

This year recorded a better profit and the major factors affecting the profitability included:

1. While operating profit of solvents more than doubled and that of the inks business grew by almost 46%, the lubricants business succeeded in turning profitable. It was only in the coatings business that operating profit dropped by 56% in the year. The reason was that the coatings business re-organised product lines to increase sales proportion of emulsion paint, which is more eco-friendly yet with lower margin; in addition to a one-off substantial cost due to business consolidation incurred, leading to a decline in profits.

2. In response to the sustained depreciation of RMB, the management adopted proactive and effective measures that narrowed down exchange loss this year by 66% to HK$17 million. Owing to the fact that surplus funds in the Mainland China were remitted out for profit distribution, a corresponding increase of HK$30 million in dividend tax was incurred. This measure alleviates largely the impact to be brought by the future fluctuation of RMB exchange rate.

3. As measures in actively optimizing operations, improving customer credits and rectifying product mix were effective, bad debts and obsolete stocks in the year were therefore reduced by 50% over the same period last year.

4. The fair value of Yip's Chemical Building increased by HK$5.1 million from the year 2015, which was HK$19.4 million last year, representing a 74% less in the amount increased year-on-year.

The annual review and outlook of individual business segments were given as follows:

Solvents

Total product sales tonnage grew satisfactorily and was up 20% year-on-year to almost 950,000 metric tons. The main reason for this was that the new production line of the Taixing plant has been running smoothly since it commenced operation, providing sufficient capacity to meet the market demands of the Eastern China and Southern China, thus further expanding the Group's shares in these two markets. Export volume grew strongly by two-folds to nearly 100,000 metric tons. Sales turnover, however, was up only 4% year-on-year to HK$5.2 billion mainly because it was hampered by the continuing downward revision in average selling prices and the depreciation of RMB. Thanks to economies of scale effects, operating profit saw further growth. Rise in raw material prices in the fourth quarter was also favourable to gross profit increase. Subsequently this business segment boasted an operating profit of HK$340 million in the year, up by 150.7% from the same period last year.

In assessing the situation, the management believes that the keys to sustainable growth lie in having a strong competitiveness over industry counterparts and also in making constant progress on the Group. For this, the management has already started working in the following directions:

1. Optimize production capacity and develop market with the aim to surpass the milestone of one million metric tons.

2. Further improve technology to reduce energy consumption and wastage.

3. Review operation of supply chain to continuously elevate efficiency and reduce costs.

4. Examine the corporate structure with the view of enhancing operational efficiency.

The management has set the objective of taking the solvents business to new heights by expanding product lines and further enriching the Group's product mix while maintaining sustained growth in business performance.

Coatings

2016 has proven to be a difficult year for the coatings group. The business continued to be challenged by an ever changing and stiffer competitive environment, more stringent measures to the operations of coatings sector and not least soaring raw material costs by end of the year.

Management of the coatings group confidently confronted the structural challenges with undivided attention in executing predetermined business strategies. These include stepping up the sales growth of environmentally friendly water- based emulsion paints, rebuilding our channel muscle to strengthen business development, giving up a few businesses with high credit risks to upgrade overall sales quality, further consolidating our products portfolio including exiting from the electronic products paint segment which is with low profit margin and unpromising prospect, and taking cost reduction measures such as streamlining corporate structure.

As a result, the overall performance of the business has tracked the trend as outlined in 2016 interim report – where compared to full year 2015, the business has recorded a growth of 12% in overall product sales tonnage, yet the turnover was around HK$1.7 billion, lower than the turnover of around HK$1.9 billion last year, and the operating profit was approximately HK$27 million, down by 56.2% from the same period last year.

To deal with the increasingly acute operating environment and implement necessary transformation and reforms, the coatings group has installed a "co-president" structure in early 2017. One president will focus on the business development of architectural coatings and furniture coatings, on building up sales and distribution channels and on the R&D of higher tier environmentally-friendly products, such as second-generation water-based wood paints and multi-functional architectural emulsion paints. The other president will concentrate on optimizing the operation of supply chain and on bringing in consultants and experts in a bid to structurally reduce costs through the sustainable improvement on organisational capability. Concertedly, they will lead the execution of various initiatives and work towards the long-term development of the coatings business.

We firmly believe that, the coatings group, which strives for segment focus, operating cost reduction and new product development, will continuously improve its performance and provide sustainably improving returns to the Group and its shareholders.

Inks

Throughout the year, the inks business has successfully executed its strategies of segment focus, operation excellence and margin improvement, leading to a promising performance. Its product sales tonnage increased to close to 70,000 metric tons, both gross margin and cost control were improved, operating profit amounting to HK$100 million, an increase of 45.8% compared to last year.

New product development continued to be the major drive of the business. Commercialization of eco-friendly inks went on quite well in the second half of the year whereby a few customers have started ordering. Though sales of the products depends on the acceptance of customers, the group believes that eco-friendly products would be gaining more grounds over the next couple of years as government is stressing more stringent regulations in the sector.

In the year to come, the inks business would leverage its leadership position to strengthen the profitability of the food packaging segment, further drive costs down structurally and build the product pipeline by looking into other environmentally friendly products including UV inks and plant oil offset inks (no mineral oils).

Lubricants

It has been encouraging to note that our lubricants business has managed to turn back to black in the year, recording an operating profit of HK$1.68 million compared to a loss of HK$26 million in previous year.

With the discipline in driving segment focus and structurally squeezing costs out throughout the value chain, from sales process to raw materials to production and logistics, overall sales product tonnage recorded a mild drop of 1%, sales turnover was down by 6% to HK$328 million and gross margin saw a marked improvement.

While the business has been back to a better shape, the management has ventured into the higher tier automobile engine oil with early success. The team will build on the momentum to reposition the product offering, strengthen the distributor network, facelift the brand of Hercules lubricants with an objective to sustain a profitable business in the selected target segments year on year.

Hong Kong Headquarters

The Group has purchased an office at HK$130 million in Wanchai by late 2016 and will move its headquarters from Fanling in the second quarter of 2017 after the renovation is completed. The new office will be in refreshing style and equipped with new IT facilities for better communication. Four and a half floors of office and godown of the existing Fanling building have been rented out to a third party since December 2016 and the entire building will be occupied by the tenant after the Group moves out in 2017, to meet the objective of better utilization of assets.

Outlook

In the new year to come, we will continue to uphold our policy of sound operation and continuous improvement; we will further enhance our staff capability, not least in the area of product R&D; we will carry out in-depth studies of possible mergers and acquisitions that may bring in new businesses, markets and customers; we will further emphasize our "TIDE" core values of Teamwork, Integrity, Determination and Excellence in achieving the healthy growth of the Group's businesses and in further improving business performance.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group's gearing ratio (measured by net bank borrowings as a percentage of equity attributable to owners of the Company) was 50.4% (31 December 2015: 54.0%). The gearing ratio has been continuously improved in recent years with decline of 3.6 and 7.7 percentage points when compared with the year 2015 and the year 2014, respectively. After the completion of the Group's several major capital investments on increasing production capacity in the past few years, coupled with efforts to improve its liquidity in operating capital, the Group started to reap the benefits of its investments. As stated in our interim report, the Group continued to remit back surplus Renminbi ("RMB") fund in the mainland to Hong Kong via foreign debts repayments and/or profit repatriation by its mainland subsidiaries in view of the declining RMB exchange rate. Compared to both 30 June 2016 and 31 December 2015, total bank borrowings and bank deposits further decreased while net bank borrowings were reduced. The Group also manages to maintain a healthy cash flow and generates net cash inflow from its operating activities in recent years.

As at 31 December 2016, the gross bank borrowings of the Group amounted to HK$2,246,319,000 (31 December 2015: HK$2,775,163,000). After deduction of short-term bank deposits, bank balances and cash amounting to HK$971,103,000 (31 December 2015: HK$1,374,268,000), the net bank borrowings amounted to HK$1,275,216,000 (31 December 2015: HK$1,400,895,000). Out of the gross bank borrowings, HK$789,848,000 (31 December 2015: HK$1,171,344,000) were short-term loans and repayable within one year. Such loans were all denominated in Hong Kong Dollar (31 December 2015: HK$1,124,764,000 in Hong Kong Dollar, HK$2,359,000 in RMB, HK$25,535,000 in Australian Dollar and HK$18,686,000 in US Dollar). Long-term loans repayable after one year amounted to HK$1,456,471,000 (31 December 2015: HK$1,603,819,000), and they were all denominated in Hong Kong Dollar. The short-term bank deposits, bank balances and cash were denominated in the following currencies, namely HK$173,722,000 in Hong Kong Dollar, HK$582,928,000 in RMB, HK$214,447,000 in US Dollar and HK$6,000 in other currencies (31 December 2015: HK$61,563,000 in Hong Kong Dollar, HK$1,164,897,000 in RMB, HK$147,767,000 in US Dollar and HK$41,000 in other currency).

In order to refinance previous mid-to-long-term loans which are now due for repayments, the Group has obtained 4 to 5-year bilateral long-term loans of HK$600,000,000 in 2016. As at 31 December 2016, mid to long-term loans (including portions repayable within one year) accounted for 95% of the total bank loans as most short-term loans have been repaid by the surplus RMB funds returned from the mainland. Since some of the borrowings of the Group carry interest at floating rates, the funding costs are subject to interest rate fluctuation. In anticipation of the rate fluctuation, the Group has, from time to time, made arrangements with the banks such as interest rate swaps to fix the interest rate for most of its bilateral long-term and mid-term loans to hedge against the risk of such fluctuations. As at 31 December 2016, the Group's loans under fixed rate arrangement accounted for 66% and 70% of its total and non-current bank borrowings, respectively. This arrangement should help to alleviate the expected higher interest costs resulting from Hong Kong interest rate hikes following the increase of US federal interest rate since early 2016.

As at 31 December 2016, a total of 16 banks in Hong Kong and the People's Republic of China ("PRC") granted banking facilities totaling HK$5,075,325,000 to the Group, providing sufficient funds to meet the present working capital and expansion requirements. Of these banking facilities, 77%, 21% and 2% were denominated in Hong Kong Dollars, RMB and US Dollars respectively. The Group has been arranging Hong Kong Dollar bank loans in Hong Kong for its China operations to leverage the lower borrowing rate of the Hong Kong Dollar in Hong Kong and higher deposit interest rate of the RMB in Mainland China so as to enhance return of funds. Under this arrangement, the Group has already enjoyed substantial interest borrowing cost savings 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 worsen when the RMB depreciates against the Hong Kong Dollar. The Group has thus adjusted its treasury strategies to cope with the significant depreciation of RMB against Hong Kong Dollar since mid 2015. As stated above, the Group has been remitting back surplus RMB fund in Mainland China to Hong Kong for repayment of loans in Hong Kong. The Group also entered into US Dollar forward contracts to effectively hedge its exposure in purchase contracts denominated in US Dollar. RMB depreciated by 5.5% in 2015 and the Group recorded an exchange loss of HK$62,294,000 from its financial assets and liabilities. Benefiting from the adjustment in treasury strategies, RMB depreciated by 5.7% in 2016 while the related exchange loss was substantially reduced to HK$10,297,000. The impact of policies put forward by the new US President on the world economy and future trend of interest and exchange rates have yet to be observed. The Group remains cautious and closely monitors its exposure to potential further RMB depreciation and interest rate increments. With the reduction of surplus RMB funds in Mainland China, during 2016 the Group has obtained a RMB revolving loan equivalent to HK$703,726,000 for supporting its operational needs. 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 in Hong Kong and Mainland China.

HUMAN RESOURCES

As of 31 December 2016, the Group has a total number of 3,795 employees. 80 of the employees are from Hong Kong while 3715 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 programs, on-the-job training and participation in the Group's educational subsidies, allowing for self-development in knowledge and skills and maximizing their potential in their work. We offer a 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 to 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 implemented for a number of years. Some of the management trainees have demonstrated their excellent capabilities and been advanced to positions of leadership within the Group.

The Group offers a desirable 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 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to achieve the Group's objectives of 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 2016 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, risk management and internal control systems and monitoring of the relationship between the Group and its external auditors. An Audit Committee meeting was held on 16 March 2017 to review the Group's audited consolidated financial statements for the year ended 31 December 2016. 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 2016.

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 2016, together with comparative figures of last year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	**2016** *HK$'000*	2015 *HK$'000*
Turnover	*2*	**8,555,646**	8,584,225
Cost of sales		**(6,967,660)**	(7,204,662)
Gross profit		**1,587,986**	1,379,563
Other income		**61,234**	79,136
Other gains and losses	*3*	**(50,004)**	(93,281)
Selling and distribution expenses		**(421,390)**	(388,624)
General and administrative expenses		**(726,439)**	(744,543)
Interest expense		**(59,475)**	(70,217)
Profit before taxation	*4*	**391,912**	162,034
Taxation	*5*	**(148,744)**	(74,643)
Profit for the year		**243,168**	87,391
Other comprehensive (expense) income:			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(259,436)**	(274,633)
Gain on revaluation of properties		**47,648**	–
		(211,788)	(274,633)
Items that may be reclassified subsequently to profit or loss:			
Net adjustments on cash flow hedges		**14,215**	(2,074)
Exchange differences arising on translation of foreign operations		**(12,803)**	(19,929)
		1,412	(22,003)
Other comprehensive expense for the year		**(210,376)**	(296,636)
Total comprehensive income (expense) for the year		**32,792**	(209,245)
Profit for the year attributable to:			
Owners of the Company		**169,343**	47,847
Non-controlling interests		**73,825**	39,544
		243,168	87,391
Total comprehensive income (expense) attributable to:			
Owners of the Company		**(11,842)**	(218,037)
Non-controlling interests		**44,634**	8,792
		32,792	(209,245)
Earnings per share	*7*		
– Basic		**HK30.0 cents**	HK8.5 cents
– Diluted		**HK30.0 cents**	HK8.5 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	NOTES	**2016** *HK$'000*	2015 *HK$'000*
Non-current assets			
Property, plant and equipment		**1,597,930**	1,723,360
Prepaid lease payments		**248,805**	225,430
Investment properties		**226,330**	93,200
Goodwill		**69,574**	69,574
Intangible assets		**1,217**	2,461
Deposits paid for acquisition of property, plant and equipment and land use rights		**36,089**	178,131
Other non-current asset		**4,600**	4,600
Derivative financial instruments		**4,468**	140
		2,189,013	2,296,896
Current assets			
Inventories		**808,203**	739,286
Trade and bills receivables	*8*	**2,804,610**	2,733,113
Other debtors and prepayments		**353,591**	288,567
Prepaid lease payments		**6,684**	5,823
Derivative financial instruments		**4,152**	1,114
Short-term bank deposits			
– with original maturity within three months		**49,175**	22,525
– with original maturity more than three months		**–**	24,363
Bank balances and cash		**921,928**	1,327,380
		4,948,343	5,142,171
Current liabilities			
Creditors and accrued charges	*9*	**1,771,877**	1,553,870
Taxation payable		**72,002**	41,200
Derivative financial instruments		**311**	13,809
Borrowings – amount due within one year		**789,848**	1,171,344
		2,634,038	2,780,223
Net current assets		**2,314,305**	2,361,948
Total assets less current liabilities		**4,503,318**	4,658,844
Non-current liabilities			
Derivative financial instruments		**47**	3,084
Borrowings – amount due after one year		**1,456,471**	1,603,819
Deferred tax liabilities		**41,812**	7,742
		1,498,330	1,614,645
		3,004,988	3,044,199
Capital and reserves			
Share capital		**56,381**	56,371
Reserves		**2,472,868**	2,538,088
Equity attributable to owners of the Company		**2,529,249**	2,594,459
Non-controlling interests		**475,739**	449,740
		3,004,988	3,044,199

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	HK$'000	*HK$'000*
Net cash from operating activities	**376,800**	879,748
Net cash used in investing activities		
Placement of short-term bank deposits with original maturity more than three months	**(100,000)**	(24,363)
Deposits paid for acquisition of property, plant and equipment	**(55,192)**	(120,741)
Purchase of property, plant and equipment	**(42,005)**	(231,245)
Withdrawal of short-term bank deposits with original maturity more than three months	**124,363**	24,964
Interest received	**18,511**	32,593
Proceeds from disposal of property, plant and equipment and land use rights	**3,229**	910
	(51,094)	(317,882)
Net cash used in financing activities		
Repayment of borrowings	**(2,749,751)**	(3,215,122)
Interest paid	**(59,475)**	(70,217)
Dividends paid	**(53,563)**	(140,823)
Dividends paid to non-controlling shareholders of subsidiaries	**(18,635)**	(8,740)
Borrowings raised	**2,220,907**	2,906,875
Proceeds from issue of shares	**195**	2,315
Share issue expenses	**–**	(4)
	(660,322)	(525,716)
Net (decrease) increase in cash and cash equivalents	**(334,616)**	36,150
Cash and cash equivalents at beginning of the year	**1,349,905**	1,342,723
Effect of foreign exchange rate changes	**(44,186)**	(28,968)
Cash and cash equivalents at end of the year	**971,103**	1,349,905
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**921,928**	1,327,380
Short-term bank deposits with original maturity within three months	**49,175**	22,525
	971,103	1,349,905

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact 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 amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new or amendments to HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.

The directors of the Company anticipate that the application of new and amendments to HKFRSs will have no material impact on the consolidated financial statements.

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 included four business divisions, namely (i) solvents, (ii) coatings, (iii) inks, and (iv) lubricants.

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, 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 2016							
Segment revenue							
External sales	**5,107,750**	**1,690,196**	**1,429,793**	**327,907**	**8,555,646**	**–**	**8,555,646**
Inter-segment sales	**117,565**	**5,884**	**2,076**	**50**	**125,575**	**(125,575)**	**–**
Total	**5,225,315**	**1,696,080**	**1,431,869**	**327,957**	**8,681,221**	**(125,575)**	**8,555,646**
Results							
Segment results	**339,892**	**26,666**	**100,380**	**1,677**	**468,615**	**(99)**	**468,516**
Exchange loss arising from a foreign currency bank loan *(note 3)*							**(10,583)**
Fair value change on derivative financial instruments *(note 3)*							**9,686**
Gain on fair value change of investment properties *(note 3)*							**5,125**
Unallocated income							**21,553**
Unallocated expenses							**(42,910)**
Interest expense							**(59,475)**
Profit before taxation							**391,912**

	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 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

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:

	2016	2015
	HK$'000	*HK$'000*
Exchange loss arising from a foreign currency bank loan *(Note (i) and note 2)*	**(10,583)**	(11,632)
Fair value gain on derivative financial instruments of a cross currency swap contract and foreign exchange forward contracts *(Note (i) and note 2)*	**9,686**	13,105
Sub-total	**(897)**	1,473
Net exchange loss arising from other foreign currency balances and transactions	**(17,167)**	(51,208)
Allowance for bad and doubtful debts, net *(Note (ii))*	**(16,701)**	(49,523)
Net loss on disposal/written off of property, plant and equipment and land use rights	**(20,364)**	(13,423)
Gain on fair value change of investment properties *(Note 2)*	**5,125**	19,400
	(50,004)	(93,281)

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

	2016 *HK$'000*	2015 *HK$'000*
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**1,203**	1,260
Auditor's remuneration	**4,250**	4,142
Cost of inventories recognised as an expense	**6,967,660**	7,204,662
Depreciation of property, plant and equipment	**136,946**	133,353
Operating lease payments in respect of rented premises	**22,030**	22,136
Release of prepaid lease payments	**5,718**	6,053
Staff costs, including directors' remuneration	**667,897**	683,557
and after crediting (included in other income):		
Interest income	**18,511**	32,593
Government grants recognised	**20,802**	15,861
Rental income (excluding direct outgoings: nil (2015: HK$445,000))	**4,829**	3,557

5. TAXATION

	2016 *HK$'000*	2015 *HK$'000*
Current tax – Mainland China		
Current year	**106,469**	64,655
Withholding tax	**36,616**	15,435
	143,085	80,090
Deferred taxation		
Hong Kong	**575**	(238)
Mainland China	**5,084**	(5,209)
	5,659	(5,447)
	148,744	74,643

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

	2016	2015
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Interim dividend for 2016 of HK5.0 cents (2015: HK10.0 cents) per share	**28,191**	56,330
Special dividend for 2015 of HK4.5 cents (2015: final dividend for 2014 of HK15.0 cents) per share	**25,372**	84,493
	53,563	140,823

A dividend equivalent to HK10 cents per share totalling not less than HK$56,381,000, in respect of the year ended 31 December 2016 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:

	2016	2015
	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	**169,343**	47,847

	Number of shares	
	'000	*'000*
Weighted average number of shares for the purpose of calculating basic earnings per share	**563,810**	563,320
Effect of dilutive potential ordinary shares:		
Share options	**50**	378
Weighted average number of shares for the purpose of calculating diluted earnings per share	**563,860**	563,698

8. TRADE AND BILLS RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**1,739,087**	1,677,042
Less: Allowance for doubtful debts	**(68,075)**	(110,716)
	1,671,012	1,566,326
Bills receivables	**1,133,598**	1,166,787
	2,804,610	2,733,113

Trade receivables

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

	2016	2015
	HK$'000	*HK$'000*
0 – 3 months	**1,374,642**	1,222,008
4 – 6 months	**226,663**	235,534
Over 6 months	**69,707**	108,784
	1,671,012	1,566,326

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 73% (2015: 70%) 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$1,362,338,000 (2015: HK$1,161,050,000). 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:

	2016	2015
	HK$'000	*HK$'000*
0 - 3 months	**1,139,905**	982,601
4 - 6 months	**218,760**	169,161
Over 6 months	**3,673**	9,288
	1,362,338	1,161,050

FINAL DIVIDEND

The Board recommended a final dividend of HK10 cents in cash per share, payable to shareholders whose names appear on the register of members of the Company on Friday, 16 June 2017. The recommended final dividend for the year ended 31 December 2016, which will be payable on or around Friday, 21 July 2017, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting to be held on Tuesday, 6 June 2017.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Thursday, 1 June 2017 to Tuesday, 6 June 2017 (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 Wednesday, 31 May 2017.

The Hong Kong branch register of members of the Company will be closed from Thursday, 15 June 2017 to Friday, 16 June 2017 (both dates inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. No transfer of shares may be registered on those dates. In order to qualify for the shareholders' entitlement to the proposed final dividend, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's Branch Registrar in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 14 June 2017.

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 2016 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, 21 March 2017

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*