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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 2017

HIGHLIGHTS

Proactively Deepens Business Transformation to Inject Growth Momentum

- Total product sales tonnage excelled again, up 7% to nearly 1.28 million metric tons.
- Revenue up 20% year-on-year to HK$10.3 billion, exceeding the HK$10 billion mark again since 2014.
- Operating profit of solvents business up 16%, reaching a new high to close to HK$400 million, thanks to significant increase of export sales.
- Gross profit of coatings, inks and lubricants businesses under pressure as raw material prices escalated, yet profit attributable to owners still up mildly to HK$171 million.
- The Board recommended the 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 2017 (audited)	For the year ended 31 December 2016 (audited)	% change
Revenue	**HK$10,280,001,000**	HK$8,555,646,000	+20%
Profit attributable to owners of the Company	**HK$170,560,000**	HK$169,343,000	+0.7%
Earnings per share	**HK30.2 cents**	HK30.0 cents	+0.7%
Final dividend	**HK10.0 cents**	HK10.0 cents	–
Dividend for the year	**HK15.0 cents**	HK15.0 cents	–
	As of 31 December 2017	As of 31 December 2016	
Gearing ratio*	**51.1%**	50.4%	+0.7% point

* *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 present to all shareholders the annual results of Yip's Chemical Holdings Limited (the "Company" and, together with its subsidiaries, the "Group") for the year 2017. In the year, due to the potent economies of scale effect and strong sales growth in the solvents business, the Group's sales revenue grew 20% year-on-year to reach the HK$10 billion mark again, a feat that was last accomplished in 2014. Sales volume was also a historical high of almost 1.28 million metric tons, a growth of 7% from the year before. However, profit attributable to owners of the Company could not grow in line with sales and stood at only HK$171 million, a level comparable to that of last year. This was because the performance of the other three core businesses had fallen far short of expectations, and at the same time almost HK$100 million in investments and prudent provisions and accruals were set aside for the installation or revamp of equipment and facilities by the Group's various plants in response to the ever-escalating tightening in safety and environmental standards imposed on the chemical industry in the mainland. In the course of developing its business, the Group continued to uphold the principle of prudent financial management and made sustained efforts in carrying out strict credit controls and improving asset quality. Consequently, even though increase in sales revenue was substantial, gearing ratio only edged up slightly by 0.7 percentage point and was kept at a reasonable and controllable level of 51.1%. The Board of Directors was cautiously optimistic of the Group's business prospects and would continue the Group's long-term dividend policy of actively rewarding shareholders, therefore proposed to declare a final dividend of HK10 cents per share. Together with the paid out interim dividend, the total dividend for the full year was HK15 cents per share, the same as in the previous year. It is my deepest wish that, after balancing the capital need for development and meeting shareholder expectations, we could, in the coming year, break away from the stagnant dividend growth of the past few years.

Review

The overall business environment last year was basically sound. Economies in different regions of the world had, in general, emerged from a slump and demand was revived. Conditions in the mainland were also encouraging as the political situation was stable and efforts in reducing overcapacity and in transforming and upgrading industries had produced significant effects. With internal consumption accounting for an ever-larger share of the GDP, economic growth in the mainland met expected targets under much healthier circumstances. Yet, for the chemical industry as a whole and to the Group specifically, the business environment last year offered more challenges than opportunities. The strict implementation of various new national measures imposed on the industry had heaped a heavy burden on operating costs; raw material prices had been rising relentlessly throughout the year and, for some, the magnitude of such increase had not been seen for many years. Moreover, it was common in the industry that product prices lagged behind the rise of costs, which was difficult to be transferred entirely to customers due to cut-throat competition. Among the Group's core businesses, there were causes for joy, but there were also notes of disappointment; some were struggling because sales had slowed down and gross profit margin had fallen, but there were some which could make full use of opportunities from expanded production capacity to achieve bigger economies of scale and become stronger and more competitive. Such a stark contrast in business performance was a first for the Group; it was a lesson for management at different levels to learn and it served as a reminder to spur us on as well. With determination, we have set the objective that we will turn the situation around within the coming year and convert all challenges into greater opportunities.

Outlook

It is expected that the coming year will be one clouded with a slew of uncertainties, including possible geopolitical shocks in and around the Korean peninsula, the South China Sea and the Taiwan Strait. Also, with escalating American protectionism, the risk of Sino-American trade conflicts taking place has greatly multiplied. However, I believe that even if these scenarios occur, they will not have too much impact on the recovery of the global economy or on the steady and healthy growth of China's economy. In the mid-to long-term, high-level state development initiatives such as the Belt and Road and the Guangdong-Hong Kong-Macau Greater Bay Area will definitely bring new business opportunities to China itself and to all participants. To help seize pre-emptive opportunities, the Group has acquired in early 2018 "Camel" – a coatings brand which was founded 85 years ago and now viewed in high esteem in Hong Kong, Macau and southern China cities. This will also be the spearhead of the Group's quickened efforts in expanding its core businesses in the Greater Bay Area.

The Group's mid-term objective is to achieve a major breakthrough in its business by 2021 when it celebrates the 50th anniversary of its founding and the 30th anniversary of its public listing. To achieve this objective, it will conscientiously implement a series of planned measures and do arduous preparations to lay solid foundation for future success. The coming year will be a pivotal year, and we have already streamlined organisation structures and stepped up decision-making processes at all levels – from the Board of Directors and Senior Leadership Team to management in all subsidiaries. Specifically, in response to changes in the market consumption patterns and in competitors, as well as the state's ever-tightening regulatory control over the industry, the Group has set up a department, through assisting management to review long-term business strategy and exploring merger and acquisition opportunities, to drive expansion or improve current businesses and develop new related businesses, with its sight set on business segments that are environmentally friendly, end-users and services oriented, hence bringing the Group's overall business to a new level.

In conclusion, I am full of determination and expectation on business prospects in the coming year and, as usual, take it upon myself to do my best to create better return for our shareholders. I would like to take this opportunity to extend my heartfelt gratitude to all employees of the Group for their hard work and dedication, to stakeholders for their unfailing support and guidance, to the Board of Directors for its leadership and to the management team for its unity, determination and unremitting efforts on changes.

Note of Appreciation

Mr. Kwong Kwok Chiu has resigned from his duty as an Executive Director of the Company with effect from 1 January 2018 but will continue to serve as General Manager of the inks group. On behalf of the Board, I would like to express our gratitude to Mr. Kwong for his contribution when he served as an Executive Director. We are fully confident that in future, under Mr. Kwong's focused leadership, the inks business will scale new heights.

REPORT OF THE CO-CHIEF EXECUTIVE OFFICERS

Key aspects of the Group's performance for the year ended 31 December 2017 are as follows:

1. Total sales revenue once again broke the HK$10 billion mark to close to HK$10.3 billion. Total product sales tonnage reached a new record high of almost 1.28 million metric tons;

2. The solvents business grew strongly with sales revenue surging by 35%. Gross profit margin maintained at a double-digit level. Operating profit rose substantially by 16%;

3. Hampered by rising raw material prices and lagging product prices, the gross profit margin of the coatings and inks businesses fell by 7 percentage points and 5 percentage points respectively, leading to a corresponding drop of 69% and 45% in operating profit;

4. The lubricants business was likewise trammelled by increases in raw material prices. As the business was still undergoing transformation, sales revenue dropped in concert with gross profit margin, and an operating loss was once again recorded;

5. In the review period, provision for fixed assets' accelerated depreciation was HK$59 million. As the mainland's safety and environmental policies became increasingly stringent, plants of the Group had to invest heavily in revamping facilities and had to make provisions for equipment that would likely be affected;

6. The fair values of investment properties, Yip's Chemical Building and the Qingpu plant in Shanghai, increased by a total of HK$44 million;

7. The totality of the above factors resulted in a net profit of HK$171 million for the Group, which was only up slightly compared with the previous year;

8. Benefited from the foreign exchange control measures adopted last year, fluctuations in the renminbi exchange rate shall no longer have any material impact on the Group's profit or loss in future; and

9. As a result of continued prudent financial management, the gearing ratio was only slightly up by 0.7 percentage point to 51.1% despite a significant increase in operating funds to cater to continuous business development.

The review and outlook of the Group's four business segments are as follows:

Solvents

The hefty increase in sales revenue this year was attributable mainly to the almost doubling in export sales, testifying once again that the quality and overall competitiveness of the solvents business is recognised by domestic and overseas users. As a result of the mainland's ever-tightening safety and environmental policies, many chemical enterprises had invariably seen a cutback or even a partial halt in production. Though we had invested heavily in coping with new requirements, a slight reduction in production capacity was inevitable.

With appreciable volume and profitability, the operating profit of almost HK$400 million for the review year was the highest since the business was founded.

Observing the regulatory trend on safety and environmental issues, the management made prudent planning of the production scales of the Southern and Eastern China plants and decided to make provisions of HK$59 million for the fixed assets affected. As a result, the operating profit for the solvents business could not rise in lockstep with sales revenue.

Having dealt with the safety and environmental regulation issues and the market competition issues, the management is now much more confident with the overall competitiveness of the solvents business. Capacity expansion projects currently planned include:

1. Installing additional production capacity of 450,000 metric tons acetates and 100,000 metric tons butyl acrylate on a previously reserved land lot situated in Taixing plant. The project will commence after the Chinese New Year and is expected to be completed for production by the end of 2018.

2. Working with Jiangmen Municipal People's Government to look for a new plot in a chemical park for developing new products.

3. Exploring mainland harbour sites which are ready for development. This is the first step for possible investment, capacity expansion or diversification into upstream products.

The management believes that, in the next one to two years, sales revenue of the solvents business will grow markedly and, if we pursue the above goals, the business will be propelled to new heights.

Coatings

Supply constraint of raw materials in the mainland has led to price escalation and the prices stayed at a high level throughout the year. As the entire industry is experiencing transformation impacted by 'supply-side reform' and intense competition, cost transfer to the market is to be done delicately. Overall sales revenue was at similar level though gross profit recorded a 24% reduction, leading to a decline of operating profit to HK$8.3 million, a 69% drop year on year.

For the optimization project of supply chain, external consultant has completed its phase one involvement in November 2017, with an early success recorded in structural cost reduction. In complement to internal cost reduction measures, unit operating cost has moved down by 7% in the year, though overall benefit is yet to be realized.

In addition to soaring raw material prices, considerable investment in volatile organic compound ("VOC") treatment facilities would be necessary in coming years to meet ever-tightening environmental standards. The coatings business has already recorded a HK$11 million capex outlay for the installation in our Jinshan plant last year, and is expected to reach HK$24 million when completed. All these challenges posed in the market have also led to potential consolidation opportunities where the Group succeeded in acquiring the coating business and assets of DGL Camel in China (inclusive of Hong Kong and Macau) in early 2018. The Group believes that the acquired brands "Camel" and "Aquapro" would create synergies in such areas as manufacturing, technology, distribution and marketing with current coatings business, bringing positive contribution to the Group.

Inks

Throughout the year, performance of the inks business was hampered by sustained high raw material prices. While sales revenue managed to catch up to close to that of previous year, gross profit recorded a drop of 20% to HK$273 million. Overall operating profit stood at HK$55 million, a 45% reduction year-on-year.

Focus on quality customers was placed with great emphasis amid the continuous high raw material prices; it has led to considerable improvement of the offset ink business in the reporting year. Also, gravure water-based ink gained an early foothold, with total sales tonnage increased by nearly four times and stable supplies to more than 10 clients established. The two initiatives generated positive momentum to the inks business.

Meanwhile, the supply chain optimization project initiated by coatings business will also be gradually implemented in inks business, with the aim to lower operating cost and enhance competitiveness.

As similar challenges of high raw material prices and investment in meeting higher environmental standards also apply to inks business where market consolidation opportunities would appear, the Group would actively look into potential consolidation in the coming year.

Lubricants

Throughout the year, more stringent environmental regulations pushed backyard garages selling relatively lower tier lubricants out of the market. Sales to this traditional segment has recorded a considerable setback in the year. This, in conjunction with the increase of raw material prices and marketing investment into transforming the business, has led to an operating loss of HK$8.4 million for the lubricants business.

Nevertheless, the Group is positive to its future performance given the lubricants business has adopted the correct strategic move to transform its business to selling higher tier Hercules lubricants to different segments in recent years, including reasonable marketing expenses in above and below the line promotion. Lubricants business also made its first step in integrating services with products by setting foot in automobile maintenance market. It opened four automobile maintenance chains to provide fast and standardized lubricant replacement services in Dongguan, the headquarters of the business, by the end of 2017.

Outlook

"Supply-side reform" and more stringent environmental policies would continue to pose challenges in upstream raw material prices and downstream customer demands in the industry. In response to such challenges, the Group is determined to deepen our business transformation by driving quality sales and growth and structurally lowering our cost of operations; we will also grasp consolidation opportunities through initiatives of merger, acquisition and divestment of business with no growth potential.

The Group will, on one hand, devote resources orderly to meet environmental standards while making efforts on the reduction of structural costs at all Group and subsidiary levels. This will secure the Group's position amidst a turbulent competitive environment before it strides forward again. On the other hand, to better pave the foundation for new long-term growth, the Group will make bold attempts to explore and roll out related businesses which are environmentally friendly, end-users oriented and services oriented.

Though the journey would not be a smooth ride, we are confident that with the right strategies and the sense of urgency to turnaround those underperforming businesses earnestly, overall performance would be able to track on a much healthier platform in the years to come.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group's gearing ratio (measured by net bank borrowings as a percentage of equity attributable to owners of the Company) was 51.1% (31 December 2016: 50.4%). The mild 0.7 percentage point increase in gearing ratio was a result of an increase in net bank borrowings of the Group for funding the purchase of its new Hong Kong headquarters in Wan Chai, meeting the need for more working capital to support sales growth and also from the rise in receipts of bankers' acceptances (i.e. bills receivables), offset by the increase in equity attributable to owners due to a 7.8% appreciation of the Renminbi ("RMB") for the year. As mentioned in the interim report, although the RMB continued to appreciate in 2017, the Group had remained prudent in managing foreign exchange exposure and minimised the impact of RMB fluctuation on its results. As for operating cash flow, the Group recorded a net cash inflow of HK$65,583,000 (2016: net cash inflow of HK$376,800,000). The decrease in operating cash inflow was mainly attributable to the stagnant payables and accruals as well as increase in bills receivables (mostly from solvents business which recorded a 35% increase in sales revenue for the year).

As at 31 December 2017, the gross bank borrowings of the Group amounted to HK$2,468,405,000 (31 December 2016: HK$2,246,319,000). After the deduction of short-term bank deposits, bank balances and cash amounted to HK$946,074,000 (31 December 2016: HK$971,103,000), net bank borrowings amounted to HK$1,522,331,000 (31 December 2016: HK$1,275,216,000). Out of the gross bank borrowings, HK$1,208,148,000 (31 December 2016: HK$789,848,000) were short-term loans repayable within one year. Such loans were denominated in two currencies, HK$1,136,214,000 in Hong Kong Dollar and HK$71,934,000 in RMB (31 December 2016: HK$789,848,000 in Hong Kong Dollar). Long-term loans repayable after one year amounted to HK$1,260,257,000 (31 December 2016: HK$1,456,471,000), and they were all denominated in Hong Kong Dollar (31 December 2016: all in Hong Kong Dollar). The short-term bank deposits, bank balances and cash were denominated in the following currencies, HK$72,706,000 in Hong Kong Dollar, HK$720,158,000 in RMB, HK$152,734,000 in US Dollar, HK$476,000 in other currencies (31 December 2016: 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).

To refinance previous mid-to-long-term loans which are due for repayment, the Group obtained bilateral long-term (three to four years) loans of HK$710,000,000 in 2017. As at 31 December 2017, mid-to long-term loans (including portions repayable within one year of HK$852,214,000) accounted for 86% of the total bank loans. Since some of the borrowings of the Group carry interest at floating rates, borrowing costs are subject to interest rate fluctuation. During the year, the US Federal Reserve raised federal interest rate three times and started to reduce its balance sheet. The one-month Hong Kong Dollar HIBOR rate during the year was thus more volatile and went on a rising trend. To mitigate the impact of interest rate fluctuation on the Group's financing costs, the Group, from time to time, makes arrangements with banks such as interest rate swaps to fix the interest rate of some of its bilateral mid-to-long-term loans and to hedge against the risk of such fluctuations. As at 31 December 2017, the Group's loans under fixed rate arrangement made up 50% and 56% of its total and non-current bank borrowings respectively.

As at 31 December 2017, a total of 19 banks in Hong Kong and Mainland China granted banking facilities of HK$5,775,096,000 to the Group, providing it with sufficient funds to meet present working capital and expansion requirements. Of these banking facilities, 64%, 34% and 2% were denominated in Hong Kong Dollar, RMB and US Dollar respectively. As explained in previous reports, the Group has been expanding its RMB loan portfolio to address exposure to potential RMB exchange rate fluctuation and impact from interest rate rise in Hong Kong. As at 31 December 2017, the Group's RMB revolving loan facilities increased to RMB620,000,000 (31 December 2016: RMB570,000,000) and several drawdowns in the total amount of RMB60,000,000 had been made. Expecting fluctuation of RMB exchange rate to prevail in the future, the Group has reduced its surplus fund in the mainland and increased its RMB revolving loan facilities to meet funding needs from time to time. The Group also works closely with its major banks to set up cross-border RMB cash pool to facilitate management of capital flow between Hong Kong and the mainland. The Group will continue to strike an optimal balance between lowering borrowing costs and minimising currency exposure by structuring a favorable combination of Hong Kong Dollar, US Dollar, RMB or other foreign currency bank loans in Hong Kong and the mainland.

HUMAN RESOURCES

As of 31 December 2017, the Group has total number of 3,505 employees. 72 employees are from Hong Kong while 3,433 are from different provinces in China.

The Group places great emphasis on the management and development of human capital. The employees are encouraged to strive for improvement through internal and external training program, on-the-job training and participation in the Group's educational subsidies, allowing for self-development in knowledge and skills and to maximize their potential in their work. We offer suitable platform for development of highly committed and capable employees, regardless of their background, geographical region or educational levels. Through versatile experience in challenging roles, the current management team of the Group has come through the ranks to advance to positions of management. Besides the focus of developing employees internally, the Group seeks not only to attract talent from outside but also to recruit top graduates from the best tertiary institutions in Hong Kong, Mainland China, and abroad as well as to 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 excellent 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 and reward policy so as to ensure reasonable and competitive compensation and benefits. These include basic salary and results and individual performance-based bonus to attract and retain talents.

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

During the year ended 31 December 2017, 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 2017 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 the relationship between the Group and its external auditors. An Audit Committee meeting was held on 16 March 2018 to review the Group's audited consolidated financial statements for the year ended 31 December 2017. 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 2017.

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 2017, together with comparative figures of last year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016
	NOTES	***HK$'000***	*HK$'000*
Revenue	*2*	**10,280,001**	8,555,646
Cost of sales		**(8,739,490)**	(6,967,660)
Gross profit		**1,540,511**	1,587,986
Other income		**55,316**	61,234
Other gains and losses	*3*	**18,218**	(50,004)
Selling and distribution expenses		**(422,161)**	(421,390)
General and administrative expenses		**(744,660)**	(726,439)
Finance costs		**(56,269)**	(59,475)
Profit before taxation	*4*	**390,955**	391,912
Taxation	*5*	**(136,269)**	(148,744)
Profit for the year		**254,686**	243,168
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**350,697**	(259,436)
Revaluation of property, plant and equipment upon transfer to investment property			
– Surplus on revaluation		**31,702**	77,487
– Deferred taxation		**–**	(29,839)
		382,399	(211,788)

	NOTE	2017 HK$'000	2016 HK$'000
Items that may be reclassified subsequently to profit or loss:			
Fair value change on hedging instruments in cash flow hedge			
– Interest rate swap contracts		**(1,379)**	14,303
– Forward contracts		**88**	(88)
Exchange differences arising on translation of foreign operations		**24,443**	(12,803)
		23,152	1,412
Other comprehensive income (expense) for the year		**405,551**	(210,376)
Total comprehensive income for the year		**660,237**	32,792
Profit for the year attributable to:			
Owners of the Company		**170,560**	169,343
Non-controlling interests		**84,126**	73,825
		254,686	243,168
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**534,100**	(11,842)
Non-controlling interests		**126,137**	44,634
		660,237	32,792
Earnings per share	7		
– Basic		**HK30.2 cents**	HK30.0 cents
– Diluted		**HK30.2 cents**	HK30.0 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	**2017** **HK$'000**	2016 *HK$'000*
Non-current assets			
Property, plant and equipment		**1,688,920**	1,597,930
Prepaid lease payments		**261,017**	248,805
Investment properties		**332,771**	226,330
Available-for-sale investment		**3,992**	–
Goodwill		**69,574**	69,574
Intangible assets		**488**	1,217
Deposits paid for acquisition of property, plant and equipment		**31,865**	36,089
Other non-current asset		**4,600**	4,600
Derivative financial instruments		**3,449**	4,468
		2,396,676	2,189,013
Current assets			
Inventories		**914,032**	808,203
Trade and bills receivables	*8*	**3,444,933**	2,804,610
Other debtors and prepayments		**352,994**	353,591
Prepaid lease payments		**7,179**	6,684
Derivative financial instruments		**3,592**	4,152
Short-term bank deposits – with original maturity within three months		**57,723**	49,175
Bank balances and cash		**888,351**	921,928
		5,668,804	4,948,343
Non-current assets held for sale		**2,666**	–
		5,671,470	4,948,343
Current liabilities			
Creditors and accrued charges	*9*	**1,917,464**	1,771,877
Taxation payables		**88,720**	72,002
Derivative financial instruments		**68**	311
Borrowings – amount due within one year		**1,208,148**	789,848
		3,214,400	2,634,038
Net current assets		**2,457,070**	2,314,305
Total assets less current liabilities		**4,853,746**	4,503,318

	2017	2016
	HK$'000	*HK$'000*
Non-current liabilities		
Derivative financial instruments	**2**	47
Borrowings – amount due after one year	**1,260,257**	1,456,471
Deferred tax liabilities	**42,309**	41,812
	1,302,568	1,498,330
	3,551,178	3,004,988
Capital and reserves		
Share capital	**56,389**	56,381
Reserves	**2,922,528**	2,472,868
Equity attributable to owners of the Company	**2,978,917**	2,529,249
Non-controlling interests	**572,261**	475,739
	3,551,178	3,004,988

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Net cash from operating activities	**65,583**	376,800
Net cash used in investing activities		
Purchase of property, plant and equipment	**(145,383)**	(42,005)
Deposits paid for acquisition of property, plant and equipment	**(35,522)**	(55,192)
Purchase of investment properties	**(17,961)**	–
Purchase of available-for-sale investment	**(5,753)**	–
Interest received	**9,478**	18,511
Proceeds from disposal of property, plant and equipment and land use rights	**1,003**	3,229
Placement of short-term bank deposits with original maturity more than three months	**–**	(100,000)
Withdrawal of short-term bank deposits with original maturity more than three months	**–**	124,363
	(194,138)	(51,094)
Net cash from (used in) financing activities		
Repayment of borrowings	**(1,158,102)**	(2,749,751)
Interest paid	**(56,269)**	(59,475)
Dividends paid	**(84,583)**	(53,563)
Dividends paid to non-controlling shareholders of subsidiaries	**(29,615)**	(18,635)
Share issue cost paid	**(1)**	–
Borrowings raised	**1,380,188**	2,220,907
Proceeds from issue of shares	**152**	195
	51,770	(660,322)
Net decrease in cash and cash equivalents	**(76,785)**	(334,616)
Cash and cash equivalents at beginning of the year	**971,103**	1,349,905
Effect of foreign exchange rate changes	**51,756**	(44,186)
Cash and cash equivalents at end of the year	**946,074**	971,103
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**888,351**	921,928
Short-term bank deposits with original maturity within three months	**57,723**	49,175
	946,074	971,103

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. APPLICATION OF NEW AND REVISED 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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described below, 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 and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 "Disclosure initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised 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]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]

Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
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 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

[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 2021*

2. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue 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 or loss represents the profit earned or loss incurred for the year 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 finance costs. 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 revenue 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 2017							
Segment revenue							
External sales	**6,935,222**	**1,642,351**	**1,409,261**	**293,167**	**10,280,001**	**–**	**10,280,001**
Inter-segment sales	**111,656**	**7,275**	**477**	**60**	**119,468**	**(119,468)**	**–**
Total	**7,046,878**	**1,649,626**	**1,409,738**	**293,227**	**10,399,469**	**(119,468)**	**10,280,001**
Results							
Segment results	**393,338**	**8,291**	**54,984**	**(8,405)**	**448,208**	**(197)**	**448,011**
Gain on fair value change of investment properties *(note 3)*							**44,079**
Unallocated income							**22,974**
Unallocated expenses							**(67,840)**
Finance costs							**(56,269)**
Profit before taxation							**390,955**
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							26,143
Unallocated expenses							(47,500)
Finance costs							(59,475)
Profit before taxation							391,912

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:

	2017	2016
	HK$'000	*HK$'000*
Exchange loss arising from a foreign currency bank loan *(Note (i) and note 2)*	–	(10,583)
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
Sub-total	–	(897)
Net exchange gain (loss) arising from other foreign currency balances and transactions	**2,193**	(17,167)
Allowance for bad and doubtful debts *(Note (ii))*	**(18,305)**	(21,718)
Amount recovered from doubtful debts *(Note (ii))*	**709**	5,017
Impairment loss on available-for-sale investment	**(1,971)**	–
Net loss on disposal/written off of property, plant and equipment and land use rights	**(8,487)**	(20,364)
Gain on fair value change of investment properties *(note 2)*	**44,079**	5,125
	18,218	(50,004)

Notes:

(i) In April 2013, the Group raised a 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. During the year ended 31 December 2016, the bank loan in AUD was fully repaid and the cross currency swap contract was expired.

(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

	2017	2016
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**740**	1,203
Auditor's remuneration	**3,830**	4,250
Allowance for slow moving inventories	**11,061**	12,934
Cost of inventories recognised as an expense	**8,739,490**	6,967,660
Depreciation of property, plant and equipment	**198,615**	136,946
Less: capitalised in inventories	**(100,215)**	(94,789)
	98,400	42,157
Operating lease payments in respect of rented premises	**19,881**	22,030
Release of prepaid lease payments	**6,903**	5,718
Staff costs, including directors' remuneration	**629,518**	667,897
Less: capitalised in inventories	**(214,530)**	(215,267)
	414,988	452,630
and after crediting (included in other income):		
Interest income	**9,478**	18,511
Government grants recognised	**15,794**	20,802
Rental income	**13,867**	4,829

5. TAXATION

	2017	2016
	HK$'000	*HK$'000*
Current tax – the People's Republic of China (the "PRC")		
Current year	**108,724**	106,469
Withholding tax	**29,273**	36,616
	137,997	143,085
Deferred taxation		
Hong Kong	**(1,060)**	575
PRC	**(668)**	5,084
	(1,728)	5,659
	136,269	148,744

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 the PRC is 25% from 1 January 2008 onwards.

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

The withholding tax represented taxation recognised in respect of the dividends to be distributed from profits earned by certain subsidiaries in the PRC starting from 1 January 2008 under the Implementation Regulation of the EIT Law of the PRC that requires withholding tax with tax rate ranging from 5% to 10% upon the distribution of such profits to the shareholders. During the year, the Group recognised the withholding tax amounting HK$18,625,000 (2016: nil) in respect of the gain on transfer of a subsidiary in the PRC with tax rate of 10% under the EIT Law.

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

6. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Interim dividend for 2017 of HK5.0 cents (2016: HK5.0 cents) per share	**28,194**	28,191
Final dividend for 2016 of HK10.0 cents per share	**56,389**	–
Special dividend for 2015 of HK4.5 cents per share	**–**	25,372
	84,583	53,563

A dividend equivalent to HK10.0 cents per share totalling not less than HK$56,389,000, in respect of the year ended 31 December 2017 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:

	2017	2016
	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	**170,560**	169,343

	Number of shares	
	'000	*'000*
Weighted average number of shares for the purpose of calculating basic earnings per share	**563,874**	563,810
Effect of dilutive potential ordinary shares:		
Share options	**59**	50
Weighted average number of shares for the purpose of calculating diluted earnings per share	**563,933**	563,860

8. TRADE AND BILLS RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**1,859,588**	1,739,087
Less: Allowance for doubtful debts	**(73,564)**	(68,075)
	1,786,024	1,671,012
Bills receivables	**1,658,909**	1,133,598
	3,444,933	2,804,610

Trade receivables

An aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 – 3 months	**1,479,359**	1,374,642
4 – 6 months	**241,779**	226,663
Over 6 months	**64,886**	69,707
	1,786,024	1,671,012

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 78% (2016: 73%) 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 twelve 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$1,483,112,000 (2016: HK$1,362,338,000). Remaining balances mainly consist of receipts in advance from customers, payables of staff salaries and benefits, sales commission, payable of 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:

	2017	2016
	HK$'000	*HK$'000*
0 – 3 months	**1,171,286**	1,139,905
4 – 6 months	**295,793**	218,760
Over 6 months	**16,033**	3,673
	1,483,112	1,362,338

FINAL DIVIDEND

The Board of Directors 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, 15 June 2018. The recommended final dividend for the year ended 31 December 2017, which will be payable on or around Friday, 20 July 2018, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting to be held on Tuesday, 5 June 2018.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Thursday, 31 May 2018 to Tuesday, 5 June 2018 (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, 30 May 2018.

The Hong Kong branch register of members of the Company will be closed from Thursday, 14 June 2018 to Friday, 15 June 2018 (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, 13 June 2018.

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 2017 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 2018

As at the date of this announcement, the Board of Directors 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)*

* *Independent non-executive Directors*