葉氏化工 YIP'S CHEMICAL

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For Immediate Release

Yip's Chemical Announces 2008/09 Annual Results

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Tap Growing Domestic Demand in China Through Competitive Advantages in Economy of Scale and Investments in Brand

<u>Results and Business Highlights</u>

	For the year ended 31 March		
	2008/ 09 (HK$ '000)	2007/ 08 (HK$'000)	Change
Turnover	**5,089,931**	4,648,386	+9%
Net Profit Attributable to Equity Holders	**224,228**	275,183	-19%
Basic Earnings Per Share	**HK 41.9 cents**	HK 56.7 cents	-26%
Final Dividend Per Share	**HK 17 cents**	HK 15 cents	+13%
Total Dividend Per Share	**HK 25 cents**	HK 25 cents	-
Dividend Payout Ratio	**60%**	44%	+16 points
Net Cash Position	**369,131**	Net Borrowing 156,458 (Gearing Ratio: 10%)	-

- Total annual output capacity of acetate solvents will reach over 430,000 tonnes upon commencement of new production line in Taixing Jinjiang in FY2009, making the Group the world's largest acetate solvents producer
- With the production of inks moving to new plant in Tungxiang, new production lines for household paints are being added to the original plant in Shanghai to meet the expanded demands in Eastern and Northern China
- Continue the Group's dual business pursuits focusing on solvents and coatings businesses, and further grow the proportion of overall business in China to tap the increasing domestic demand

(Hong Kong, 2 July 2009) – **Yip's Chemical Holdings Limited** (HKEx: 0408) ("Yip's Chemical" or the "Group"), one of the largest manufacturers of petrochemical products in China, today announced its 2008/09 annual results for the year ended 31 March 2009.

During the year under review, turnover of the Group reached another record high at HK$5,089,931,000, representing a year-on-year growth of 9%. Hit by the economic downturn in the second half year, businesses had a brief setback in the third quarter. As a result, net profit attributable to equity holders for the year was down by 19% to HK$224,228,000. Basic earnings per share were HK 41.9 cents (FY2007/08: HK 56.7 cents). The Board recommends payment of a final dividend of HK 17 cents per share which, together with the interim dividend of HK 8 cents already issued, brings the total dividend for the year to HK 25 cents per share (FY2007/08: HK 25 cents), representing a dividend payout ratio of 60% (FY2007/08: 44%). The payout this year is the highest in recent years. The Group maintained a strong financial position with ample cashflow. It had net cash of HK$369,131,000 in banks as at the end of the year under review (FY2007/08: Net borrowing HK$156,458,000 with gearing ratio of 10%).

Mr. Tony Ip, Chairman of Yip's Chemical, said, "The extent of the impact of the financial tsunami on the global economy during the third quarter of the last financial year was hitherto unseen. Operating under such dire economic conditions, the Group's business results were inevitably affected. However, the Group took timely and decisive measures to deal with the challenges, including effective control on capital expenditure, reduction of receivables and inventories, expansion of the businesses which cater to China's domestic demand and increasing investments in brand building, all of which led to an improvement of the quality of our earnings. After a most difficult third quarter, the Group's overall core businesses have basically returned to normal. Even though the Group's profits showed a temporary reversal, our turnover continued to climb and we were able to maintain a very strong positive cash flow. At the same time, the new management structure the Group implemented last year is now functioning seamlessly. This will continue to raise our standards of corporate governance and set a firm foundation for the long term healthy development of the enterprise."

Business Review

Solvents

With the Group having ample cash flow, stable supply of raw materials and economy of scale advantages, the solvents division was able to make record high turnover reaching HK$2,976,563,000, a 8% leap against the previous year, amid the difficult economic situation. Operating profits, however, was down by 15% to HK$212,682,000. In the first half of the review year, both raw solvents and mixed solvents benefitted from strong demand and the sustained growth of the coatings sector, but due to increases in raw materials and operating costs, profits only showed a slight increase. In the second half, as a result of the financial turmoil, demand weakened and prices of chemicals raw materials fell significantly, the solvents business had a brief setback in the third quarter due to inventory loss. Although the situation has been rectified and the business has basically returned to normal during the fourth quarter, the business nevertheless recorded a slight reduction in operating profit.

The business of Taixing Jinjiang Chemical Industry Co., Ltd. ("Taixing Jinjiang"), which was acquired by the Group last year, benefited from a favorable change in the relative prices of tapioca to corn, allowing the business of ethanol production to return to profitability while increasing the attractiveness of solvents production in Taixing Jinjiang.

To grow the Eastern China market and boost its vertically integrated operation and economy of scale, the Group is investing HK$70 million to build a 120,000-tonne acetate solvents production line in Taixing Jinjiang, which is expected to commence operation in FY2009. By then, the total output capacity for acetate solvents of the Group will reach more than 430,000 tonnes a year, making the Group the world's largest acetate solvents producer. Meanwhile, the Group's capacities for mixed solvents are expected to be able to satisfy requirements in the foreseeable future. The Group will continue to endeavour to optimize formulations and to reduce the costs of mixed solvents through sustained R&D efforts, with a view to enhancing margins in this business. The Group is also actively expanding its markets from the Pearl River Delta to cover the Yangtze River Delta as well as the Baohai Basin and the northwestern hinterlands.

Coatings

The business recorded steady growth in the past year with turnover and profits reaching HK$1,852,881,000 and HK$128,112,000, representing growth of 11% and 3% respectively. The measures taken by the Group to achieve overall steady growth for the segment in the difficult market environment included: (1) allocate more resources into brand promotion and expand the distribution network for household paints; (2) focus on developing the domestic markets in including Eastern and Northwestern China for household and industrial paints; and (3) adopt a more prudent credit management policy to effectively control credit risks.

With China taking effective steps to stimulate domestic demand, China's economy is expected to be one of the first to recover. To meet the needs of long-term business development, the 6-hectare Tungxiang plant has completed construction in May this year, which provides a good production base for the Group's inks and industrial paints business to further expand in Eastern China. With the production of inks moving to new plant, new production lines for household paints are being added to the original plant in Shanghai to further increase production capacity for decorative paints to meet the expanded demands in Eastern and Northwestern China.

The Group has full confidence in the prospects for its coatings business. It will direct more resources by the year into brand promotion, speed up work in relation to launch of a new brand image and actively expand the distribution networks in second and third tier cities, with the goal of putting its name among the leading brands in China within the next three years.

<u>Lubricants</u>

During the period under review, lubricants business faced an even more difficult business environment than before. Although turnover of the business increased by 4% to HK$257,446,000, the segment recorded an operation loss of HK$7,284,000 (FY2007/08 operating profit: HK$9,493,000), reflecting the adverse impact of the financial crisis in the second half year.

Sales of industrial specialty lubricants were affected by the shrinking demand for export in South China. As for automotive lubricants, sales were also affected by weakened demand and cut-throat price competition, and burden with high-cost inventory while the price of base oil declined in the second half year, the margin of the business was squeezed. The segment thus reported decline in turnover and margins in the second half.

The outlook for the operating environment remains daunting. Raw material prices have turned higher along with oil prices, but demand in the lubricants market, especially for industrial lubricants, has yet showed no signs of recovery. In the immediate future, the business is expected to continue to face cost and competition pressures. However, the Group will stay with the laid-out strategy to continue to restructure the business to consolidate the gains from synergy between automotive and industrial lubricants businesses. For automotive lubricants, the emphasis will be on building the distribution outlets for the second and third tier cities and towns and to expand the market for anti-freeze in North China. For industrial lubricants, the challenge will be to accelerate market development in Eastern and Northern China, with the goal of overcoming adversity and reverting once again to profitability through consolidation and faster market development.

Mr. Ip concluded, "Looking ahead, the Group anticipates that in the aftermath of the financial tsunami, the global economy will take time to heal, while demand in Europe and North America will continue to be weak in the days ahead. However, the Chinese Government is continuing to pursue effective policies to expand domestic demand, hence it is expected to achieve steady economic growth. In light of this, we will strive to grow the proportion of our overall business in China from the current level of 90% to even higher levels. We have also laid out long term development strategies for further growing both the scale and brand value of our core businesses. With China's continued economic development all but certain, time will provide the proof that Yip's will continue to grow and bring rich returns to our shareholders."

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

Yip's Chemical Holdings Limited ("Yip's Chemical), 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 17 manufacturing plants across China and a nation-wide sales network covering every major Chinese province and city. 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. Since 2008, the Group has made prominent rankings in the FinanceAsia's Best Managed Companies Poll – Hong Kong for two consecutive years, and was named the "Best Mid-Cap" in 2008.

Yip's Chemical is a constituent stock in the MSCI (Morgan Stanley Capital Investment) China Small Cap Index Series. For more information, please visit www.yipschemical.com

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