

[For Immediate Release]

## Yip's Chemical Announces 2008/09 Interim Results Turnover Up 31% to HK\$3,084,885,000

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### Cash Flow Remained Strong Poised to Capture Increasing Business Opportunities

#### Results Highlights

	For the six months ended 30 September		
	2008/ 09 (HK\$ '000)	2007/ 08 (HK\$'000)	Change
<b>Turnover</b>	<b>3,084,885</b>	2,350,385	+31%
<b>Net Profit Attributable to Equity Holders</b>	<b>157,952</b>	155,383	+2%
<b>Basic Earnings Per Share*</b>	<b>HK29.7 cents</b>	HK32.1 cents	-7%
<b>Gearing Ratio<sup>#</sup></b>	<b>1%</b>	10%	-9 points

\* Based on weighted average of 532,606,000 shares for 1HFY2008/09 and 484,256,000 shares for 1HFY2007/08 as a result of an increased share base from the share placing carried out by the Group in April 2008

<sup>#</sup> Net bank borrowings as a percentage of shareholders' equity

(Hong Kong, 3 December 2008) – **Yip's Chemical Holdings Limited** (HKEx: 0408) ("Yip's Chemical" or the "Group"), one of China's largest manufacturers of petrochemical products, today announced its interim results for the six months ended 30 September 2008 ("period under review").

During the period under review, the Group made HK\$3,084,885,000 in turnover, a 31% increase when compared with the same period last year. Net profit attributable to equity holders amounted to HK\$157,952,000, representing an increase of 2%. Basic earnings per share recorded HK29.7 cents (1HFY2007/08: HK32.1 cents). The Board recommends payment of an interim dividend of HK8 cents per share (1HFY2007/08: HK10.0 cents). The Group maintained a strong financial position with strong cash flow. Its gearing ratio descended to a low level of 1% and it had cash and cash equivalent in the amount of HK\$475,889,000. In April 2008, the Group successfully raised approximately HK\$268,000,000 through the placing of shares.

**Mr. Tony Ip, Chairman of Yip's Chemical**, said, "The global financial downturn and external factors including the credit crunch, decreasing demand, surge in raw material prices, appreciation of the Renminbi and increasing operating costs have brought challenges to the Group. Despite the tough business environment, the Group achieved good results with turnover growth exceeding forecast."

## **Business Review**

### Solvents

The division recorded continued growth in the first half of the year, with turnover reaching record high at HK\$1,902,163,000, 40% increase than the previous corresponding period. This was mainly attributable to the business' competitive advantage in economies of scale; the Group's production capacity of raw solvents in Southern China has reached 310,000 tonnes a year. The division recorded an operating profit of HK\$143,438,000, representing an increase of 6% against the same period last year. The earning's growth did not keep pace with turnover's growth due to : (1) Taixing Jinjiang Chemical Industry Co., Ltd ("Taixing Jinjiang"), which was acquired by the Group in February this year, did not perform as well as expected because of a temporary loss of competitiveness in its tapioca-based ethanol production; (2) raw solvents business included more lower-priced exports, resulting in lower average profits; and (3) oil price stayed hefty during the period pushing up commodity prices, especially coal, and led to the rise in production cost of raw solvents.

To boost economies of scale so as to overcome challenges in the difficult business environment, the Group will continue to plan with prudence the 120,000 tonnes acetate production expansion project at Taixing Jinjiang. The project will not only integrate vertically with the existing production - ethanol, but will also allows the Group to prepare for expanding into the raw solvents market in Eastern China. This will poise the Group to become the world's largest acetate solvents producer.

### Coatings

Turnover of the division was up 22% to HK\$1,063,686,000 with the support of an enlarged distribution network for architectural coatings, as well as stronger brand promotions and marketing. Together with improved core competitiveness, the Group was able to grow industrial coatings business in the Pearl River Delta region, and achieved satisfactory growth for the business outside Guangdong province. Furthermore, the digital electronic coatings business, which was acquired in May and integrated into the operation of the Group, has started to generate profits.

The division reported operating profit of HK\$64,144,000, 9% lower than in the same period last year, as a result of record high oil price pushing up costs of major raw materials and in turn squeezing gross profit of its products. In addition, sales in Eastern and Northern China were affected and transportation costs rose during the Beijing Olympics in August, and increased investment of resources into brand promotion also added cost.

According to the development plan of the Group, the new plant in Tungxiang, Eastern China will start production in early next year as scheduled. By then, the production capacity of the coatings business will reach 230,000 tonnes a year and thus providing an excellent platform for serving the electronics and furniture coatings markets in Eastern China. Also, the Group will continue to put more resources into brand building and consolidating its distribution network in second-tier and third-tier cities to capture the opportunities presented by expanding domestic demand in China.

### Lubricants

During the period under review, the division continued to operate in challenging conditions. However, despite the shortage in supply of raw materials, high material prices, intense competition in the market, turnover of the division increased by 30% to HK\$154,214,000, and operating profit grew substantially by 3.8 times to HK\$7,502,000. The restructured division reported satisfactory growth for specialty lubricants, automotive lubricants and OEM processing business, with improvement in overall profit margins made possible by cost and selling price adjustments.

Aligning with changes in the industrial sector in Southern China, the Group has been making relevant deployment to grow its special lubricants business in the Eastern and Northern China markets. For the automotive lubricants business, the Group has consolidated its sales network in second-tier and third-tier cities, began to penetrate the anti-freeze fluid market in Northern China and to actively develop and introduce new products to meet market demands. In July this year, the Group and Shanghai Maple Automobile Limited collaborated in developing lubricant for methanol-powered vehicles. As methanol vehicles become more and more popular, the Group expects the new lubricant business to become a growth driver for the division.

Affected by the financial turmoil and the consolidating automotive sector in China, market demand for lubricants in the second half-year is expected to slow down. Lower demand plus intense competition may post pressure on the cost and sales of the lubricants business in the short to medium term. The Group will continue to strengthen the synergies created by the business restructuring and grow the different product streams in accordance with their market positioning. These moves will allow the Group to seize opportunities arising in the market after consolidation.

### **Prospects**

Although the global economy is facing credit crunch and weak consumption, and the possible threat of a looming recession, the Group believes that, in the mid to longer term, the Chinese economy will continue to develop steadily. With its roots firmly set in China, and its core products closely related to China's economic development, the Group is confident of the long-term prospects of its businesses.

Looking ahead, **Mr. Ip** concluded, "The Group will exercise greater prudence in mapping out expansion strategy. It will seek to consolidate businesses that had seen rapid growth in the past few years with improving quality and maintaining a strong cash flow at the same time. The Group will step up and hasten efforts in boosting economies of scale and branding to be prepared to tap more opportunities."

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### **About Yip's Chemical Holdings Limited (SEHK : 0408)**

Yip's Chemical Holdings Limited, formerly known as Hang Cheung Hong, was established in 1971 and listed on the Hong Kong Stock Exchange in 1991. The Group focuses on the production and sale of petrochemical products. Its three core businesses are solvents, coatings and lubricants. It is one of China's largest manufacturers of petrochemical products, and the third and largest manufacturer of acetate solvents in the world and in China respectively. The Group is headquartered in Hong Kong, with 18 manufacturing plants across China, a huge sales network covering every major Chinese province and city, and a total staff of 4,300. Brands operated under the Group include the "Bauhinia" for paints, "Bauhinia Variegata" for inks, "Galaxxo" for specialty varnishes, "Da Chang" for resins, "Ad-Coat" for electronic insulating coatings, "Pak Lam Choice" for digital electronic coatings, "Hercules" for lubricants and "Pacoil" for specialty lubricants. In 2008, the Group was named the "Best Mid-Cap" in Hong Kong by FinanceAsia's Best Managed Companies Poll 2008. It was also awarded "Corporate Governance Excellence" by The Chamber of the Hong Kong Listed Companies. These recognition acknowledged the company's excellent corporate strategy and business management.

Company Website : [www.yipschemical.com](http://www.yipschemical.com)

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